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State of Florida
Office of Program Policy Analysis and
Government Accountability (OPPAGA)
People First Assessment
Final Report

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State of Florida OPPAGA People First Assessment

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About EquaTerra

EquaTerra (www.EquaTerra.com) is focused solely on providing global organizations and corporations with outsourcing and in-sourcing advisory, research and governance services that enable them to achieve services delivery excellence for their administrative processes. EquaTerra's advisors average more than 20 years of industry, service provider and process experience with functional leadership in Finance & Accounting, HR, IT and Procurement, and have been involved in over 600 global business transformation, outsourcing and outsourcing management projects.

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State of Florida OPPAGA People First Assessment Final Report

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I. Executive Summary

The State of Florida contracted with Convergys, a commercial firm (Stock Ticker: CVG), in 2002 to build and support a human resources management system (HRMS), including a personnel information system, and provide a variety of human resources (HR) services such as payroll preparation, time and attendance, recruitment and staffing, benefits administration and reporting. The resulting system and services, known as People First, provide HR services to approximately 230,000 State employees and retirees. In August 2011, the State of Florida's contract with Convergys, the service provider for the People First system, will expire.

The State of Florida is one of only two States (Texas being the other) to ever pursue and execute an outsourcing of this size and scope for HR services. While HR outsourcing is a common practice in the private sector, in many ways the State of Florida acted as a pioneer in introducing HR outsourcing within government.

With expiration of the contract less than three years in the future, the State now faces the challenge of determining the best path forward against the backdrop that over 200,000 current and past State employees currently depend on People First for essential services. At the direction of the State of Florida's Legislature, the Office of Program Policy Analysis and Government Accountability (OPPAGA) contracted with EquaTerra to conduct an analysis of People First, identify and evaluate potential options for moving forward, and provide a recommendation on the most viable path forward in the context of the current contract's expiration set for August 2011.

EquaTerra, Inc. (www.equaterra.com) is an advisory firm focusing on assisting global organizations, both private and public sector, in achieving service delivery excellence within their administrative processes. EquaTerra utilized a proven methodology including extensive data collection and interviews with key stakeholders and People First users. EquaTerra commenced the project work in September, 2008 and spent significant time on-site at the Department of Management Services (DMS). The team also conducted site visits to both People First service centers (Tallahassee and Jacksonville, FL).

We are recommending the following two alternatives which are more fully explained in this executive summary and in our detailed report:

- **Outsourcing 1** - Continue contract with Convergys through renegotiation (all currently outsourced components remain outsourced).
- **Blended 8** - Retain People First but contract with a new provider to host the system. New provider assumes all responsibilities and services provided by Convergys in terms of the technology platform and system. Bring some outsourced components (service centers) back in-house.

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Recommendations

EquaTerra considered nine post contract options. As documented in our detailed final project report, we narrowed our People First assessment to what we believe to be the most viable alternatives available to the State of Florida based upon a broad set of evaluation criteria.

Figure 1. Summary of Viable Options – Recommended options are shaded.

Option	Timeframe to Implement	Cost Reduction – FY 2010 to 2016	Cost Reduction in FY 2010	Investment Required	Median Savings	Risk Assessment
Outsourcing 1 - Continue contract with Convergys through renegotiation (all currently outsourced components remain outsourced).	Six months to one year	\$24 million to \$40 million based upon a PEPY cost of \$270	\$3.5 million to \$5.8 million	\$750K to \$1.3 million	\$31.2 million	Low to medium
Outsourcing 3 - Contract with a new provider and replace People First with a new system. New provider assumes all responsibilities and services provided by Convergys based on new system (all currently outsourced components remain outsourced).	Two to three years	\$34.5 million to \$57.5 million based upon a PEPY of \$225	None	\$31.2 million to \$52.1 million	\$4.4 million	Medium to high
Insourcing 6 - Purchase a new system to replace People First and bring all other operations and services in-house (all currently outsourced components are insourced).	Three to four years	\$55.2 million to 92 million based upon a PEPY of \$180	None	\$45.5 million to \$75.8 million	\$13 million	High
Blended 7 - Continue contract with Convergys through renegotiation but bring some outsourced components (service centers) back in-house.	One to two years	\$8.6 million to \$14.4 million based upon a PEPY of \$285	None	\$3 million to \$5 million	\$7.5 million	Low to medium

Figure 1. Summary of Viable Options – Recommended options are shaded. (continued)

Option	Timeframe to Implement	Cost Reduction – FY 2010 to 2016	Cost Reduction in FY 2010	Investment Required	Median Savings	Risk Assessment
Blended 8 - Retain People First but contract with a new provider to host the system. New provider assumes all responsibilities and services provided by Convergys in terms of the technology platform and system. Bring some outsourced components (service centers) back in-house.	Two to three years	\$12.9 million to \$21.6 million base upon a PEPY of \$278	None	\$5.6 million to \$9.4 million	\$9.75 million	Medium

Note: PEPY (per employee per year) is a standard around which charges are typically calculated for delivering human resource services – the state is currently paying approximately \$300 PEPY to Convergys for existing services.

Primary Recommendation: Renegotiate the State’s contract with Convergys and keep all currently outsourced components outsourced. (Referred to elsewhere in the report as the “Outsourcing 1” option).

Based on our detailed analysis, we believe the most viable path of action for the State would be to immediately renegotiate the current contract with Convergys with a goal of executing a new agreement prior to the start of FY 2010. The State’s strategy as it negotiates a new agreement with Convergys could take two paths:

- The strategy could focus almost exclusively around gaining cost reductions and minimizing any additions or changes to the current contract and its amendments. This strategy will limit the scope of the renegotiating process and thus reduce complexity and enable expedited action.
- An alternative strategy would be to utilize the contract renegotiation process as a springboard for adding system enhancements or new services, including learning management and performance management. This strategy will likely lengthen the process and may also reduce the pricing concessions that Convergys will offer the State.

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The detailed rationale for this recommendation is contained in EquaTerra's final project report. At a summary level, we believe this to be the best option open to the State for the following reasons:

- ✓ It requires a very modest upfront investment.
- ✓ It provides a financial return in FY 2010.
- ✓ It permits the State to get a return on the substantial investment it has already made in the People First system and platform.
- ✓ It recognizes the substantial improvements that have been made in recent months in the underlying technology platform and overall service delivery model in addition to what can be expected at the completion of enhancements related to Amendment 10.
- ✓ It recognizes that (in our view) the State is getting fair value from the current contract with Convergys – specifically as relates to the PEPY (per employee per year) cost of services.
- ✓ It recognizes that the underlying technical platform for People First (SAP) is sound and that the infrastructure provided by Convergys would be difficult for the State to replicate.
- ✓ Client-service provider relations, while strained, are not irreconcilable. (A note of caution: Personal issues and animosities need to be put aside. Both parties need to negotiate in good faith.)

We would also recommend that a percentage of the savings achieved through the contract renegotiation be utilized as an investment source (available over the life of the contract) to fund enhancements to the People First system either through changes to the technology or by funding internal staff and external expertise to drive improved service delivery.

Secondary Recommendation: Retain People First, but contract with a new provider to host the system. The new provider would assume all responsibilities and services provided by Convergys in terms of the technology platform and system. Some outsourced components (service centers) could be brought back in-house. (Referred to elsewhere in the report as the “Blended 8” option.)

While the first option (“Outsourcing 1”) is our recommended choice, we also believe that the State must pursue an alternative option should the renegotiation efforts with Convergys not move quickly or in the desired direction. We believe that the best alternative to our primary recommended option would be to adopt the Blended 8 alternative which would move the existing technical platforms (primarily SAP and Authoria) to a new provider and bring the service center components of the current service delivery model back in-house.

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This option would leverage the rights negotiated by DMS in Amendment 10 to utilize existing licenses to the Authoria and SAP core technology solutions that form the foundation of the People First technology platform. We do wish to offer a note of caution here as the nature of the rights conveyed is not clear. We suggest the State gain greater clarity around the rights specifically as they relate to such details as: specific versions of the software, license rights to new functionality that the vendor has released since the agreement was executed, specific costs for acquisition of the rights, ability to negotiate maintenance fees that are competitive to those paid by Convergys, etc.

At a summary level, we believe this option to be an excellent alternative for the State for the following reasons:

- ✓ It permits the State to get a return on the substantial investment that it has already made in the People First system and platform.
- ✓ It recognizes the substantial improvements that have been made in recent months in the underlying technical platform in addition to what can be expected at the completion of enhancements related to Amendment 10.
- ✓ It recognizes that the underlying technical platform for People First (SAP) is sound and that the infrastructure provided by an external provider would be difficult for the State to replicate.
- ✓ The investment required (compared to other options) is relatively low assuming that the costs around executing software transfer rights are reasonable.
- ✓ It would allow the State to move to a technical foundation aligned with current and future HR strategies.
- ✓ Timing of the move could be aligned with the end of the contract with Convergys. Please note: As indicated in earlier paragraphs, we anticipate there will be considerable complexity around the license rights for the existing platform that will need to be resolved during the negotiation process.

General Recommendations

Regardless of the path taken, our analysis has led us to recommend a number of actions that should be taken that are independent of the options selected. These actions include:

- Standardization of the different rules and regulations that govern personnel practices at the State today. As an example, People First must administer varying leave and attendance policies across six distinct personnel systems that exist today within the State, adding considerable complexity to personnel service delivery.

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- Concurrent with standardization or consolidation of personnel systems, moving to standard HR policies and practices across all agencies (and serviced populations). Achieving standardization may require the introduction of new legislation that is responsive to this need in addition to serious compromises within State agencies. If the State is serious about wanting to reduce its administrative expenses, this is the single action that will most drive operational efficiency and effectiveness. The private sector went through this process approximately 10 years ago and the public sector needs to move quickly in the same direction especially given the current economic outlook.
- Moving to standard processes around core functions such as payroll cycles. Again, most private sector organizations eliminated or reduced different pay cycles 10 or more years ago to improve efficiency and prevent errors. Another opportunity in the process area would be to eliminate the separate payroll system in place today and utilize the People First platform to complete the payroll process end-to-end.
- Requiring compliance with core process and systems. As indicated in our detailed analysis, many agencies are not utilizing selected components of the People First platform. This is sometimes due to the absence of required functionality in the core platform but it is often due to a failure on the part of agencies to “make the system work.” People and organizations tend to reject new ways of completing processes in favor of the “old way.” This is prevalent in areas such as time reporting and in many of the core benefit administration processes that exist within the People First service delivery model. We suggest in our final report ways in which the State could assess current compliance and also identify opportunities to improve compliance, promote consistent utilization and eliminate instances where HR work is being completed manually or as a work-around to the People First system.

Immediate Next Steps

We believe that there are four activities that should be initiated as soon as possible:

- Begin renegotiating the contract immediately. The DMS team should develop its strategy for contract renegotiations based on the outline of activities contained in our final report. An early decision will need to be made – by the Administration and the Legislature – regarding the strategy as it relates to any specific requests for additional services and also around a targeted reduction in the current cost of services.
- Develop plans for insourcing the service centers. This effort should focus on developing a high level plan for the primary components of an internal service center including: overall service model, staffing requirements (skill and number), technology requirements, integration with People First, etc.

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- Craft a solicitation for procurement of HRIT-related services. Focus on gaining clarity regarding the transfer of SAP and Authoria licenses to a new provider, coordination around completion of Amendment 10 activities in the context of the procurement, identification of potential providers, etc.
- Identify external legal counsel with expertise in negotiating outsourcing agreements, information technology and HR to assist the State in the renegotiation process.

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II. Introduction and Project Overview

The State of Florida contracted with Convergys, a commercial firm (Stock Ticker: CVG), in 2002 to build and support a human resources management system (HRMS), including a personnel information system, and provide a variety of human resources (HR) services such as payroll preparation, time and attendance, recruitment and staffing, benefits administration and reporting. This contract followed the passage of Senate Bill 2002 in 2001 which provided for the State of Florida's Department of Management Services (DMS) to submit a plan for the outsourcing of HR services. The resulting system and services, known as People First, provide HR services to approximately 230,000 State employees and retirees. The State's contract with Convergys was extended for two years beyond its original seven year term and has been amended 10 times. The State is currently working with Convergys to implement numerous important improvements and enhancements defined in the most recent Amendment 10. In August 2011, the State of Florida's contract with Convergys, the service provider for the People First system, will expire.

The State of Florida is one of only two States (Texas being the other) to ever pursue and execute an outsourcing of this size and scope for HR services. While HR outsourcing is a common practice in the private sector, in many ways the State of Florida acted as a pioneer in introducing HR outsourcing within government.

With expiration of the contract less than three years in the future, the State now faces the challenge of determining the best path forward against the backdrop that over 200,000 State employees currently depend on People First for essential services. Based on the needs of the State of Florida's Legislature, the Office of Program Policy Analysis and Government Accountability (OPPAGA) retained EquaTerra to conduct an analysis of People First, evaluate a set of options for moving forward and provide a recommendation on the most viable path forward in the context of the current contract's expiration set for August 2011.

Amendment 10 to the Convergys contract changed the landscape for People First by providing important clarity on the ownership of intellectual property developed during the agreement. Amendment 10 allows the State to continue to use and modify the People First system at the end of the contract providing that the State acquires the necessary licenses from the software vendor (SAP and others) to utilize the existing technology and that certain other conditions are met. Further, the amendment allows for enhanced transition planning at the end of the contract including items like start/end flexibility, migration services and post transition consulting services. Amendment 10 also

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ensures that the system will continue to be enhanced through a set of defined releases including an upgrade to the SAP platform and improvements around the inter-agency employee transfer process.

It should be noted that the amendment did not come without some sacrifices by the State. Through Amendment 10 the State agreed to eliminate performance management functionality, succession planning, learning management system (LMS), compensation functionality, and document scanning from the contract. In the absence of this functionality, some State agencies are building or looking to purchase individual solutions to meet these needs. For example, the Department of Children and Families built and maintains its own LMS solution.

Amendment 10 affords the State use of some of the intellectual property related to People First and by doing so, opens up new post-contract options for moving forward. EquaTerra evaluated those options along with others identified by OPPAGA and the project team following its assessment to provide the State with thoughtful, evidence-based recommendations on the most viable options and the necessary steps to pursue these options. This final report summarizes EquaTerra's work and findings for this project including recommendations on the most viable option/s for providing an enterprise-wide suite of Web-based HR services for the State of Florida.

III. Methodology & Data Collection

A. Overview of Methodology

Oftentimes, an assessment will review and analyze what has happened within a project to date to identify what went right or wrong, and what lessons can be learned from the overall experience. While one must study the past to understand how the development and implementation of People First contributed to its current state, this assessment was more forward focused in its attempt to understand how the past may impact the State's ability to pursue a specific option in the future.

EquaTerra tailored its methods and tools to meet OPPAGA and the Legislature's specific requirements and to ensure the most valuable and actionable final product possible within the defined timeline. EquaTerra's methodology aligns with three primary phases: Strategy and Assessment, Solution and Implementation, and Operation and Innovation. These three phases make up the process improvement lifecycle and are typical of an organization's journey in transforming its mission-support services. For this project, our work focused on phase one, Strategy and Assessment and, more specifically, an evaluation of People First including an analysis of services and service delivery, staffing, and the functionality and security of its information technology (IT) systems.

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This approach aligns with OPPAGA's requirements for the project and its need for a comprehensive assessment of the current state HR environment at the State of Florida, the identification and evaluation of post contract options, and overall recommendations around pursuing an option. OPPAGA articulated its desire for an analysis to consider the following critical aspects of People First:

- The efficiency and effectiveness of delivered services,
- Analysis of existing staff (within DMS, the service provider and the agencies) in regards to headcount, qualifications/skills, staffing requirements for and ability of staff to support future options, etc., and
- IT functionality, maintenance and security.

In addition to the data collection and analysis efforts described herein, EquaTerra leveraged its proprietary benchmark data and industry market knowledge to complement the overall assessment process.

The project team organized its work around four key stages:

- Stage 1 – Mobilize & Scope
- Stage 2 – Assess People First
- Stage 3 – Evaluate Options and Develop Recommended Strategy
- Stage 4 – Complete Executive Report

EquaTerra kept OPPAGA apprised of its progress and findings throughout the project period through regularly scheduled status calls and periodic e-mail updates. EquaTerra delivered a summary of preliminary findings on November 7, 2008 and an initial draft of this final report on December 3, 2008.

This report represents the final deliverable for this project.

B. Overview of Data Collection

EquaTerra performed a comprehensive three-prong data collection effort focusing on the review of existing research and documentation on People First, interviews with key stakeholders within the People First team, DMS, People First user groups and Convergys, and site visits to the Convergys service centers. Upon completion of data collection activities, the project team then followed up with leaders within the People First team, DMS and People First user groups to validate the data collected and the subsequent findings, to seek clarification on specific issues or questions and to gather remaining critical data points. The project team reviewed all available past research and documentation including OPPAGA reports on People First, the Council for Efficient Government's report on People First, My Florida Marketplace and Project Aspire, user surveys and contract documentation. A complete list of all

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research materials and related documents reviewed during data collection is provided in **Appendix A** of this report.

EquaTerra conducted interviews with three primary groups as part of the data collection effort: leaders and members of the People First team, key personnel within DMS, and representatives from numerous People First user groups, especially within State agencies.

The interview format was dependent on the individual being interviewed. The project team developed two sets of interview questions, one focused on the People First team and key DMS personnel, their roles and responsibilities in supporting People First, etc., and one focused on the experience of People First users. Additional questions were added as needed dependent on the individual's role, responsibilities, and knowledge of People First and the State. Interviews were conducted in person or via conference call and typically lasted between 45 and 90 minutes. All representatives were assured of confidentiality at the start of the interview to promote candid discussion during these sessions.

The project team also conducted site visits of the Convergys service centers in both Jacksonville and Tallahassee and met with Convergys representatives during these visits. Prior to each visit, EquaTerra submitted a brief summary of the project including data collection needs and questions to Convergys representatives. Convergys structured the agendas for these visits which included service center tours, meetings with key Convergys staff, review of materials such as recent performance metrics and open discussions on overall operations and strategy.

C. People First Functionality & Support

General Functionality

People First, the personnel information system and all other components, provides functionality and services related to the following HR areas: personnel transactions, recruiting and staffing, benefits administration, time and attendance, payroll preparation and leave. The following section provides a brief description of People First's overall functionality and services. People First also provides limited functionality for performance management in that employee evaluation information (scores) can be inputted into the system.

Personnel transactions include any routine transaction which requires a Personnel Action Request (PAR), any transaction that can be completed utilizing People First manager self service and any HR activities that touch organizational or personnel management. The PAR process is not consistent from one State agency to the next. Despite People First's effort to eliminate the need for paper PAR forms, some agencies continue to use paper PAR forms. For those agencies still using paper forms, there is not a consistent PAR form across State agencies. The personnel transaction functionality is supported by

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Convergys' Jacksonville service center and for some processes, a State HR representative must contact the service center to complete tasks.

People First's recruiting and staffing functionality includes the creation of a job requisition, posting of a position, creation of an applicant profile, completion of the job application, basic screening and review of applications and notification to applicants. Convergys also handles all communications with and disposition of unselected applicants. The recruiting and staffing functionality is based on the Hire.com/Authoria technology platform. This platform is separate from the primary SAP platform which supports People First. Using People First, applicants can establish a profile, search for positions, apply for a position/submit an application and be notified about open positions (via e-mail notifications generated through People First). Applications received through People First (or via hard copy submission) are screened to develop the qualified list of applicants that is sent to the hiring manager. All recruiting and staffing functionality is supported by Convergys' Jacksonville service center.

Health and welfare benefits information is stored in People First for 230,000+ current and former State employees. Benefits enrollment, qualifying life events and annual elections are all supported through People First employee self service. All benefits administration functionality is supported by Convergys' Tallahassee service center. Most State employees utilize People First self service to complete open enrollment. While some employee groups continue to use paper forms for benefits enrollment, this practice is limited and continues to diminish over time.

People First provides a web-based time sheet that employee's access to enter time. Completed time sheets are routed to Managers for approval (via Manager self service). People First's time and attendance functionality replaced manual paper time sheets for many State employees. Time and attendance functionality is supported by Convergys' Tallahassee service center. Use of People First's time and attendance functionality requires access to a computer and the Internet creating challenges for those agency employees without regular access to computers. To combat this problem, some agencies situated easily accessible, self-service computer kiosks (for example, Veteran's Affairs) while others created timekeeper positions responsible for inputting time and attendance information from paper timesheets into People First on behalf of those employees without self service access (for example, Corrections). Employees that cannot access the web-based time sheet can enter time through the service center integrated voice response (IVR) via telephone (however, it is our understanding the IVR time entry is rarely utilized). Some People First users (such as the Legislature) do not utilize the available time and attendance functionality.

People First provides payroll preparation up to the calculation of gross pay and then transfers this information to the Bureau of State Payrolls. The Bureau of State Payrolls complete pay processing (gross to net) and makes payments. The Bureau of State Payrolls runs a mainframe legacy IBM system for

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payroll which is not integrated with People First. Project Aspire would have replaced this mainframe system but given the failure of that project, the Department of Financial Services (DFS) is now seeking another solution to replace this and other finance systems. Important to note, employees cannot access pay information through People First but utilize another web-based DFS system.

Employee leave information is stored in People First and is accessible to employees online. For employees using separate time and attendance systems, leave information is not accessible through People First.

People First Team (DMS)

The People First team sits within DMS. The team consists of approximately 18 FTEs and has grown significantly in size (from two to 18 FTEs) since the implementation of People First. The team is broken down into four major functional areas: contract management and strategic planning, HR systems design, data warehouse and customer service, and communications and training. Each functional team focuses on ensuring that the People First platform is achieving its desired outcomes and assists in timely resolution of ongoing issues or emerging problems. The People First team is also responsible for the successful execution of the major initiatives outlined in Amendment 10, developing future strategies for People First, and for providing customer support to the agencies (general user support and communications). The People First team develops training materials which are made available for State agency use but has only limited visibility into how these training materials are utilized by State agencies. Further, each State agency is responsible for employees training for People First and there is no consistent approach to this training from one agency to the next or across the entire individual agency.

People First Team (Convergys)

Convergys supports the People First platform through an organization framework that includes: general operational management staff, a computer operations organization, an IT technical team (supporting technical architecture, databases, etc.), an SAP application support team, a printing and fulfillment team, and two service centers (located in Jacksonville and Tallahassee). The Jacksonville service center handles all activities related to recruiting and staffing, personnel transactions, organizational management, system technology and infrastructure. The Tallahassee service center handles all activities related to time and attendance, payroll preparation, benefits administration (including open enrollment) and leave. The Tallahassee service center was opened at the request of the State. The Jacksonville service center remains the main center where the majority of technology infrastructure is located. The service centers are staffed by a Client Services team made up of an Employee Services team (call center representatives that complete some transactions) and a Business Services team (process team and

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subject matter experts that deal primarily with escalated issues or questions not resolved in the first contact).

People First Technology

There are several key components which make up the technology that supports People First including basic core infrastructure (platform, telephony, facilities, disaster recovery, etc.), the SAP platform, the Authoria platform, service center technology (knowledge management system (KMS), case management system (eCase), call tracking, IVR, etc.), and the data warehouse. This section provides a brief overview of the primary technology components which make up People First.

Through the People First contract, Convergys provides a robust set of infrastructure items to support the system platform including: a state of the art computer center with dual power feeds, multiple telecommunications providers, and back-up power generators. Convergys also provides an offsite disaster recovery site and tests this site on an annual basis.

The SAP platform is the core application which contains comprehensive employee data for State employees and People First users. SAP provides functionality across numerous HR areas including payroll, benefits administration, time and attendance, leave, employee life cycle, organizational management and reporting. For People First, SAP was heavily modified to fit a variety of existing State HR policies and practices. The version of SAP now being utilized by Convergys and the State for People First is approximately five years old and existing architecture does not provide the necessary flexibility as it relates to making required data changes, process changes, etc. Amendment 10 plans call for continued improvements and enhancements to People First and SAP. Amendment 10 also calls for a technical upgrade of the existing version of SAP to SAP ECC 6.0 during the next 18 to 24 months. Based on our understanding of SAP ECC 6.0, there may be a need to assess the overall modification approach in light of the potential functionality that could be gained through the upgrade. In terms of the stability of SAP and its products, it should be noted that SAP is a major global corporation and a leading provider of software solutions for both public and private sectors.

The Authoria platform is the central repository for all applications for employment for the State. Applicants access the site through myFlorida.com to create an applicant profile, search open positions and submit an application. By establishing a profile, applicants can be alerted to new positions that become available which match their skills and interests. The manager's desktop is another major component of the Authoria platform and allows the manager to view his/her current job openings, applicants for each opening and other related information. Through Authoria (and with the support of

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the staffing service center in Jacksonville), the manager can evaluate qualified applicants, schedule interviews, and make hiring decisions. There are plans to upgrade to the latest version of the Authoria software in July 2010. Other planned improvements focus on the manager desktop, workflow, metrics/reporting, and the opportunity to move to the standard Authoria applicant look and feel (versus a customized People First interface).

The service centers utilize several tools including a proprietary case management system (eCase), a knowledge base (indexed online reference tool), IVR/telephony, call recording and screen capture. When an employee or HR representative calls the service center, the IVR system ensures the individual is routed to the appropriate service center representative or specialist. All service center calls are recorded and roughly 10 percent are regularly monitored to ensure process compliance. Screen capture (record of the screens visited by the service center representative) is also used to monitor for process compliance. The service centers are not scripted but Convergys maintains an online reference guide.

For reporting, People First (through the SAP application) provides 58 “canned” (standard, out of the box) end-user reports. These reports are ‘out of the package’ reports and cannot be changed or adapted by users. These reports are available for download in PDF format only and cannot be extracted to another usable format (such as Excel) where data may be manipulated. The State’s data warehouse is supported through an Oracle database that receives a daily feed from People First as well as data from other sources such as the State’s payroll system. IBM’s Cognos Impromptu tool is used for the creation of any ad hoc reports from the data warehouse. Use of Impromptu requires an agency to purchase a license and training for the intended user. In general, People First users find the canned reports to be very limited and the PDF format creates a challenge in attempting to combine People First data with other data sources. The data warehouse provides some important functionality but requires specialized training and a good understanding on how to accurately retrieve data to prevent misinterpretations. The planned upgrade for SAP should improve the available reports and also provide a mechanism to obtain reports in a more flexible format (as opposed to PDF). Amendment 10 also addresses a number of reporting issues specifically related to employee transaction reports and audit history reports.

D. Current State Assessment Findings

The findings from data collection are grounded in the three primary sources (research review, interviews, and site visits) of information utilized during this effort. We organize these findings around several categories and whenever possible, by specific human resources functional area. Given the diversity of the data collection efforts, we are confident there is no single root cause or one sole party which caused or is to blame for the challenges with People First or the issues the solution faces moving

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forward. As the assessment findings indicate, many of the challenges currently being experienced are the result of a combination of factors.

Based on consistent feedback gathered throughout this process, several key factors emerged as having a major impact on the State of People First today. These factors include:

- The State's failure to pursue or require the standardization of processes prior to the implementation of People First.
- The State's failure to gain buy-in with agencies and an overall lack of understanding among users on the purpose of People First and importance of standardization in HR processes.
- Failure to invest in change management before and during implementation and on an ongoing basis.
- Failure to establish an appropriate governance structure to support People First.
- Convergys' use of older technology which is limited in its features and functionality.
- Convergys' and State's failure to plan and set aside funds for fixes and enhancements throughout the contract's terms.
- A strained relationship between Convergys and the State which has manifested itself in the State having very limited visibility into day-to-day operations of the service centers, poor information sharing, and general lack of communication. That said, there have been signs of improvement.

It is important to note, while much of the information gathered during the data collection efforts points to problems or challenges with People First, in general there is overall recognition of ongoing improvement for People First. Many cited changes in leadership within the People First team and reorganizations as critical efforts to improve user confidence in the system.

Overall Findings

This section provides a high level summary of key findings from the data collection stage. The next section provides a brief overview of key findings organized by HR functional area.

Utilization of People First

People First is utilized differently depending on the user. We understood from the onset of this project that some State agencies and entities use only a limited portion of People First's capability (for example, the State University System utilizes People First for benefits administration only) while others rely on the system for almost all HR needs. **Figure 1** demonstrates the breakdown by user group.

Figure 1. People First User Groups

User Group	Usage	Total Users
State Agencies	Utilize PF for all HR functions	130,533
Universities	Benefits only	44,649
Retirees	Benefits only	49,528
Legislature/Legislative Staff	Benefits only	1,883
Other	Varying use	7,121
	Total Users	233,714

At the same time, some users have elected not to take advantage of People First’s full functionality for a variety of reasons including executive decisions within specific agencies to limit use of self service and problems and challenges with People First that have led to users establishing work-arounds the system or manual processes outside of the system. Throughout the data collection efforts, we identified numerous examples of State agencies or entities completing a basic HR process in vastly different ways. Some agencies or user groups utilize People First throughout the entire process, while others only use People First for specific tasks such as posting a new position. The majority of State agencies indicate they require the use of employee self service but we did identify users (State Courts) that only allow self service during the open enrollment period. Agencies also continue to use a variety of paper forms that are not consistent across the State. DMS has only limited visibility into how or why agencies are utilizing People First and again, lacks the necessary authority or executive sponsorship to drive needed standardization.

Overall, both the People First team and users agree that People First is not as user-friendly or intuitive as it needs to be. The People First team has made great strides in improving the open enrollment experience as evidenced in feedback regarding the most recent open enrollment period. Still, many

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users perceive People First as an inflexible system that does not meet the needs of specific agencies. Users often discussed the lack of controls within the system to prevent people from inputting information incorrectly or inputting information into the wrong place.

In comparison to COPEs, the State's previous HR system, information gathered during data collection indicates that some tasks and processes take more time to complete in People First than in COPEs, and specifically, a user must visit more screens to complete a task or process in the current system.

State agencies recognize that in many cases, they are not using People First the way it was originally intended to be used. This lack of consistency in utilization of People First from one user group to the next creates its own set of challenges for the team tasked with administrating, maintaining and improving the system while being responsive to the needs of users.

Inconsistency in utilization of People First also sheds light on the lack of standardization in HR processes between State agencies. While DMS was tasked to work with Convergys in developing and implementing People First, DMS did not have the authority to require State users to move to more consistent HR processes to promote standardization within People First. People First was configured or customized to deal with unique circumstances in each agency despite the opportunity to reduce many of these specializations in favor of standardization.

Preparation, Planning and Implementation

Much of the feedback gathered during interviews and reviews of previous research focus on the State's preparation and planning for People First. People First was pursued largely due to its potential to achieve significant cost savings for the State. Unfortunately, a clear methodology and process to collect and calculate both the cost of People First and the overall savings experienced by the State were never developed or implemented. For example, much of the original forecasted savings was based on the elimination of full-time positions; however, many of these positions were never actually eliminated. The lack of this formal structure continues to prevent the State from being able to understand the cost and savings related to implementing People First. A cost-benefit analysis, risk analysis, needs assessment or IT inventory were also never pursued or completed in preparation for People First.

There is evidence that some agencies eliminated HR positions while others redistributed those positions to other areas within the agency. We also understand that oftentimes agency employees may have HR responsibilities or complete HR related tasks (beyond self service) but are not considered true HR staff. The way in which both People First system and the individual agencies classify employees do not enable DMS to gain an accurate picture or count of the number of employees with HR responsibilities and the percentage of time that these employees spending completing these tasks. Thus, DMS has no visibility

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into the extent of the “shadow HR organizations” (non-HR classified or titled employees with specific HR responsibilities or who regularly working on HR related tasks beyond self service) that exist today within State agencies. For those agencies that did eliminate positions, feedback indicates that the overall workload did not decline as anticipated leaving fewer people to complete the same amount of day-to-day transactional work. However, again, this issue of an increase in the overall workload cannot be attributed to the People First system alone especially given that many State agencies do not use all the system’s functionality or have established permanent manual work-arounds the system.

While the majority of the individuals we interviewed believe that People First is improving, there is a lingering negative view of the system. This view is tied to a variety of experiences including day-to-day problems in using the system, challenges during implementation of People First, and an expectation that People First will never provide the functionality or level of service required by different users. One theme that became very apparent during data collection is the disconnect between what People First was expected or promised to do versus the reality of the system now in place. Some users and members of the People First team believe that expectations were unreasonably high and that it was unlikely that People First would ever live up to its incredible billing. Other users believe they were promised functionality (such as accommodation of complex pay schedules or atypical work shifts) during implementation that People First may never be able to provide. This disconnection speaks to the lack of adequate change management during preparation, implementation and ongoing maintenance of the system.

At the same time, it is difficult to gauge what kinds of functionality were promised or potentially promised and not provided. First, some users stopped reporting problems early on in the implementation process when they did not experience immediate resolution. Second, some users established manual work-arounds problems with People First and these work-arounds eventually became permanent. Given that users may have stopped reporting problems or issues, the People First team likely lacked the needed information to act. Compounding this issue is the State and Convergys’ failure to set aside resources for ongoing improvements and enhancements to respond to specific issues and problems over the life of the contract.

Similar to insights on the lack of necessary planning and preparation for People First, much of the feedback gathered during data collection pointed to problems during implementation. First, the timeline established for the implementation of People First was believed to be unrealistic. As the project experienced delays or other issues, the timeline became even more condensed resulting in what many found to be a rushed implementation. An adequate People First project team was also not in place before or during implementation. Lack of change management, such as an overall strategy and tools,

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also impacted DMS' ability to gain user buy-in and support during implementation and preparation to go live with People First.

Role of Convergys

The People First team and personnel within DMS have the most direct contact and interaction with Convergys. Their perspectives on the State's relationship with Convergys vary and often depend on the individual's role and responsibilities related to People First. In terms of the overall contract with Convergys, the State lacks important visibility into how Convergys allocates its fees among functional efforts. For example, the State does not know what percentage of the fees it pays to Convergys go toward providing services around benefits. Without this kind of information, feedback indicates that the State struggles at times to understand the value it receives from Convergys. There is clearly concern over whether or not the State is getting the level of service and support it pays for.

Based on all the information gathered, the State's relationship with Convergys appears to be strained. There is an overriding sense among both the People First team and users that Convergys does not drive innovation or improvement but rather, is doing enough for the State to simply get to the end of the current contract. A clear process on how the State will work with Convergys to fix problems or make needed changes, which are not addressed by specific contract amendments, on an ongoing basis within People First does not exist. Further, in preparation for People First, neither the State nor Convergys set aside funding to support as-needed enhancements or fixes throughout the life of the contract.

There is also concern, especially among user groups, that Convergys is not able to provide the level of service and the caliber of staff necessary to meet the State's needs. Much of this feedback focused on the operation of the service centers and the users' experience of receiving inaccurate information from the service center specialists or representatives. Many users perceive Convergys' service centers as being unable to provide these services because of an operational model based on training non-HR professionals to answer questions and provide detailed information in a highly complex HR environment.

All of these factors contribute to a negative perception of Convergys among the People First team, DMS and user groups.

People First Service Centers

Convergys staffs and manages two service centers, one in Tallahassee and one in Jacksonville, as part of its agreement with the State. The Jacksonville service center handles all activities related to recruiting and staffing, personnel transactions, organizational management, system technology and infrastructure.

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The Tallahassee service center handles all activities related to time and attendance, payroll preparation, benefits administration (including open enrollment) and leave.

Feedback regarding the service centers focused mainly on the lack of confidence that State employees and HR representatives have in the centers' ability to provide accurate information in response to employee inquiries. The State's policies and rules which govern areas like Benefits are complex, and most believe the service center representatives do not have the necessary skills or HR knowledge to assist employees. At the same time, while service center representatives should understand to some extent these complexities, interpretation of these policies is clearly not within the service centers' purview. There is also a prevailing perception that turnover within the service centers is abnormally high. The majority of feedback did indicate that service center representatives are consistently polite and do attempt to be helpful.

Agency representatives frequently described situations in which employees contact the service center but are then referred back to the HR staff within the agencies for assistance or information. In some cases, an employee will receive information from a service center representative and then attempt to validate the information with an agency HR representative. If the information received from the service center is incorrect, this creates another challenge for the HR representative. There is no clear process to enable an HR representative to correct information being distributed by the service center.

The State agencies interviewed also expressed a lack of confidence in the application screening process being completed by Convergys. This was another area where some agencies have started to complete portions of the hiring process manually rather than in People First (for example, Corrections).

Overall, the State clearly lacks visibility and understanding in the daily operations of the service centers, case management and escalation, and how information is disseminated within the centers. People First team interview feedback indicates that access to the service centers has been limited.

People First Reporting

The team received a great deal of feedback from users on compiling reports through People First. People First offers a limited number of canned reports. Users can also create ad hoc reports through Impromptu and the data warehouse. Agencies must purchase the necessary license and train employees to take advantage of Impromptu. Agencies are responsible for covering the cost of the licenses and training and these costs were not planned for during preparation or implementation of People First.

The challenges around reporting are linked to inconsistencies around entering data into People First. In general, users have little confidence in the accuracy of reports pulled from People First and the data warehouse. Data is often missing or requires scrubbing and validation before a report can be used.

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Since the canned reports are limited, many users rely on the creation of ad hoc reports or use in-house systems to produce their own reports. The existing People First reports are only available in PDF format which often results in users inputting the data into another format (such as an Excel spreadsheet) so they can manipulate the data. Many users indicate frustration in simply retrieving information that has already been inputted into People First. It is important to note, that while users believe the issue is mainly retrieving data from People First, it is likely that problems with entering data (users putting data in the wrong places, incorrectly inputting information, etc.) also contribute to these challenges.

To combat these challenges with reporting, especially for agencies required to compile and distribute reports to different stakeholders on a regular basis, many agencies have opted to create a shadow data warehouse (both electronic and manual) within the agency. Some agencies even retain a staff person tasked with organizing and validating data to generate reports within the agency. In one case, an agency kept a paper log of information due to ongoing inaccuracies coming out of People First.

Training

Currently, the People First team provides resources such as online demonstration videos and other tools to assist agencies in training and preparing employees to utilize People First. While the People First team provides these tools, the team has no control or visibility into how agencies train employees or utilize the available resources. Interview feedback indicates that training or instruction around People First differs from agency to agency depending on who is tasked with the responsibility (for example, Managers or HR personnel) and when training takes place (at orientation, on-the-job, or as needed only). This lack of consistency in training was a major theme to emerge during data collection.

In terms of the quality or adequacy of the training, we found that when some level of training did take place, it was typically during the on-boarding or orientation process. Following this initial training, there were rare examples of any kind of ongoing training, skills building or opportunities to participate in refresher training over time. In some agencies, especially those in which the direct supervisor was responsible for training employees to use People First, even the HR personnel were unsure if all employees received some type of instruction before attempting to use People First.

Currently, there is no user manual or guide for People First. Embedded instructions in the system itself such as examples on how to input information or references on where information should be inputted are limited.

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Key Findings by Functional Area

The following matrix (**Figure 2**) provides a brief overview of feedback received regarding specific functional areas within the People First portfolio of services.

Figure 2. Summary of Key Findings by Functional Area

Functional Area	Key Findings
Personnel Transactions	<ul style="list-style-type: none"> • Inconsistent use of self service. • Transfer of an employee from one agency to another is a challenge (many related processes must be completed manually). • Processes and tasks take more time to complete in People First than COPEs. • PAR process is not user-friendly or intuitive. • Reliance on service center to complete tasks causes frustration. • Lack of standardization on PAR processes. Some agencies still using paper PAR forms (no consistent form across the State). • No organizational charting tool available in People First.
Payroll	<ul style="list-style-type: none"> • Pay accuracy is improving. • Supplemental payments and payroll errors have decreased but are still higher than pre-People First levels. • Ongoing problems related to changing shifts or complex pay plans (oftentimes, processes must be completed manually). • PC payment system has not yet been eliminated. • There are issues today related to the timing of each payroll cycle in that there are deadlines that cause data in the People First HR system to be inaccessible for viewing until the payroll cycle is completed.
Benefits Administration	<ul style="list-style-type: none"> • People First has driven some level of consistency in this area. • Open Enrollment is improving and more user-friendly than other areas in People First. • Most agencies take advantage of self service for Open Enrollment. • State Benefits are complex, and vary by user group. (Some user groups are maintaining Benefits programs outside of People First. These outside plans create challenges when an employee attempts to make updates or changes within People First (no integration)). • Lack of standard pay cycles creates challenges for deductions. • Lack of consistency in utilization of self service (some HR employees still input information on behalf of employees who have completed a paper form).
Leave	<ul style="list-style-type: none"> • People First provides valuable information about the State's leave liability. • Agencies developed manual work-arounds for certain leave tasks that cannot be accommodated in the system (for example, transfer of leave when an

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	<ul style="list-style-type: none"> employee moves to another agency). • Leave donations between employees also present a challenge.
Staffing	<ul style="list-style-type: none"> • PAR process is cumbersome. • Agencies have established manual work-arounds the PAR process. • Applicants enter identification information into People First (Authoria) but this tool is not integrated with SAP. New employees must be re-entered. • Ability to mine (the ability to access and utilize specific data points for different purposes) the applicant data presents a challenge. • Use of qualifying questions to screen applicants is problematic (there is a strong perception among agency staff that the questions either do not narrow the applicant pool enough, allow for unqualified applicants to be included in the pool and/or prevent qualified applicants from being included in the pool). • Some agencies are utilizing People First to post applications only (applicants are instructed to communicate directly with the agency rather than submit an application through People First).
Time & Attendance	<ul style="list-style-type: none"> • Self service time sheet is cumbersome and not user-friendly.

E. Limitations in Data Collection

In any data collection effort, and especially one conducted on a strict timeline, we may experience some limitations in our ability to access and gather specific data points. In those instances in which accurate and reliable data is unavailable, we detail the absence of this data and do our best to make thoughtful assumptions based on what is available. We attempted to keep OPPAGA apprised of any limitation faced throughout the project period. We appreciate OPPAGA’s unwavering support and assistance in reducing many of these barriers. Further, the People First team and DMS were extremely accommodating in both requests to schedule interviews and requests for information throughout the duration of the project.

One limitation in data collection is related to the size of shadow HR organizations within each State agency or user group. DMS cannot accurately determine the extent to which shadow HR organizations exist in State agencies today. This is understandable given DMS’ lack of visibility into State agencies and the lack of consistency in how staffing reductions were implemented at the start of People First. We have compiled some data around these shadow organizations through a variety of sources, but given the time and labor required to arrive at an accurate count for each user group, it was not possible to gather this data during the project period.

EquaTerra recognized at the start of this project that we would likely experience some difficulty in gathering data from Convergys. Based on information collected during our site visits, our knowledge of

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Convergys as a service provider and our understanding of the industry, we are confident we have been able to make thoughtful assumptions on these data points. However, Convergys was unwilling or unable to provide the following data:

- Staffing headcounts and salaries in the Jacksonville and Tallahassee service centers,
- Breakdown (percentage) of the contract amount allocated to each service component (e.g. what the State is paying for the staffing component), and
- Clarification on the specific capabilities of existing applications.

In the following sections these limitations are referenced as necessary in the explanation on the evaluation of each option for moving forward.

IV. Identification of Post Contract Options

At the onset of this project, OPPAGA defined the State's five options for moving forward and providing a personnel information system and an enterprise-wide suite of services including payroll preparation, benefits administration, recruiting and staffing, personnel transactions and data warehouse. OPPAGA describes these five options as follows:

- Continuing the contract with the current vendor (Convergys),
- Transferring all operations and support to the State of Florida,
- Soliciting for a competitive bid from another vendor to support the current system,
- Insourcing some activities to the State and outsourcing other activities to a service provider, and
- Soliciting a competitive bid from a vendor to build a new system.

In this section, we explore these options and four additional hybrid options, or combinations of these options, which should also be considered. The resulting nine options are grouped in three categories: outsourcing options, insourcing options, and blended options. We define three options in each category. **Figure 3** at the end of this section provides a brief summary of each option.

Outsourcing Options

The first option, as stated by OPPAGA, is to continue the current contract with Convergys and keep People First, the system, its basic operation and service centers, relatively unchanged. Under this option, the components already outsourced (People First support and maintenance, service centers, etc.) would remain outsourced. This option assumes that the State would begin to negotiate with Convergys as soon as possible in preparation for the expiration of the contract in August 2011. Negotiations for a new contract with Convergys could focus on increased transparency in the service

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delivery model and other changes or improvements to positively impact People First and its services to the State.

Another outsourcing option, as defined by OPPAGA, would be for the State to continue to utilize People First, based on the rights allowed through Amendment 10, but contract with another provider to support People First and provide all those services currently provided by Convergys. Under this option, the components already outsourced (People First support and maintenance, service centers, etc.) would remain outsourced with a new provider. The State would identify and select the provider based on a competitive bid process and the new provider would assume all responsibilities currently held by Convergys.

The final outsourcing option would enable the State to solicit for both a new provider and a new system. Rather than retain People First, the State would solicit proposals from service providers to develop a new system that provides the same services currently being provided by People First and similar support services (for example, service centers). Under this option, those components already outsourced would remain outsourced but with a new provider based on a new system which would replace People First. The State would be able to consider expanding the new contract to include additional components removed during the Amendment 10 process or needed by the State.

For all three of these options, the State's current operational arrangement -- with the support and maintenance of the system and all service centers outsourced -- remains largely the same. These options would allow the State to consider moving to a new provider and possibly, a new system.

Insourcing Options

OPPAGA defines another potential option to be the transfer of all operations and support to the State. The following insourcing options focus on the State bringing all those services, operations and components that make up People First back in-house. For this set of options, no components of People First or any future system would remain outsourced but would be managed completely by the State. Each insourcing option requires the State to provide the necessary personnel and skills sets for all services and operations brought in-house.

We define three different options for transferring operations and support to the State. The first option assumes that the State would continue to utilize People First, but bring the system completely in-house including all maintenance, support and ongoing enhancements or improvements. Along with People First, the State would also insource all service center operations including the purchase of technology tools such as a case management system to operate and manage the service centers. This option would

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allow the State to leverage the investments already made in People First and transfer of ownership allowed by Amendment 10.

Another insourcing option is to transfer all operations and support to the State but replace People First with a system that the State both builds and maintains in-house. For this option, the State would build rather than purchase a replacement system. This option assumes that the State would have the needed personnel and technical skills to build, support and maintain a new personnel information system to replace People First. The State would also transfer back in-house all service center operations.

The final insourcing option would enable the State to transfer all operations and support in-house but purchase a new system, preferably an Enterprise Resource Planning (ERP) solution to replace People First. For this option, the State would purchase a new ERP system but implement, support and maintain this new system in-house rather than rely on a service provider. This option requires the State to have the personnel and technical skills necessary to implement, maintain and support a new system to replace People First. The State would also assume responsibilities for all other currently outsourced components including the service centers.

Blended Options

We define the following three options as blended options because they include some combination of outsourcing and insourcing of operations and services. Among its five options, OPPAGA identified an option which allows the State to bring some operations and services back in-house while keeping some with a service provider. The following three options provide different examples of possible blended solutions.

The State could pursue a blended option with Convergys by bringing the service centers back in-house while maintaining the current arrangement for all other services and operations. In this option, the State would take responsibility for all services provided by the existing service centers with Convergys continuing to provide all technical and operational support for the People First system. This option would be accomplished through negotiations to continue the Convergys contract following its end date in 2011. The State would need to establish, staff and operate the service center/s to provide all services currently delivered by the existing centers. The State could leverage existing State service centers as models or build new center/s. However, given that Convergys' service center tools are proprietary, the State would need to purchase or develop its own tools to manage the service centers and integrate with People First.

Similar to the previous blended option, another option would enable the State to retain People First but contract with a new provider to host and support the system. The State would end its relationship with

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Convergys but continue to utilize People First. A new provider, selected through a competitive bid process, would host People First and provide support and maintenance. The State would be able to leverage previous investments in People First and transfer of ownership as allowed by Amendment 10. All other services not directly related to supporting the system would be insourced by the State, mainly the operation of the service centers. The State would need to establish, staff and operate the service center/s to provide all current services and purchase or develop new tools to operate and manage the centers.

The final blended option would enable the State to discontinue its use of People First by purchasing a new system and select a new service provider to support the system. In this option, the State could also opt to bring the other outsourced components (service centers) back in-house. The State would move from People First to a new system and be supported by a new service provider. The State would be required to establish, staff and operate the service centers to provide all current services and purchase or develop the necessary tools to operate and manage the centers.

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Summary

Each potential option, including OPPAGA’s defined options and additional hybrid options, is depicted in following figure.

Figure 3. Summary of Post Contract Options

Category	Option Description
Outsourcing 1	Continue contract with Convergys through renegotiation. All currently outsourced components remain outsourced.
Outsourcing 2	Contract with a new provider to support People First. New provider assumes all responsibilities and services provided by Convergys (all currently outsourced components remain outsourced).
Outsourcing 3	Contract with a new provider and replace People First with a new system. New provider assumes all responsibilities and services provided by Convergys based on new system (all currently outsourced components remain outsourced).
In-sourcing 4	Bring People First and all other operations and services in-house. State assumes all responsibilities including support of People First and operating the service centers (all currently outsourced components are insourced).
In-sourcing 5	Build/develop and maintain (rather than purchase) a new system in-house to replace People First and bring all other operations and services in-house (all currently outsourced components are insourced).
In-sourcing 6	Purchase a new system to replace People First and bring all other operations and services in-house (all currently outsourced components are insourced).
Blended 7	Continue contract with Convergys through renegotiation but bring some outsourced components (service centers) back in-house.
Blended 8	Retain People First but contract with a new provider to host the system. New provider assumes all responsibilities and services provided by Convergys in terms of the technology platform and system. Bring some outsourced components (service centers) back in-house.
Blended 9	Purchase a new system and contract with a service provider to support the new system. Bring some outsourced components (service centers) back in-house.

V. Evaluation Criteria

Based on the requirements set out by OPPAGA, EquaTerra's proven methodology and assessment tools, and our understanding of the State's current condition, we sought to evaluate each potential option on four key areas:

- **Service Delivery Alignment**
- **Staffing Implications**
- **Technology Considerations**
- **Overall Cost Impact**

"Service delivery alignment" refers to the relationship between a potential post-contract option and the service delivery model envisioned when People First was initially conceived. In our view, People First envisioned a service delivery model that included:

- Standardized and simplified HR processes across serviced agency populations,
- A centralized HR service center to answer employee questions, resolve problems and provide transactional support,
- Employee and manager self service for many or most HR transactions,
- A substantial reduction in the number of full time employees (FTEs) supporting personnel functions and processes,
- The use of a single enterprise-wide human resource system for all State employees, and
- An improved level of customer satisfaction with the services provided by HR organizations throughout the State.

"Staffing implications" refers to number and type of employees and the necessary skill sets required to support the post-contract option. This includes the State's ability to attract and retain the talent needed to support the option.

When assessing each post-contract option in regards to technology, we focused on the State's ability (in our view) to successfully execute the option. Ability to execute includes consideration of infrastructure requirements (e.g. operational facilities, computer equipment, disaster recovery, telecommunications, etc.) and ongoing support and maintenance. Since the failure of Project Aspire, we understand that a task force has been formed to review and evaluate options for replacing the financial and cash management legacy systems. Based on this information, we also contemplated how each option could potentially link to an overall Enterprise Resource Planning (ERP) or technology strategy within the State.

Finally, the project team considered the overall cost impact of each option including the following cost components:

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- Costs related to license fees for software,
- Costs related to maintenance fees for software,
- Hardware and infrastructure costs where applicable,
- Costs related to process redesign where applicable,
- Staffing costs related to some options,
- Training costs related to some options, and
- System development costs related to some options.

These four areas combined with the known and potential benefits and/or risks of each option make up the evaluation criteria for the following analysis.

VI. Elimination of Not Viable Options

The following figure summarizes those options that EquaTerra believes are not viable options for the State in terms of moving forward. We do not believe that these four options require further analysis.

For the purposes of this table, Green = Positive, Yellow = Neutral, Red = Negative.

Figure 4. Summary of Not Viable Post Contract Options

Post Contract Options Evaluated	Service Delivery Alignment	Staffing Implications	Technology	Overall Cost Impact	Pursue Further Analysis?
Outsourcing 2 - Contract with a new provider to support People First. New provider assumes all responsibilities and services provided by Convergys (all currently outsourced components remain outsourced).	Yellow	Yellow	Red	Red	No
Insourcing 4 - Bring People First and all other operations and services in-house. State assumes all responsibilities including support of People First and operating the service centers (all currently outsourced components are insourced).	Yellow	Red	Red	Red	No
Insourcing 5 - Build/develop and maintain (rather than purchase) a new system in-house to replace People First and bring all other operations and services in-house (all currently outsourced components are insourced).	Red	Red	Red	Red	No
Blended 9 - Purchase a new system and contract with a service provider to support the new system. Bring some outsourced components (service centers) back in-house.	Green	Yellow	Yellow	Red	No

The following section outlines our rationale for eliminating four of the post-contract options utilizing the previously defined evaluation criteria.

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Outsourcing 2: Contract with a new provider to support People First. New provider assumes all responsibilities and services provided by Convergys (all currently outsourced components remain outsourced).

General Overview

This option would leverage previous investments in People First and utilize the rights gained through Amendment 10 to transfer ownership of all of the intellectual property and platforms that currently make up People First. All services presently outsourced (e.g. systems, technology platforms, service centers, etc.) would remain outsourced but with a new service provider.

Service Delivery Alignment

- Neutral - Since this option would retain all essential components of the current People First service delivery model we would assess this option as having little or no impact on service delivery alignment. Main advantages would be around establishing an improved partnership/relationship with the selected vendor and potential impacts around the transparency of measuring service delivery model effectiveness.

Staffing Implications

- Neutral – This option would not have a material impact on current staffing since, for the most part, there would be no changes to skills needed or number of internal employees required to support the model.

Technology Considerations

- Negative – In terms of technology, this option presents a challenge for integrating new service center components (those of a new provider) with the existing People First system and underlying SAP platform. Today, the interfaces are “hard wired” between components that are all owned by Convergys. Most providers, even in taking on the existing People First system and platform, are still going to need/want to tightly integrate their service center technology tools and solutions. Further, a service provider with the capacity to assume the currently outsourced components will likely have tools, technology and systems of their own to operate and manage the service centers. This integration, made even more difficult by a highly customized SAP platform, could pose a significant challenge to an incoming provider and jeopardize the success of this option. The need for a provider to integrate the existing People First system and platform with its own existing service centers technology and tools would likely require more time and come at a higher cost.

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Overall Cost Impact

Negative – The major issue for this option relates to the substantial transition costs that would be required to move the current platform, system(s) and service centers. A typical benchmark for transition charges is in the range of 75 to 125 percent of annual operating fees. Given the current annual costs for People First (roughly \$45 M); this could range from \$34 M to \$56 M.

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Insourcing 4: Bring People First and all other operations and services in-house. State assumes all responsibilities including support of People First and operating the service centers (all currently outsourced components are insourced).

General Overview

This option would also leverage previous investments in People First and utilize the rights gained through Amendment 10 to transfer ownership of all of the intellectual property and platforms that currently make up People First. All services presently outsourced (e.g. systems, technology platforms, service centers, etc.) would be brought back in-house to the State and managed by the People First team and DMS.

Service Delivery Alignment

- Neutral - Since this option would retain all essential components of the current People First service delivery model we would assess this option as having little or no impact on service delivery alignment. This option does provide opportunities for improvement including the potential for tighter process integration, more transparency within case management and the embedding of experienced HR professionals within the service centers. However, process standardization would be vital in ensuring the success of bringing People First in-house. If the DMS People First team continues to lack the authority to drive change, this option presents a significant risk of moving away from the original intent of People First.

Staffing Implications

- Negative – Given the economic climate and the current State budget, we believe that adding 150 to 200 full time positions as required for this option is unrealistic. Also, the State is unlikely to be able to afford the specialized technical skills (SAP, Authoria, etc.) and training required to support the current platform and given the extensive modifications that have been made to the platform, we see this as a significant risk.

Technology Considerations

- Negative – We identify major issues related to infrastructure (including the need for a disaster recovery center to support continuity of operations), the ability of the State to maintain a highly modified technology platform and the uncertainty around the cost of taking over the primary technology licenses (SAP and Authoria). We find significant risks associated with this option.

Overall Cost Impact

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- Negative – Another major issue related to this option is around the substantial transition costs that would be required to move the current platform, system(s) and service centers. A typical benchmark for transition costs is in the range of 50 to 100 percent of annual operating fees. Given the current annual costs for People First (roughly \$45 M); this could range from \$22 M to \$45 M. In addition, the State would be required to assume the costs around transferring the licenses for the core technology platform (SAP, Authoria, etc.) and these costs could be substantial. The cost of skilled staff and specialized training are also important cost considerations.

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Insourcing 5 - Build/develop and maintain (rather than purchase) a new system in-house to replace People First and bring all other operations and services in-house (all currently outsourced components are insourced).

General Overview

This option envisions leveraging the “lessons learned” through the experiences of the past several years with the People First initiative and utilizing this knowledge to build a tailored solution that would meet the specific personnel requirements of the State of Florida. This option would envision that the State build and operate all aspects of the service delivery model (technology, application support, service centers, etc.) internally.

Service Delivery Alignment

- Negative – From our perspective this option would be a step backward rather than a step forward. A tailored solution allows substantial opportunity to develop processes or methods specific to the requirements of individual agencies and departments. This would be in conflict with the desire to simplify and standardize the work of HR and in turn, optimize a single system.

Staffing Implications

- Negative – It is very unlikely that the State could acquire and retain the number of employees with the types of skills needed to pursue this option in an affordable manner. This option also would require adding between 150 and 200 full time positions. Given that this option would result in a system unique to the State of Florida, there would not be a pool of candidates available in the labor market that could provide ongoing support for the platform.

Technology Considerations

- Negative – Organizations are no longer building personnel systems to meet their unique needs. Even specialized entities such as the United States Air Force are now implementing standard ERP solutions and adapting their processes to fit the packaged solutions delivered by the system. Other examples of public sector organizations utilizing standard ERP solutions for HR include the State of Michigan and the Central Intelligence Agency (CIA). Given the speed and complexity at which technology changes, the State would be at risk of making a significant investment in a system that cannot be maintained or improved in the long-term.

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Overall Cost Impact

- Negative – There would be a substantial one time investment to build a tailored system for the State with estimates ranging from \$50 M to \$100 M. This would be somewhat offset by lower operating costs over the life of the system but given the degree and speed at which technology changes occur, it is unlikely that the lifespan of a “home grown” system would be longer than eight to 10 years.

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Blended 9 - Purchase a new system and contract with a service provider to support the new system. Bring some outsourced components (service centers) back in-house.

General Overview

This option also envisions a blended service delivery model with infrastructure, core technology components and application support provided by an external service provider. This option would allow the State to determine whether or not to acquire service center technology support from this provider or to provide service center technology internally. We believe that the most likely components to bring back in-house would be those associated with the service centers and potentially those areas focused on process redesign and system design.

Service Delivery Alignment

- Positive – This option would allow the State to assume ownership for customer (employee) contact and staff the service center with correct skill levels and appropriate training to deliver services defined in the overall service delivery model. This option also provides the opportunity to better integrate core business processes across DMS and State agencies.

Staffing Implications

- Neutral – We believe that the State could easily attract individuals to staff the service centers and that an overall career path with the State could be developed to appeal to entry level applicants and potentially provide talent for State agency HR opportunities. This option could also lead to better integration between DMS and State agencies around core transactional processes. In our view this positive aspect would be offset by the substantial staffing requirements surrounding the procurement and implementation process since it would require a major effort to redo the work done during the initial implementation of People First and require significant resources both within DMS and within the agencies.

Technology Considerations

- Neutral – This option becomes more viable if an overall ERP solution is selected for multiple State administrative functions. Any provider considered would be required to provide infrastructure similar to Convergys. This option gives the State an opportunity to start over with a new provider, to secure access to a new set of base technology, and an opportunity to budget dollars for enhancements into the contract.

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Overall Cost Impact

- Negative – This option would require a substantial upfront acquisition costs (estimate of approximately \$21 M) including software license fees, system implementation, required modifications, etc. This option would also require additional investments for the technology needed to support an internal service center model. However, if PeopleSoft were chosen, there may be less of a financial impact around licenses dependent on what the State may already own (licenses that were originally purchased to support Project Aspire).

VII. Viable Options Requiring Further Analysis

The following table summarizes those options that EquaTerra believes are viable in terms of further analysis.

For the purposes of this table, Green = Positive, Yellow = Neutral, Red = Negative.

Figure 5. Summary of Viable Post-Contract Options

Post Contract Options Evaluated	Service Delivery Alignment	Staffing Implications	Technology Considerations	Overall Cost Impact	Pursue Further Analysis?
Outsourcing 1 - Continue contract with Convergys – all currently outsourced components remain outsourced.	Yellow	Green	Green	Green	Yes
Outsourcing 3 - Contract with a new provider and replace People First with a new system. New provider assumes all responsibilities and services provided by Convergys based on new system (all currently outsourced components remain outsourced).	Green	Yellow	Yellow	Red	Yes
Insourcing 6 - Purchase a new system to replace People First and bring all other operations and services in-house (all currently outsourced components are insourced).	Green	Yellow	Yellow	Red	Yes
Blended 7 - Continue contract with Convergys through renegotiation but bring some outsourced components (service centers) back in-house.	Green	Green	Yellow	Yellow	Yes
Blended 8 - Retain People First but contract with a new provider to host the system. New provider assumes all responsibilities and services provided by Convergys in terms of the technology platform and system. Bring some outsourced components (service centers) back in-house.	Green	Green	Yellow	Yellow	Yes

The following section outlines our rationale into why these options are viable as potential post-contract options for the State of Florida.

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Outsourcing 1 - Continue contract with Convergys. All currently outsourced components remain outsourced.

General Overview

This option would be essentially to “stay the course” with the current People First service delivery model. Efforts would focus around a contract extension that would reduce ongoing operational expenses while also improving the execution of the service delivery model embodied with the People First initiative.

Service Delivery Alignment

- Neutral - Since this option would retain all essential components of the current People First service delivery model we would assess this option as having minimal impact on service delivery alignment. This option does present the potential to improve the State’s relationship with Convergys through increased transparency, better communication, and a greater focus on process compliance and process effectiveness.

Staffing Implications

- Positive – Our assessment is that there has been noticeable improvement in the services delivered through the DMS People First support team and this option would leverage the skills and knowledge gained over the past several years. We would see an opportunity to focus the DMS team on process redesign, process compliance, change management, and governance. This will, in our view, enable better administration of the contract and more accountability both internally and with Convergys.

Technology Considerations

- Positive – People First is currently providing a stable platform on an ERP foundation (SAP) that is regarded as an industry leader. We regard the infrastructure that is currently in place as being robust and meeting the needs of the State. Investment is underway to upgrade the core technology components (SAP and Authoria) to more current versions and this should provide additional functionality to the State at no increase in operating costs.

Overall Cost Impact

- Positive – The State has invested over \$250M in the People First platform and this option presents perhaps the only opportunity that the State will have to obtain a substantial return on this investment. We also believe that this is the only option that might be available that could actually reduce the current annual operating costs through a renegotiation of the Convergys contract.

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Outsourcing 3 - Contract with a new provider and replace People First with a new system. New provider assumes all responsibilities and services provided by Convergys based on new system.

General Overview

This option envisions retention of an outsourced service delivery model but would allow the State to “go to the market” to determine the current marketplace costs for a fully outsourced solution. This option would require the State to review and potentially redesign core processes (staffing and recruiting, timekeeping, core transactional processing, employee and manager self service, etc.) to fit the provider’s service delivery model.

Service Delivery Alignment

- Positive – The State has learned a great deal over the past several years and, under this option, would be able to leverage this knowledge to create a service delivery model aligned with the original goals of People First: standardized processes, substantial employee and manager self service, integrated service centers, etc. This option would also allow the State to select a provider that is aligned with the State’s current and future IT goals.

Staffing Implications

- Neutral – This option would allow the State to leverage the skills and knowledge gained by the People First team and DMS over the past several years. We would see an opportunity to focus the project team on process redesign, process compliance, change management, and governance. The State could consider embedding experienced HR staff in the service centers to improve knowledge transfer. At the same time, planning and preparation for a new system and provider, while at the same time continuing to support People First until transition is complete, will likely stretch the existing project team and could negatively impact the transition.

Technology Considerations

- Neutral – We would anticipate that any provider considered for selection will have the infrastructure and underlying system platforms that would be equal to those provided by Convergys. The State could also ensure technology alignment by focusing on those providers that are most aligned with its future IT strategies such as the financial solution being pursued by DFS.

Overall Cost Impact

- Negative – This option would require substantial transition costs (estimate of approximately \$40 M) which are roughly equal to one year of operating expenses (or more) for upfront provider costs,

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process redesign around new platform, etc. While this cost could be amortized over the life of the contract (as was done with the People First initiative) there will still be a likely increase to the overall cost of this option.

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Insourcing 6 - Purchase a new system to replace People First and bring all other operations and services in-house.

General Overview

This option envisions the State evaluating and selecting an HR/Payroll system (PeopleSoft, SAP, Lawson, etc.) and implementing it internally. It also envisions the State bringing back all functional areas that would support the core system, including application support, service center technology and staff to support the service centers. **Note: We are only evaluating this option as viable if the State decides to pursue a broader ERP solution across multiple administrative functions such as finance, payroll, procurement, etc. Our evaluations below are based upon that assumption.**

Service Delivery Alignment

- Positive – The State has learned a great deal over the past several years and, under this option, would be able to leverage this knowledge to create a service delivery model aligned with the original goals of People First: standardized processes, substantial employee and manager self service, integrated service centers, etc. The use of an ERP solution (such as PeopleSoft or SAP) would also support objectives related to standardized/simplified processes with a high degree of employee and manager self service. Processes could also be integrated across departmental boundaries (e.g. finance, personnel, payroll, etc.).

Staffing Implications

- Neutral – While this option would require the addition of from 150-200 FTEs, we believe that this negative would be offset by the State’s ability to recruit and develop core technical and service delivery skills across all administrative functions utilizing a common set of technology components (the ERP) and integrated policies and practices.

Technology Considerations

- Neutral – Pursuing this option anticipates that the State will invest in the necessary infrastructure (facilities, servers, telecommunications, etc.) to support an enterprise wide platform. Also a common ERP solution would allow the State to leverage specialized technology skills across all back office functions. Finally, service center technology (IVR, case management tools, and a scripted knowledge base tool) could be leveraged across multiple administrative areas. This option also allows for integrated data enabling better management of limited resources.

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Overall Cost Impact

- Negative – This option would require a substantial upfront investment (estimated at approximately \$60 M) for technology components, software applications, process redesign work, etc.

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Blended 7 - Continue contract with Convergys but bring some outsourced components (service centers) back in-house.

General Overview

This option envisions re-contracting with Convergys around a blended service delivery model that would keep infrastructure, core technology components and application support with Convergys. We believe that the most likely components to bring back in-house would be those associated with the service centers and potentially those areas focused on process redesign. This option would enable the State to resolve some of the key challenges caused by having the service centers operated by an external service provider. The State would be able to staff the service centers with some highly skilled HR professionals with the necessary knowledge and experience to solve complex problems. This option would also allow the State to keep the technical aspects of People First outsourced.

Service Delivery Alignment

- Positive – This option would allow the State to assume ownership for customer (employee) contact and staff the service center with correct skill levels and appropriate training to deliver services defined in the overall delivery model. There would also be an opportunity to improve integration of core business processes across DMS, State agencies and People First.

Staffing Implications

- Positive – We believe the State could easily attract individuals with the necessary skill sets to staff and manage the service centers. We believe that there is an ample supply of candidates that would meet the necessary qualifications for the work at a cost similar to what Convergys would have to pay for like skill sets. (This is stronger now given the difficult economy.) The service center could also provide an entry level opportunity linked to an overall career path within State HR. By requiring entry level staff to build their skills and knowledge within the service center but connecting these positions to a career path, the State would increase its appeal to applicants and potentially create a pipeline of qualified applicants for State agency personnel positions. This career path would also assist in the State in decreasing turnover within the service center while maximizing the investment in each service center employee.

Technology Considerations

- Neutral – This option would require either negotiating for the service center tools that Convergys has in place today or acquiring/developing tools for the service center. Infrastructure requirements would be modest and would likely be aligned with the data center consolidation. We believe that this option would offer an opportunity to better link the service center with other standardized

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processes and that it could facilitate deploying a case management solution linked directly to each agency.

Overall Cost Impact

- Neutral – We believe that this option could provide a framework for negotiating with Convergys around a solution that would allow costs to remain at or near the current level of \$45 million/year. The option would not require the State to exercise its ability to transfer ownership of the existing licenses and intellectual property and whatever costs this transfer entailed. It would allow the State to leverage the various modifications and enhancements completed to date. There will be investments required related to staffing the service center and deploying the service center technology components but these may be offset by reductions in charges from Convergys.

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Blended 8 - Retain People First but contract with a new provider to host the system. Bring some outsourced components (service centers) back in-house.

General Overview

This option would utilize the rights gained through Amendment 10 to gain access and ownership of all of the intellectual property and platforms that currently make up People First. Selected services presently outsourced (e.g. systems, technology platforms, application support, etc.) would remain outsourced but with a new service provider. Some services (most likely the service centers and supporting technology) would be brought back in-house and managed by the People First team and DMS.

Service Delivery Alignment

- Positive – This option would allow the State to assume ownership for customer (employee) contact and staff the service center with correct skill levels and appropriate training to deliver services defined in the overall delivery model. There would be an opportunity to better integrate core business processes across DMS and the agencies.

Staffing Implications

- Positive – We believe the State could easily attract individuals with the necessary skill sets to staff and manage the service centers. We believe that there is an ample supply of candidates that would meet the necessary qualifications for the work at a cost similar to what Convergys would have to pay for like skill sets. (This is stronger now given the difficult economy.) The service center could also provide an entry level opportunity linked to an overall career path within State HR. By requiring entry level staff to build their skills and knowledge within the service center but connecting these positions to a career path, the State would increase its appeal to applicants and potentially create a pipeline of qualified applicants for State agency personnel positions. This career path would also assist in the State in decreasing turnover within the service center while maximizing the investment in each service center employee.

Technology Considerations

- Neutral – Under this option, the state would leverage the investments made in People First and “go to the market” to determine the most cost effective option for operating the existing platform. This option will also enable the State to select a provider that is best aligned with the overall technology direction the State wishes to pursue. The new provider would provide the primary infrastructure required to support People First and service center infrastructure requirements could be aligned with the data center consolidation. We believe that this option would offer an opportunity to better link the service center with other internal DMS processes and that it could facilitate deploying a case management solution linked directly to each agency.

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Overall Cost Impact

- Neutral – We believe that this option could provide a framework for negotiating with external providers around a solution that would allow costs to remain at or near the current level of \$45 M per year. We have estimated that fees could be reduced by approximate 7.5 percent. The option would not require the State to advance any capital for SAP license fees or infrastructure while enabling the State to leverage modifications and enhancements completed to date. There will be investments required related to staffing the service center and deploying the service center technology components but, again, these may be offset by reductions in charges from the new provider.

VIII. Detailed Analysis of Each Viable Option

Outsourcing 1 - Continue contract with Convergys. All currently outsourced components remain outsourced.

a. **Summary of Option** - Under this option, the components already outsourced (infrastructure, application development, application support, HR service centers, etc.) would remain outsourced. This option assumes that the State would begin to negotiate with Convergys as soon as possible in preparation for the expiration of the contract in August 2011. Negotiations for a new contract with Convergys would focus on the following objectives:

- Having a new contract in place by FY 2010 with a term of 5 to 7 years,
- Reducing the current annual contract appropriations of approximately \$45 M per year on average by five to 15 percent,
- Improved process standardization such as common pay cycles and process compliance (e.g. use of self-service and an integration of the service delivery model with the agencies), and
- Making additional improvements beyond the Amendment 10 activities (e.g. fully automating the applicant to hire process).

b. **Benefits of the Option** – In an earlier section of this report, we included the following figure that assessed each option across dimensions of service delivery alignment, staffing implications, technology considerations and overall cost impact.

For the purposes of this table, Green = Positive, Yellow = Neutral, Red = Negative.

Outsourcing 1

Post Contract Options Evaluated	Service Delivery Alignment	Staffing Implications	Technology Considerations	Overall Cost Impact	Pursue Further Analysis?
Outsourcing 1 - Continue contract with Convergys. All currently outsourced components remain outsourced.					Yes

In the next section, we define potential benefits, improvements or enhancements related to each dimension of the overall evaluation criteria.

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- Service delivery alignment – While we assess this dimension as neutral, for this option we believe the State has a significant opportunity to improve the overall quality of services delivered through the People First platform. These improvements could be achieved through the following efforts:
 - ✓ Improve or develop measures of service delivery effectiveness (performance metrics and service level agreements) and create contractual impacts around these measures.
 - ✓ Utilize the amendment 10 framework to create additional areas of focus related to process standardization and process compliance. For example, focus efforts to increase consistent utilization of employee and manager self service for People First. Best practice organizations require complete use of self service and prohibit agencies or groups from opting out of this functionality. Another example would be moving to a common pay cycle for all State employees which would dramatically reduce errors that occur today in time reporting, benefits administration, employee transfers, etc.
 - ✓ Identify those agencies with urgent needs and align these needs with opportunities to improve specific processes or functions within the People First service delivery model. For example, focus on the applicant-to-hire process particularly with those agencies that are engaged in high volume hiring (e.g., Corrections, Health, etc.) even in these troubled economic times. The focus should be on standard templates and tools for assessing applicants to enable agencies access to the best candidates. Further, this effort would also include complete automation of the data entry process upon hiring a new employee by utilizing the data collected through the on-line application.
 - ✓ Integrate the agencies into the service delivery model. Today, problems (and employees with problems) are often sent back and forth between the People First service center and agency HR representatives. An extension of the case management tool within People First (eCase) into the agency operation would provide a framework for a more integrated approach to problem resolution (and better accountability for all involved parties).

- Staffing Implications - We view this option as positive based upon two major factors. First, this option does not require the State to add staff to the current DMS People First team. The staffing requirements for the State should not drastically change given that the service

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delivery model will remain relatively unchanged. Second, this option also recognizes the progress that the DMS People First team has made in recent months under its current leadership. At the same time, the State should use this opportunity to establish an improved governance structure which may require a realignment of responsibilities within the DMS People First team. We would recommend some modifications around the specific skill sets needed within the team specifically around the areas of process redesign and change management.

- Technology Considerations – Our assessment included not only the core ERP system that supports People First but also the infrastructure (servers, telecommunications, computer facilities, etc.) that comprise the total People First platform. We also reviewed (at a high level) the technology that supports the service centers and core transactional processes. From a technology perspective, the People First platform provides a fair level of value to the State. The underlying People First technology platform is SAP. Under Amendment 10, the State has negotiated an upgrade to this platform that will bring it up to date in terms of the overall technology foundation. We view this platform as having the following advantages for the State:
 - ✓ We regard the infrastructure provided by Convergys as being substantially superior to that which could be provided internally by the State. Further, we also believe that the self-service and service center technologies provided within the People First platform are very robust. These technologies would be difficult for the State to replicate given the current budget constraints.
 - ✓ SAP is recognized as a leading provider of technology solutions to private and public sector organizations around the world. SAP regularly receives high ratings from independent market research firms.
 - ✓ The SAP platform has an extensive set of capabilities beyond those currently utilized by the State – the most obvious being its capability to provide an “end to end” payroll solution. The State could conceivably leverage this capability, thereby eliminating the need for other legacy systems. If the State were to explore a comprehensive ERP solution across multiple administrative functions SAP would most likely be a leading candidate.

- Overall cost impact – Our assessment of positive for this option is based upon two factors: (1) our assessment of the current value of the contract and (2) our belief that this option may permit the State to potentially lower its overall costs for HR service delivery in the

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relative near term (by FY 2010). The standard benchmark for assessing outsourcing costs is based upon per employee per year (PEPY) charges for services. In order to measure the current value of the People First platform, we conducted an analysis of several hundred outsourcing engagements that have been completed over the past several years. In conducting this analysis, we attempted to normalize the data by selecting only those contracts that had the following characteristics:

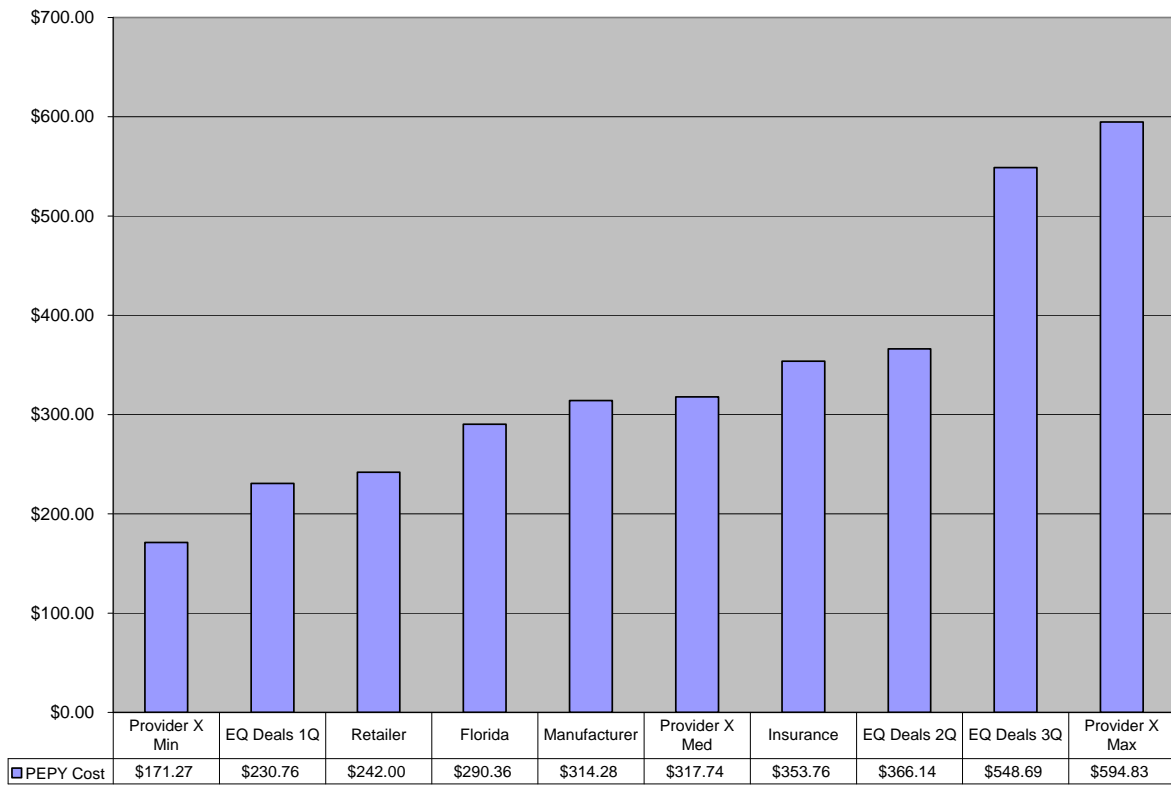
- The contracts were executed in a timeframe similar to People First (2002-2004 execution),
- The organizations served a user population in similar size to the State,
- The contracts were for services similar to those provided through People First (core HRIS hosting and application support, service centers, employee and manager self service, payroll preparation, benefits administration, recruiting, etc.), and
- We factored, into our calculations, allowances for services provided to different employee segments such as benefits for State University System employees.

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Figure 7 shows the PEPY (per employee per year) cost of services and compares the State of Florida with a number of benchmarks including aggregated EquaTerra data and specific organizations in the private sector.

As shown in **Figure 7**, the PEPY cost of services ranges from \$171.27 to \$594.83, with Florida’s PEPY cost being \$290.36. In our view this research would indicate that the State is getting a “fair” value in terms of the current cost for services when measured on a PEPY cost for services.

Figure 7. Per Employee Per Year Cost Sample



Note: Q = Quartile

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c. High-level Implementation Plan Steps and Timeline

We anticipate an overall timeline of six months to one year for this option.

Project Phase	Tasks	Timeline	Comments
Prepare and Define	<ul style="list-style-type: none"> ✓ Identify and align stakeholders ✓ Select and customize approach and diagnostic tools 	February 2009	Much of this work completed during this assessment with one potential area of opportunity around agency activity analysis.
Measure	<ul style="list-style-type: none"> ✓ Plan and prepare for data gathering ✓ Data collection ✓ Governance, relationship and contract reviews 	February 2009	Much of this work completed through this assessment. Conduct agency activity analysis. May want to assess need to “rebrand” People First.
Analyze	<ul style="list-style-type: none"> ✓ Analysis ✓ Report findings and recommendations 	February 2009	Majority of analysis completed through this assessment.
Improve	Roadmap Planning <ul style="list-style-type: none"> ✓ Identify and prioritize project initiatives ✓ Develop implementation plan ✓ Develop change and communication plans 	February - March 2009	Emphasis on process standardization, process compliance, key opportunity areas, service delivery integration, targeted cost reduction, etc.

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Improve	<p>Negotiate and Contract</p> <ul style="list-style-type: none"> ✓ Due Diligence ✓ Transition and transformation planning ✓ Governance design and development ✓ Contract preparation and negotiation ✓ Contract execution ✓ Deal approval, financial assurance and risk management 	March - June 2009	<p>Incorporate process standardization, compliance, etc. into new contract.</p> <p>Establish potential new roles within the DMS People First team.</p> <p>Develop improved measures of contract compliance and service delivery effectiveness.</p>
	<ul style="list-style-type: none"> ✓ Implement new initiatives ✓ Apply changes to existing processes ✓ Implement new processes and system changes ✓ Develop or adjust (communication/change) models ✓ Change service delivery requirements ✓ Executive change management ✓ Deliver training 	July - December 2009	<p>Major implementation efforts around building in process standardization and compliance.</p> <p>Major efforts related to integrating agencies into the revised service delivery model.</p> <p>Major efforts around focusing on opportunity areas such as applicant to hire process.</p>

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Improve (continued)	Transition to process owners ✓ Implement new operating procedures ✓ Communicate changes to all stakeholders ✓ Implement feedback and control mechanisms	January - March 2010	Major emphasis around change management and communication with user groups.
Evaluate & Monitor	✓ Identify changes to governance model and monitoring program ✓ Reporting and risk management	January - March 2010	Major emphasis on transparency. Major focus on “root cause” analysis.

d. Option Implementation Costs and Potential Savings

This option assumes a renegotiation of the current contract so the majority of costs to execute the option will be associated with the tasks outlined in the above high-level project plan. For the most part we would see the majority of this work being accomplished by the DMS People First team.

Potential One Time Expenses

In terms of potential one-time expenses, they would consist of the following:

- ✓ DMS project management costs estimated at \$250K.
- ✓ External consulting firm to manage those tasks associated with the contract renegotiation process (minimum) and to manage the transition process (maximum) estimated at \$250K to \$750K.
- ✓ Any potential external legal fees associated with the contract renewal/extension estimated at \$250K.

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Potential Savings

As indicated earlier, we believe that, if this option were executed, contract renegotiations could begin immediately with a target of having a new contract in place as early as July 1, 2009 (FY 2010). We would recommend that the new contract run for a seven year period of time (FY 2010 through 2016) and believe that the State could expect to reduce contract appropriations over this period of time per the following table. This estimate is based upon obtaining a median PEPY year reduction in ongoing cost of 10 percent.

Savings Option - Outsourcing 1	FY2010	Total Savings	Investment	Median Net Savings
Minimum (.75 of median)	\$3,450,000	\$24,150,000	\$750,000	\$31,200,000
Maximum (1.25 of median)	\$5,750,000	\$40,250,000	\$1,250,000	

e. Risks and Mitigation Strategies

Given the current economic environment and the recent improvements seen in the services provided through People First, we view Outsourcing 1 as the “lowest risk” option for the State. The option focuses around “staying the course” in terms of achieving the results envisioned when the People First initiative was launched in 2002. The basic foundational tenets of People First -- i.e. high utilization of employee and manager self service, simplified and standardized HR business processes -- are sound. The service delivery model vision has been successfully achieved in many organizations in both the private and public sector. In most cases achieving these objectives (in a meaningful fashion) generally requires five to seven years and the State is just beginning to reach the timeframe when it should expect to see widespread adoption of these concepts (and the efficiencies that were envisioned through the People First delivery model).

As indicated throughout this report, the main obstacles that now must be addressed surround the perceptions of People First formed during its initial implementation and the reality that the State has not made progress in moving towards common, simplified business practices. In our view, this issue will not be resolved through staying with People First or moving to another delivery platform since it requires “top down” management action and visible leadership and is virtually independent of the system or platform selected.

Therefore we identify a major risk for this option in the widespread belief (seen particularly in the larger agencies with high volumes of transactional activity) that People First does not work and cannot be made to work successfully. If this option is executed by the State, we would recommend that the State commit to an extensive effort to develop the change management and communication programs that would address these concerns. Agency buy-in is critical as is the ability of DMS (or another defined

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entity) to force compliance on standard processes, policies and practices. There may also be a need to “re-brand” People First and clearly launch the service delivery model while setting appropriate expectations across all agencies.

Another risk for this option is the relationship that has existed for several years between the service provider (Convergys) and the leadership team(s) within the State. We have seen numerous examples of failure on the part of Convergys to operate in a transparent fashion with DMS. They have often operated in a “closed” fashion and failed to demonstrate themselves as an active partner in helping the State improve core transactional processes. There has been a considerable lack of root cause analysis in handling errors and problems that occur on a daily basis. Many of the current performance reports produced to demonstrate improved service levels are inherently flawed in that they omit key data that would point to the underlying process flaws driving data errors.

One strategy that we would recommend to address these issues would be to ensure that any new contract with Convergys contains a more robust set of measures of service delivery effectiveness and service delivery satisfaction. Their reports also should track compliance with core standard processes (e.g. use of self-service). This should work in both directions; that is, every time the State creates policies or practices that create additional complexity, it should expect reduced standard service levels and satisfaction levels. Every time the State greatly simplifies core processes, that is, moves to one single payroll cycle for all State employees, it should expect improvements in service levels, costs and employee satisfaction.

Finally, in order to bring this framework into reality, the State and Convergys need to develop the partnership that was envisioned when People First was first conceived. We believe this can be accomplished through renegotiation, careful planning, and thoughtful action from both parties.

f. Comparison to Best Practices

This option embraces four key tenets related to “best practice” in terms of HR service delivery:

- ✓ It provides a single place for State employees (and prospective employees) to go for a broad set of delivered services such as staffing, time reporting, payroll preparation, benefits administration, etc.
- ✓ It provides the necessary framework (employee and manager self service) to enable the limited HR resources that exist today within the State agencies to focus on the critical strategic activities which enable the agency to efficiently provide the services required by the citizens of the State.

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- ✓ It is delivered through a standard set of stable technology platforms (primarily SAP) that are in widespread use across thousands of organizations ensuring that the technology will continue to improve over time through ongoing investments by the parent company.
- ✓ Current service center metrics and service level agreements (SLAs) are weak. The agreement with a new provider would allow the State to put in place more “best practice” performance metrics and service level agreements.

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Outsourcing 3 - Contract with a new provider and replace People First with a new system. New provider assumes all responsibilities and services provided by Convergys based on new system (all currently outsourced components remain outsourced).

- a. **Summary of Option** – Under this option, the components already outsourced (information technology infrastructure, application development, application support, HR service centers, etc.) would remain outsourced but the State would contract with a new service provider. The new service provider would assume responsibility for all services currently being provided by Convergys but would provide these services in the context of a new system that replaces People First. It is important to note, we envision this option involving a competitive procurement process in which Convergys could respond to the request for proposals provided by the State like any other provider. For this option, the State’s overall service delivery model for HR services remains largely unchanged but the State would be able to utilize the lessons learned during the life of the contract with Convergys and apply this knowledge to the agreement with a new service provider.

This option assumes that the State would begin the procurement process to select the service provider and system to replace Convergys and People First immediately. This procurement process, and the subsequent selection and negotiation to reach a contract with a new provider, would focus on the following objectives:

- Having a new contract (with a five to seven year term) in place prior to the expiration of the contract with Convergys in August 2011 to ensure a smooth transition from People First to a new system and continuity in all HR services for State employees,
- Improving process standardization; such as process compliance (e.g. consistent use of self-service and an integration of the service delivery model with the agencies) and a move towards common pay cycles,
- Keeping key components of the current service delivery model (use of employee and manager self service, single place for State employees (and prospective employees) to go for a broad set of delivered services, etc.) unchanged, and
- Setting aside resources to support enhancements and fixes over the life of the contract.

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b. **Benefits of the Option** – In an earlier section, we included the following chart that assesses each option across dimensions of service delivery alignment, staffing implications, technology considerations and overall cost impact

For the purpose of this table, Green = Positive, Yellow = Neutral, Red = Negative

Post Contract Options Evaluated	Service Delivery Alignment	Staffing Implications	Technology Considerations	Overall Cost Impact	Pursue Further Analysis?
Outsourcing 3 - Contract with a new provider and replace People First with a new system. New provider assumes all responsibilities and services provided by Convergys based on new system (all currently outsourced components remain outsourced).					Yes

In the next section, we define potential benefits, improvements or enhancements related to each dimension of the overall evaluation criteria.

- Service delivery alignment – We assess this dimension as being positive because the State’s move to a new system and new service provider would create an opportunity to improve the overall quality and efficiency of services through increased standardization across user groups. In addition, the State will be able to apply lessons learned and its experience from the People First initiative to achieve a system and portfolio of services that more fully meets the State’s needs. While the provider and system play a key role in realizing many of these benefits, we believe the State is responsible for driving the majority of important changes during the transition to a new provider. Needed changes and the potential benefits of these changes include:
 - ✓ Standardize HR processes as a key effort during the transition to a new HR system,
 - ✓ Correct impediments around employee and manager self-service that may have prevented users in the past from fully utilizing this functionality,
 - ✓ Drive consistency in utilization of self-service and address access issues,

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- ✓ Develop and execute effective change management and communications plans to gain important buy-in from users and momentum for the project,
 - ✓ Select a provider that is best aligned with the State’s desired future state and offers a system built on a stable technology platform comparable to SAP,
 - ✓ Correct challenges related to the service centers including increasing transparency of service center operations, improving information sharing between the State and the service provider, and embedding staff (as necessary) within the service centers,
 - ✓ Correct key user challenges (such as the duplicate entry of applicant data in non-integrated systems) to improve overall efficiency,
 - ✓ Establish effective service level metrics and an overall monitoring strategy that allows the State to more closely track performance and understand the value its receiving with the system,
 - ✓ Devise a strong mechanism to track costs to enable the State to understand its true cost in providing HR services, and
 - ✓ Improve consistency of training for system users for new employees and on an ongoing basis.
- Staffing Implications – We assess this dimension as being neutral. First, the staffing requirements for the State should not drastically change given that the service delivery model will remain relatively unchanged. At the same time, the State should use this opportunity to establish an improved governance structure which may require a realignment of responsibilities within the DMS People First team. Potential benefits for the People First team and staffing in general include:
- ✓ A new provider and system would allow the State to correct some of the “people” problems it experienced with Convergys through the new contract,
 - ✓ Better change management and training could prevent and eliminate many of the challenges and issues that the People First team must spend valuable time resolving on a day-to-day basis and the subsequent reduction in workload could make valuable staff resources available to support governance and related activities, and
 - ✓ Opportunity for the State to embed staff in the service centers to ensure timely knowledge transfer and accurate problem resolution.

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- Technology Considerations – We assess this dimension as neutral. We anticipate that any provider that is able to successfully respond to the State’s request for proposal with a solution that meets the defined requirements will have the infrastructure and underlying system platforms that would be equal to what is currently being utilized through Convergys. However, the State could (and should) use the procurement process to achieve the following benefits:
 - ✓ Ensure necessary alignment with future IT strategies such as the solution being pursued by DFS,
 - ✓ Set aside resources to support enhancements and fixes over the life of the contract, and
 - ✓ Select a system that rectifies some of its specific challenges with People First.

- Overall Cost Impact – We assess this dimension as being negative given the substantial transition costs required for the State to replace People First and Convergys with a new system and provider. Transition costs for this type of project are roughly equal to one year’s worth of operating expenses (or more) in upfront transition costs and require process redesign around new platform. While this cost can be built into ongoing operational expenses (as was done with the People First initiative), there will still be a likely increase to the overall cost of this option. In addition to the transition costs, the State should also consider the following likely costs required to move to a new system and provider:
 - ✓ An internal DMS project team (3-5 people) to manage the transition. It is unlikely that the current People First team has the bandwidth to take on this additional work given that it must continue to support People First until transition is complete.
 - ✓ Cost of a procurement effort of this type including internal State procurement resources as well as the potential use of an external firm that specializes in the RFP-to-contract process.
 - ✓ Costs of both internal and external counsel to negotiate a new contract. The State would be well served to have appropriate legal support with expertise in information technology, HR and outsourcing agreements.
 - ✓ Any penalties or additional fees required if the State cannot transition to the new provider and system before the current contract with Convergys expires.

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c. High Level Implementation Plan Steps and Timeline

We anticipate an overall timeline of two to three years for this option.

Project Phase	Tasks	Timeline	Comments
Prepare and Define	<ul style="list-style-type: none"> ✓ Assess current contract and Amendment 10 ✓ Determine transition requirements, penalties and other concerns related to transitioning to a new system/provider ✓ Identify and align project leadership and team ✓ Identify and align key stakeholders within DMS and user groups 	February -March 2009	This study and assessment should form the foundation for this work. State needs to understand possible penalties or costs for extending the contract with Convergys to guide project planning and overall budgeting.
Measure	<ul style="list-style-type: none"> ✓ Survey all user groups in preparation of migration to new provider ✓ Data collection on processes and use of People First within user groups ✓ Review existing governance structure 	April 2009	Much of the required information was already collected as part of this assessment. State should identify any areas where additional data is necessary.
Analyze	<ul style="list-style-type: none"> ✓ Analyze data and report findings ✓ Define lessons learned ✓ Identify necessary process changes including opportunities for standardization 	May 2009	
Improve	<p>Roadmap Planning</p> <ul style="list-style-type: none"> ✓ Identify and prioritize project initiatives, changes and improvements, standardization opportunities ✓ Develop implementation and transition plans ✓ Define anticipated extension with Convergys to ensure complete migration to new system/provider before go live ✓ Develop and execute change management and communications plans ✓ Develop and establish governance design 	May-June 2009	Major implementation efforts around building in process standardization and compliance. Major efforts related to integrating agencies into the new service delivery model. Major efforts around focusing on opportunity areas such as applicant to hire.

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Procure	<ul style="list-style-type: none"> ✓ Due diligence to support negotiation and contracting ✓ Establish procurement timeline ✓ Establish system and provider requirements ✓ Develop request for proposal ✓ RFP response and review ✓ Selection and contract negotiation ✓ Deal approval, financial assurance and risk management 	<p>July 2009</p> <p>July 2009 July - September 2009 September – November 2009 December – February 2010</p>	This process should be dictated by the State's competitive procurement rules.
Migration and Transition	<ul style="list-style-type: none"> ✓ Migration to new provider ✓ Apply changes to existing processes ✓ Implement new processes ✓ Change service delivery requirements ✓ Assist in development of system ✓ System testing ✓ Develop training ✓ Deliver training ✓ Implement new operating procedures 	March 2010- August 2011	
Evaluate & Monitor	<ul style="list-style-type: none"> ✓ Define service levels, monitoring tools and mechanisms, reporting and risk management ✓ Implement monitoring and reporting 	March 2010- ongoing	Major emphasis on transparency. Effective and informative performance metrics.

d. Option Implementation Costs and Potential Savings

This option assumes the State would keep the currently outsourced components of the existing service delivery model outsourced but move to a new provider and system to replace Convergys and People First. Convergys would be able to participate in the competitive procurement process but if the State did end up selecting Convergys, it would likely not achieve the same savings possible if the State were to renegotiate with Convergys now. As the State gets closer to the expiration of the contract with Convergys it continues to lose leverage in terms of renegotiation. There are significant costs related to procuring a new provider to develop a new system to replace People First. This option would likely cost the State more than the current contract.

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Potential One Time Expenses

In terms of potential one-time expenses, they would consist of the following:

- ✓ Transition costs (paid to new provider) estimated at \$38.7 M.
- ✓ DMS project management costs estimated at \$1 M.
- ✓ External consulting firm to manage those tasks associated with the contract renegotiation process (minimum) and to manage the transition process (maximum) estimated at \$1.2 M.
- ✓ Any potential external legal fees associated with the contract renewal/extension estimated at \$750,000.
- ✓ Penalties or fees required if the State is not able to complete transition to the new provider and system prior to the expiration of the current contract with Convergys. (This amount will be dependent on how long Convergys is willing to continue providing its services and the amount of extra time the State requires to complete the transition).

Potential Savings

For purposes of this analysis, we have targeted having a new contract in place by July 1, 2011 (FY 2012). We would recommend that the new contract run for at least a five year term (FY 2012 through 2016) and believe that the State could expect to reduce contract appropriations over this period per the following table. This is based upon obtaining a median PEPY year reduction in ongoing cost of 25 percent.

Savings Option Outsourcing 3	FY2010	Total Savings	Investment	Net Savings
Minimum (.75 of median)	\$0	\$34,500,000	\$31,230,000	\$4,360,000
Maximum (1.25 of median)	\$0	\$57,500,000	\$52,050,000	

e. **Option Risks and Mitigation Strategies**

We recognize that the outlined timeline for this option is very aggressive and requires the dedication of individuals already tasked with supporting and maintaining People First on a daily basis. We also recognize the importance of an appropriate and realistic timeline for this type of effort especially given the delays experienced during the implementation of People First and the impact these delays had on the resulting system. With these issues in mind, careful planning for this effort and establishing a realistic timeline present key risks for this option. The State must be conscious of the existing timeline, in which the contract with Convergys will expire in August 2011.

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The State must conduct thoughtful analysis and planning to determine the likelihood that a new provider and system could be in place prior to the expiration of the contract with Convergys. If it cannot, the State must calculate the true costs of keeping People First operational while the new system is developed, tested and implemented. The State also needs to consider how it would continue to provide critical HR services if it could not further extend the contract with Convergys (until the new system is functional). These costs, all dependent on the timeline, must be weighed before pursuing this option.

Another risk for this option is related to the opportunity to correct past challenges or failures. We assessed the service delivery aspect of this option as being positive given that moving to a new provider and system would allow the State to apply its lessons learned with the goal of selecting a more efficient and effective overall solution for HR. Much of this opportunity to improve is dependent on the State's commitment to pursuing the standardization of processes and procedures across all user groups. This commitment will require leadership at a variety of levels to champion this effort and drive change. The State must consider if the desire and will to change exists to drive the consistency and standardization necessary to make a new system successful. Unfortunately, the State could easily end up with a system that has the same challenges and problems as People First. The State must realistically assess its own appetite for change, barriers to change and its ability to drive change to support a new system.

Time and again during the assessment we identified the need for better change management and communications to ensure stakeholder buy-in. To prevent an experience similar to People First, the State must develop and execute effective change management and communications strategies that reach all user groups. Training for employees, both in preparations for the implementation of the system and on an ongoing basis, should also be more consistent across the State. Today, while the DMS People First team offers training resources, they have little to no visibility into how or if these resources are being used. The State must enable DMS and the project team to have some ownership and authority over training for the new system.

The State must also recognize that while this option does address the challenges and concerns raised regarding the relationship with Convergys, it does not specifically address some key issues with the service centers. In this option, the service centers would remain outsourced. The majority of feedback we received during the assessment phase indicated that State agencies did not have confidence in the service centers with the primary reason being that the service center staff (under an outsourced business model) did not have the necessary knowledge and expertise to answer questions or resolve complex problems. A new provider is likely to use a model similar to that of Convergys for staffing the service centers. The State will be able to apply its lessons learned and knowledge from its current experience to a new agreement, however, it is unlikely this alone will solve these issues with the service center. To mitigate this risk, the State should explore different ways to improve knowledge transfer to

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the service centers such as embedding State employees within the centers, careful monitoring of the case management system, access to the case management system and a clear escalation process.

f. **Comparison to Best Practices**

This option embraces five key tenets related to “best practices” in terms of HR services delivery:

- ✓ It provides a single place for State employees (and prospective employees) to go for a broad set of delivered services such as staffing, time reporting, payroll preparation, benefits administration, etc.
- ✓ It provides the necessary framework (employee and manager self service) to enable the limited HR resources that exist today within the State agencies to focus on the critical people strategies which enable the agency to efficiently provide the services required by the citizens of the State.
- ✓ A new system could be selected to align with a future DFS system which would be critical in moving toward an integrated system for payroll. The use of two separate systems to complete payroll is not a best practice. While we understand that many governments may require two separate entities to be involved with processing payroll, a best practice solution would be the use of one system or an integrated system to produce payroll.
- ✓ Alignment with a future DFS system may allow users to eventually access pay data through the same place they access HR information. Best practices suggest a single place for access to all this data would be available.
- ✓ Current service center metrics and service level agreements (SLAs) are weak. The agreement with a new provider would allow the State to put in place more “best practice” performance metrics and service level agreements.

Insourcing 6 - Purchase a new system to replace People First and bring all other operations and services in-house (all currently outsourced components are insourced).

- a. **Summary of Option** – This option envisions the State evaluating and selecting a HR/Payroll system (PeopleSoft, SAP, Lawson, etc.) and implementing it internally. It also envisions the State bringing back all functional areas that would support the core system, including application support, service center technology and staff to support the service centers. **Note: We are only evaluating this option as viable if the State decides to pursue a broader ERP solution across multiple administrative functions such as finance, payroll, procurement, etc. Our evaluations below are at a high level and are based upon that assumption.**
- b. **Benefits of this option** – In an earlier section, we included the following chart that assesses each option across dimensions of service delivery alignment, staffing implications, technology considerations and overall cost impact

For the purpose of this table, Green = Positive, Yellow = Neutral, Red = Negative

Post Contract Options Evaluated	Service Delivery Alignment	Staffing Implications	Technology Considerations	Overall Cost Impact	Pursue?
Insourcing 6 - Purchase a new system to replace People First and bring all other operations and services in-house (all currently outsourced components are insourced).					Yes

In the next section, we define potential benefits, improvements or enhancements related to each dimension of the overall evaluation criteria.

- Service delivery alignment – We assess this dimension as being positive because the State’s move to an integrated ERP technology platform tied to an internal HR service delivery model would permit a much higher integration of functional areas (e.g. personnel with payroll) than what exists today. It would allow the State to develop common policies and practices across multiple internally delivered services. It would also enable the creation of a true portal self-service solution, simplifying employee and prospective employee access to needed information and the ability to access self-service applications. All services could potentially have a common “look and feel”.

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- Staffing Implications – We assess this dimension as being neutral. It would require the State to bring the current service center(s) operated by Convergys back in-house but this effort could be combined with creating a broader service delivery model across all services delivered through the ERP solution. This option would also potentially require the State to build an internal application support team but it would enable the State to have one set of technical resources that could support the entire ERP application to result in staffing efficiencies. We do believe the State could acquire needed specialized skills with this solution since a set of career paths could be developed across the entire suite of ERP applications.
- Technology Considerations – We assess this dimension as neutral. The cost associated with establishing the necessary infrastructure to support the ERP solution would be offset by costs that exist today to support separate legacy applications. In terms of technology required to support potential internal service centers (IVR/telephony, case management/call tracking tools, scripted knowledge base systems, etc.), the cost of these tools would be spread across multiple involved administrative functions and would also drive a common end user experience.
- Overall Cost Impact – We assess this dimension as being negative given the substantial implementation costs associated with acquiring and implementing a comprehensive ERP solution across multiple administrative functions. We have not attempted to break these costs down into discrete components, but rather have indicated, at a high level the scale of the investment required. (See option implementation costs and potential savings in the following section of this report)

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c. High Level Implementation Plan Steps and Timeline

We anticipate an overall timeline of two to four years for this option.

We do not provide a sample implementation plan and timeline for this option since it would be integrated into and driven by a broader ERP effort across multiple administrative areas (finance, personnel, procurement, payroll, etc.). Typically, a project of this scale would require between two to four years from project initiation through full implementation.

d. Option Implementation Costs and Potential Savings

Implementation costs for this option would be primarily driven by the ERP acquisition costs (e.g. license fees) for the selected solution and by implementation costs to tailor the selected package to the specific requirements of the State.

Potential One Time Expenses

In terms of potential one-time expenses, they would consist of the following:

- ✓ ERP license fees estimated at \$40 M.
- ✓ Internal and external resources to implement ERP solution estimated at \$15 M.
- ✓ DMS project management expenses estimated at \$1 M.
- ✓ Internal and external legal fees associated with contract negotiations estimated at \$750K.
- ✓ Internal and external procurement resources estimated at \$1.25 M.
- ✓ Purchase and implementation of service center technology tools (IVR, call/case management tools, call and screen monitoring software etc.) estimated at \$1.5 M.
- ✓ External expertise to assist in establishing and operating call centers estimated at \$750K.
- ✓ Service Center set up costs (computers, desks, etc. for approximately 120 employees) estimated at \$400K.
- ✓ State of Florida staff time in developing new jobs, recruiting/hiring, training and developing staff and developing service center metrics and procedures estimated at \$750K.
- ✓ Office space (TBD depending on what is already available) TBD.

Potential Savings

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For purposes of this analysis we've targeted having an internal ERP solution in place by July 1, 2012 or the beginning of FY 2013. This would require the State to exercise options it has to extend the existing contract with Convergys. The State could expect to reduce contract appropriations over this period of time per the following table. This is based upon obtaining a median PEPY year reduction in ongoing cost of 40 percent.

Savings Option Insourcing 6	FY2010	Total Savings	Investment	Net Savings
Minimum (.75 of median)	\$0	\$55,200,000	\$45,487,500	\$12,950,000
Maximum (1.25 of median)	\$0	\$92,000,000	\$75,812,500	

e. Option Risks and Mitigation Strategies

An exploration of the risks associated with implementing an ERP of this size and complexity is beyond the scope of our analysis. Project management expertise and careful planning around change management and communications are essential to project success.

f. Comparison to Best Practice

This option embraces four key tenets related to "best practices" in terms of HR and other administrative services delivery:

- ✓ An ERP system would provide a single place for State employees (and prospective employees) to go for a broad set of delivered services across multiple administrative areas.
- ✓ An ERP system would enable users to access a variety of data including HR, pay and leave through one place. Best practices suggest a single place for access to all this data would be available.
- ✓ An ERP system would provide the necessary framework (employee and manager self service) to enable limited administrative resources to focus on those strategic activities which allow the State to operate in an optimal fashion.
- ✓ An ERP system would provide one system through which to complete payroll. The use of two separate systems to complete payroll is not a best practice. While we understand that many governments may require two separate entities to be involved with processing payroll, a best practice solution would be the use of one system or an integrated system to produce payroll.

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Blended 7 - Continue contract with Convergys but bring some outsourced components (service centers) back in-house.

a. **Summary of Option** - Under this option, the IT components already outsourced (infrastructure, application development, application support) would remain outsourced. However, the State would now staff and operate the HR service center(s). This option acknowledges that the SAP platform and technology support currently being provided by Convergys is stable, but that there is an opportunity to improve service alignment by insourcing the service center operations. It also allows for the State to begin to negotiate a new contractual arrangement with Convergys for a revised scope of services and to plan for the transition of services back in-house.

Negotiations for a new contract with Convergys would focus on the following objectives:

- Redesigning the service delivery model and bringing the currently outsourced service centers in-house, purchasing or building the necessary tools to support these centers, and staffing these centers with State employees,
- Having a new contract (with a five to seven year term) in place prior to expiration of the contract with Convergys in August 2011,
- Setting aside resources to support enhancements and fixes over the life of the contract.

b. **Benefits of the option** – In an earlier section of this report, we included the following chart that assessed each option across dimensions of service delivery alignment, staffing implications, technology considerations and overall cost impact.

For the purposes of this table, Green = Positive, Yellow = Neutral, Red = Negative.

Post Contract Options Evaluated	Service Delivery Alignment	Staffing Implications	Technology Considerations	Overall Cost Impact	Pursue Further Analysis?
Blended 7 - Continue contract with Convergys but bring some outsourced components (service centers) back in-house.					Yes

In the next section, we define potential benefits, improvements or enhancements related to each dimension of the overall evaluation criteria.

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- Service delivery alignment – We assess this dimension as being positive due to the opportunities for improvements in the service delivery model it presents. The findings from the data collection and assessment activities conducted for this project indicate that confidence in the current service centers including the information service center representatives provide and their ability to resolve issues was low. The majority of State agencies believe that the current service centers are not meeting their employees’ needs. The assessment also indicated that recurring problems or failures within the service centers sometimes caused agencies to discontinue use of key aspects of People First functionality. For example, in the recruit-to-hire process, agencies perceive People First and the staffing service center team as being unable to consistently identify the best qualified applicants for vacant positions. Further, State agencies lack confidence in the centers and are concerned that the best or better applicants are being inadvertently screened out. In response, some agencies are only using People First to post positions but are accepting and screening applications in-house.

Clearly, bringing service center operations in-house will require the State to invest in new staff, infrastructure and other needed resources. But we believe the State is capable of establishing and managing these service centers in an efficient and effective manner. Further, insourcing the service centers may lead to better integration between the People First team, DMS and other agencies around core transactional processes. Due to these and other issues, insourcing the service centers could allow the state to realize the following benefits:

- ✓ Improve integration of the People First team, DMS and other State agencies around core transactional processes including the governing, monitoring and effective resolution of escalated cases.
- ✓ Establish service level metrics and an overall performance monitoring strategy that enables the State to more closely track performance and understand the values it’s receiving in the system.
- ✓ Increase transparency in service center operations to achieve greater synergies with the rest of the State’s HR operations and centers of expertise.
- ✓ Ensure that the proper knowledge, skills, abilities and competencies are being exhibited by service center staff.
- ✓ Integrate the agencies into the service delivery model. Today problems (and employees with problems) are often sent back and forth between the People First service center and agency HR representatives. Extension of the case management tool within People First (eCase) into the agency operation would provide a framework for a more integrated approach to problem resolution (and better accountability).

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- Staffing Implications - We assess this dimension as being positive even though the State will likely need to hire additional staff to support and manage the insourced service centers. First, based on our research of Convergys' service centers and knowledge of the overall industry, the State could easily attract individuals with the necessary skill sets to staff and manage the service centers. We believe that there is an ample supply of candidates that would meet the necessary qualifications for the work at a cost similar to what Convergys would have to pay for like skill sets. (This is stronger now given the difficult economy.)

The service center could also provide an entry level opportunity linked to an overall career path within State HR. By requiring entry level staff to build their skills and knowledge within the service center but connecting these positions to a career path, the State would increase its appeal to applicants and potentially create a pipeline of qualified applicants for State agency personnel positions. This career path would also assist in the State in decreasing turnover within the service center while maximizing the investment in each service center employee. This option would provide opportunities for the State to realize the following potential benefits:

- ✓ Increase appeal to higher quality applicants by developing an HR career path linked to entry level opportunities in the service centers.
- ✓ Enable excellent transparency in case management, consistent dissemination of accurate information and quick resolution of HR problems.
- ✓ Establish partnerships with local colleges and universities such as Florida State University to create job opportunities for students in the service centers.
- ✓ Reduce workload for People First team members tasked with assisting State agencies interact with the service centers and Convergys.
- ✓ Reduce workload for agency personnel representatives that are often required to resolve problems or answer questions when service center representatives shift issues back to the agencies. An improve service center operation design combined with more skilled employees with a better understanding of State HR practices should reduce this need.

Noting the potential benefits above, there would be a definite need to develop an effective transition plan including assistance from Convergys. As the State does not have a depth of experience operating in a true "shared services" environment, they would need the assistance in selecting and training key staff in managing and monitoring service levels in this environment. This may mean contracting with Convergys to not only train and help in the establishment of the

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center, but to perform periodic assessments for a defined time period to ensure its successful long term operation.

- Technology Considerations – Since the technology and support functions would remain largely unchanged, we assess this option as being neutral in terms of the technology considerations. We believe, from a technology perspective, that the People First platform provides a fair level of value to the State. The underlying HRIS/payroll system that supports People First is SAP. Under Amendment 10, the State has negotiated an upgrade to this platform that will bring it up to date in terms of the overall technology foundation. We view this platform as having the following advantages to the State:
 - ✓ We regard the infrastructure provided by Convergys as being substantially superior to that which could be provided internally by the State. Further, we also believe that the self-service and service center technologies provided within the People First platform is very robust. These technologies would be difficult for the State of to replicate given the current budget constraints.
 - ✓ SAP is recognized as a leading provider of technology solutions to private and public sector organizations around the world. SAP regularly receives high ratings from independent market research firms.
 - ✓ The SAP platform has an extensive set of capabilities beyond those currently utilized by the State – the most obvious being its capability to provide an “end to end” payroll solution. The State could conceivably leverage this capability, thereby eliminating the need for other legacy systems. If the State were to explore a comprehensive ERP solution across multiple administrative functions, SAP would likely be a leading candidate.

- Overall cost impact – Our assessment for this option in terms of overall cost impact is neutral based on the fact that we anticipate the long-term costs will be similar to the current outsourcing arrangement, but there would be some one time start up expenditures which would be above that of the current contract. We would anticipate the cost of the overall contract to be reduced because of the elimination of the service centers. However, while the contract is reduced, the internal cost of delivering HR will increase since the State will now be responsible for staffing and supporting the service centers. These one-time expenses would include:

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- ✓ Purchase and implementation of service center technology tools (IVR, call/case management tools, scripted knowledge management system, call and screen monitoring software etc.).
- ✓ Cost of consulting expertise (Convergys or other firm) with knowledge in establishing and operating call centers.
- ✓ State of Florida staff time in developing new jobs, recruiting/hiring, training and developing staff and developing service center metrics and procedures.
- ✓ Office set-up costs (computers, desks, etc) depending on what is available.
- ✓ State of Florida staff time in developing new jobs, interviewing, training and developing staff and developing service center metrics and procedures.

c. High Level Implementation Plan Steps and Timeline

We anticipate an overall timeline of one to two years for this option.

Project Phase	Tasks	Timeline	Comments
Prepare and Define	<ul style="list-style-type: none"> ✓ Identify and align stakeholders ✓ Select and customize approach and diagnostic tools 	February 2009	<p>Much of this work completed during this assessment.</p> <p>One potential area of opportunity around agency activity analysis</p>
Measure	<ul style="list-style-type: none"> ✓ Plan and prepare for data gathering ✓ Data collection ✓ Governance, relationship and contract reviews 	February 2009	<p>Much of this work completed through this assessment.</p> <p>Conduct agency activity analysis.</p> <p>May want to assess need to “rebrand” People First.</p>
Analyze	<ul style="list-style-type: none"> ✓ Analysis ✓ Report findings and recommendations 	February 2009	Majority of analysis completed within this assessment.

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Improve	<p>Roadmap Planning</p> <ul style="list-style-type: none"> ✓ Identify and prioritize project initiatives ✓ Develop implementation plan ✓ Develop change and communication plan 	February - August 2009	Transition planning around setting up internal service center.
Improve (continued)	<p>Negotiate and Contract</p> <ul style="list-style-type: none"> ✓ Due Diligence ✓ Transition and transformation planning ✓ Governance design and development ✓ Retained organization design and development ✓ Contract preparation and negotiation ✓ Contract execution ✓ Deal approval, financial assurance and risk management 	August 2009 – January 2010	Incorporate changes to Contract to move service center operations to the State, with assistance from Convergys, while maintaining IT support with any necessary changes.
	<p>Implement new initiatives</p> <ul style="list-style-type: none"> ✓ Apply changes to existing processes ✓ Implement new processes and system changes ✓ Develop or adjust RACI (communication/change) models ✓ Change service delivery requirements ✓ Deliver change management and training 	July - December 2009	Build service center, staff and train SC employees, implement technologies, procedures and service level expectations.

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Improve (continued)	Transition to process owners ✓ Implement new operating procedures ✓ Communicate changes to all stakeholders ✓ Implement feedback and control mechanisms	January - March 2011	Begin with open enrollment support then roll out either in phases or “big bang.”
Evaluate & Monitor	✓ Identify changes to governance model and monitoring program ✓ Reporting and risk management	January - March of 2011	Major emphasis on transparency. Effective and informative performance metrics.

d. Option implementation costs and potential savings

This option assumes a renegotiation of the current contract so the majority of costs to execute the option will be associated with the tasks outlined in the above high-level project plan. For the most part, we would see the majority of this work being accomplished by the DMS People First team.

Potential One Time Expenses

In terms of potential one-time expenses, they would consist of the following:

- ✓ DMS project management costs estimated at \$250K.
- ✓ Internal resources and external consulting firm to manage those tasks associated with the contract renegotiation process (minimum) and to manage the transition process (maximum) estimated at \$500K.
- ✓ Any potential external legal fees associated with the contract renewal/extension estimated at \$250K.
- ✓ Cost of bringing in call center technology (IVR, call/case management tools, call and screen monitoring software etc. estimated at \$1.5 M.
- ✓ Cost of consulting expertise (Convergys or other firm) with knowledge in establishing and operating call centers estimated at \$750K.

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- ✓ Office set up costs (computers, desks, etc for approximately 125 employees) estimated at \$250K.
- ✓ State of Florida staff time in developing new jobs, recruiting/hiring, training and developing staff and developing service center metrics and procedures estimated at \$500K.
- ✓ Office space costs dependent on what existing space may be available - TBD.

Potential Savings

For purposes of this analysis, we have targeted having a new contract in place by July 1, 2010 or the beginning of FY2011. For comparability purposes we are showing the new contract running for six years (FY 2011 through 2016) and believe that the State could expect to reduce contract appropriations over this period of time per the following table. This is based upon obtaining a median PEPY year reduction in ongoing cost of 5 percent.

Savings Option Blended 7	FY2010	Total Savings	Investment	Net Savings
Minimum (.75 of median)	\$0	\$8,625,000	\$3,000,000	\$7,500,000
Maximum (1.25 of median)	\$0	\$14,375,000	\$5,000,000	

e. Option Risks and Mitigation strategies

We believe the risks associated with this option are low to moderate. In this option, the State would insource the service centers and therefore, assume responsibility for staffing and operating the service centers. The risks associated with insourcing the service centers are due to the State's lack of experience in operating in this type of environment. A true shared services environment is a much more measured and restrictive environment than what is typically experienced in HR. A successful shared services operation requires that individuals meet exacting service level standards and they are monitored through regular performance measurement. Service center representatives must not only be able to accurately handle routine transactions, but also provide superb customer relations services in a multi-tasking environment. Thus, the skills that allowed an individual to be successful in a traditional HR operation will not necessarily make this person successful in the service center environment. New job descriptions, knowledge, skills, abilities and competencies will need to be developed, as well as, new selection procedures.

Additionally, office space would have to be identified to house the service center staff, including office design, equipment, and call center technology to support the operations. There would also be a need to develop and deliver training, work processes and procedures, service levels, etc. to ensure the success of the service center.

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To mitigate these risks, we recommend thoughtful transition planning combined with the support of external consultants that are knowledgeable in service center operations. This approach would enable the State to develop the following:

- The skill sets and competencies for the service center jobs,
- Selection procedures for service center staff,
- Work processes and procedures, roles and responsibilities, organization structures, scheduling and hours of operation for the service center,
- Training programs for service center staff,
- An effective service center design and the appropriate service center tools,
- Periodic audits of performance through the first year or two of the transition,
- An effective change management program and “roll out plan,” and
- Start up staff augmentation and on-site support.

All said, we still remain confident that the State would be successful in establishing and managing the service centers necessary to support State employees and other users. The State has existing service centers that work well in other areas and could use these service centers as models for the HR operation. Insourcing the service centers should also have a positive impact on the user groups as chief complaint we identified during this assessment was the perception of the existing service centers as being ineffective and incapable of resolving important employee issues. Supporting and managing the service centers in-house should also aid in standardization efforts as the State will be able to drive efforts towards more consistent processes through the centers.

Another risk for this option is the relationship that has existed for several years between the service provider (Convergys) and the leadership team(s) within the State. We have seen numerous examples of failure on the part of Convergys to operate in a transparent fashion with DMS. They have often operated in a “closed” fashion and failed to demonstrate themselves as an active partner in helping the State improve core transactional processes. There has been a considerable lack of root cause analysis in handling errors and problems that occur on a daily basis. Many of the current performance reports produced to demonstrate improved service levels are inherently flawed in that they omit key data that would point to the underlying process flaws driving data errors.

One strategy that we would recommend to address these issues would be to ensure that any new contract with Convergys contains a more robust set of measures of service delivery effectiveness and service delivery satisfaction. Their reports also should track compliance with core standard processes (e.g. use of self-service). This should work in both directions; that is, every time the State creates policies or practices that create additional complexity, it should expect reduced standard service levels and satisfaction levels. Every time the State greatly simplifies core processes, that is, moves to one

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single payroll cycle for all State employees, it should expect improvements in service levels, costs and employee satisfaction. In order to bring this framework into reality, the State and Convergys need to develop the partnership that was envisioned when People First was first conceived. We believe this can be accomplished through renegotiation, careful planning, and thoughtful action from both parties.

Finally, there is another key risk in pursuing this option. People First was originally conceived and developed by Convergys with tight integration between the system/technology and the service centers. This option requires the State to insource these centers and in many ways, attempt to replicate the tight integration that existed when the delivery model was originally developed. It is very difficult to accomplish this without negatively impacting services (in this case, on both sides – the State and Convergys). This separation is by no means impossible, but will require careful planning, extra attention to design and integration and improved communication during the transition and in the future to identify potential issues as they arise.

f. Comparison to Best Practices

This option embraces three key tenets related to “best practices” in terms of HR services delivery:

- ✓ It provides a single place for State employees (and prospective employees) to go for a broad set of delivered services such as staffing, time reporting, payroll preparation, benefits administration, etc.
- ✓ It provides the necessary framework (employee and manager self service) to enable the limited HR resources that exist today within the State agencies to focus on the critical strategic activities which enable the agency to efficiently provide the services required by the citizens of the State.
- ✓ It is delivered through a standard set of stable technology platforms (primarily SAP) that are in widespread use across thousands of organizations ensuring that the technology will continue improve over time through ongoing investments by the parent company.

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Blended 8 - Retain People First but contract with a new provider to host the system. New provider assumes all responsibilities and services provided by Convergys in terms of the technology platform and system. Bring some outsourced components (service centers) back in-house.

General Overview

- a. **Summary of Option** - This option also envisions a blended service delivery model with infrastructure, core technology components and application support provided by an external service provider. This option would enable the State to leverage the rights gained through Amendment 10 to gain access and ownership of the intellectual property and platforms that currently make up People First. The State would redesign its service delivery model with some currently outsourced components, mainly the service centers, brought back in-house to be delivered by the State rather than a service provider. The remaining outsourced components, the technology platform and the system itself, would remain outsourced but the State would complete a competitive procurement process and select a new provider. The State, in turn, would be responsible for building, staffing and supporting the necessary service center operation to replace the centers currently being operated by Convergys. Today, Convergys provides a variety of technology tools to support the service centers including a case management system (eCase) and IVR telephony. The State would be required to purchase or build similar tools to support the new in-house service centers.

This option assumes that the State would begin to develop a new service delivery model and prepare for the procurement process to select a new vendor immediately. These activities and procurement process and the subsequent selection and negotiation to reach a contract with a new provider would focus on the following objectives:

- Redesigning the service delivery model and bringing the currently outsourced service centers in-house, purchasing or building the necessary tools to support these centers, and staffing these centers with State employees,
- Having a new contract in place prior to expiration of the contract with Convergys in August 2011 to ensure a smooth transition to a new provider and continuity in all HR services for State employees/users,
- Having a new contract with a five to seven year term,
- Improving standardization of processes including moving towards consistent HR processes for all State agencies and user groups (including consistent utilization of employee and manager self-service, integration of the service delivery model across State agencies and user groups, and common pay cycles), and
- Setting aside resources to support enhancements and fixes over the life of the contract.

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- b. **Benefits of this Option** – In an earlier section, we included the following chart that assesses each option across dimensions of service delivery alignment, staffing implications, technology considerations and overall cost impact.

For the purpose of this table, Green = Positive, Yellow = Neutral, Red = Negative

Post Contract Options Evaluated	Service Delivery Alignment	Staffing Implications	Technology Considerations	Overall Cost Impact	Pursue Further Analysis?
Blended 8 - Retain People First but contract with a new provider to host the system. New provider assumes all responsibilities and services provided by Convergys in terms of the technology platform and system. Bring some outsourced components (service centers) back in-house.					Yes

In the next section, we define potential benefits, improvements or enhancements related to each dimension of the overall evaluation criteria.

- **Service Delivery Alignment** – We assess this dimension as being positive because this option, a new service delivery model with a blended solution (some outsourcing, some in-house) provides an opportunity for the State to redesign and establish a model that meets its needs while resolving some of the key challenges it experienced in the past. The findings from the data collection and assessment activities conducted for this project indicate that confidence in the current service centers including the information service center representatives provided and their ability to resolve issues was low. The majority of State agencies believed that the current service centers were not meeting their employees’ needs. The assessment also indicated that recurring problems or failures within the service centers sometimes caused agencies to discontinue use of key aspects of People First functionality. For example, in the recruit-to-hire process, agencies perceive People First and the staffing service center team as being unable to consistently identify the best qualified applicants for vacant positions. Further, State agencies lack confidence in the centers and are concerned that the best or better applicants are being

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inadvertently screened out. In response, some agencies are only using People First to post positions but are accepting and screening applications in-house.

Clearly, bringing service center operations in-house will require the State to invest in new staff, infrastructure and other needed resources. But we believe the State is capable of establishing and managing these service centers in an efficient and effective manner. Further, insourcing the service centers may lead to better integration between DMS and other agencies around core transactional processes. Due to these and other issues, insourcing the service centers could allow the state to realize the following benefits:

- ✓ Improve integration of the People First team, DMS and other State agencies around core transactional processes including the governing, monitoring and effective resolution of escalated cases.
 - ✓ Increase transparency in service center operations to achieve greater synergies with the rest of the State's HR operations and centers of expertise.
 - ✓ Ensure that the proper knowledge, skills, abilities and competencies are being exhibited by service center staff.
 - ✓ Integrate the agencies into the service delivery model. Today problems (and employees with problems) are often sent back and forth between the People First service center and agency HR representatives. Extension of the case management tool within People First into the agency operation would provide a framework for a more integrated approach to problem resolution (and better accountability,
 - ✓ The State would be able to apply the lessons learned and knowledge gained through its experience with Convergys to prevent past challenges and achieve a more effective solution for HR services delivery, and
 - ✓ Establish service level metrics and an overall performance monitoring strategy that enables the State to more closely track performance and understand the values it's receiving in the system.
-
- Staffing Implications – We assess this dimension as being positive even though the State will likely need to hire additional staff to support and manage the insourced service centers. First, based on our research of Convergys' service centers and knowledge of the overall industry, the State could easily attract individuals with the necessary skill sets to staff and manage the service centers. We believe that there is an ample supply of candidates that would meet the necessary qualifications for the work at a cost similar to what Convergys would have to pay for like skill sets. (This is stronger now given the difficult economy.)

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The service center could also provide an entry level opportunity linked to an overall career path within State HR. By requiring entry level staff to build their skills and knowledge within the service center but connecting these positions to a career path, the State would increase its appeal to applicants and potentially create a pipeline of qualified applicants for State agency personnel positions. This career path would also assist in the State in decreasing turnover within the service center while maximizing the investment in each service center employee. This option would provide opportunities for the State to realize the following potential benefits:

- ✓ Increase appeal to higher quality applicants by developing an HR career path linked to entry level opportunities in the service centers.
 - ✓ Establish partnerships with local colleges and universities such as Florida State University to create job opportunities for students in the service centers.
 - ✓ Reduce workload for People First team members tasked with assisting State agencies interact with the service centers and Convergys.
 - ✓ Reduce workload for agency personnel representatives that are often required to resolve problems or answer questions when service center representatives shift issues back to the agencies. An improved service center operation design combined with more skilled employees with a better understanding of State HR practices should reduce this need.
- Technology Considerations –Since the technology and support functions would remain largely unchanged, we assess this option as being neutral in terms of the technology considerations. We believe, from a technology perspective, that the People First platform provides a fair level of value to the State. The underlying HRIS/payroll system that supports People First is SAP. Under Amendment 10, the State has negotiated an upgrade to this platform that will bring it up to date in terms of the overall technology foundation. We also anticipate that the State will be able to purchase or build the technology tools needed to support the service centers such as a case management system. This blended option provide the State with the opportunity to realize the following benefits:
- ✓ The State could set aside resources to support enhancements and fixes over the life of the contract.
 - ✓ The State could purchase or build technology tools for the service centers that ensure transparency into case management and improved historical records,

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- ✓ SAP is recognized as a leading provider of ERP solutions to private and public sector organizations around the world. SAP regularly receives high ratings from independent market research firms, and
 - ✓ The SAP platform has an extensive set of capabilities beyond those currently utilized by the State – the most obvious being its capability to provide an “end to end” payroll solution. The State could conceivably leverage this capability, thereby eliminating the need for other legacy systems.
- Overall cost impact – Our assessment for this option in terms of overall cost impact is neutral based on the fact that we anticipate the long-term costs for technology outsourcing will be lower than those currently incurred through the Convergys contract but there would be some one time start up expenditures which would be above that of the current contract. We would anticipate the cost of the overall contract to be reduced because of the elimination of the service centers and through the competitive bid process. However, while the contract is reduced, the internal cost of delivering HR will increase since the State will now be responsible for staffing and supporting the service centers. These one-time expenses would include:
- ✓ Purchase and implementation of service center technology tools (IVR, call/case management tools, scripted knowledge management system, call and screen monitoring software etc.).
 - ✓ Cost of consulting expertise (Convergys or other firm) with knowledge in establishing and operating call centers.
 - ✓ State of Florida staff time in developing new jobs, recruiting/hiring, training and developing staff and developing service center metrics and procedures.
 - ✓ Office set-up costs (computers, desks, etc) depending on what is available.
 - ✓ State of Florida staff time in developing new jobs, interviewing, training and developing staff and developing service center metrics and procedures.

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c. High Level Implementation Plan Steps and Timeline

We anticipate an overall timeline of 2 to 3 years for this option.

Project Phase	Tasks	Timeline	Comments
Prepare and Define	<ul style="list-style-type: none"> ✓ Assess current contract and Amendment 10 ✓ Determine transition requirements, costs and other concerns related to transitioning to a new provider to support People First ✓ Identify and align project leadership and team ✓ Identify and align key stakeholders within DMS and user groups 	February - March 2009	This study and assessment should form the foundation for this work. State needs to understand the costs for extending the contract with Convergys to guide project planning and overall budgeting.
Measure	<ul style="list-style-type: none"> ✓ Survey all user groups in preparation of migration to new provider ✓ Data collection on processes and use of People First within user groups ✓ Review existing governance structure 	April - May 2009	Much of the required information was already collected as part of this assessment. State should identify any areas where additional data is necessary.
Analyze	<ul style="list-style-type: none"> ✓ Analyze data and report findings ✓ Define lessons learned ✓ Identify necessary process changes including opportunities for standardization 	June 2009	
Improve	<p>Roadmap Planning</p> <ul style="list-style-type: none"> ✓ Define new service delivery model including the insourcing of service centers ✓ Identify and prioritize project initiatives, changes and improvements, standardization opportunities ✓ Develop implementation and transition plans ✓ Define anticipated extension with Convergys to ensure complete migration to new provider ✓ Develop and execute change management and communication plans ✓ Develop and establish governance design 	June - October 2009	<p>Major implementation efforts around building in process standardization and compliance.</p> <p>Major efforts related to integrating agencies into the new service delivery model.</p> <p>Major efforts around focusing on opportunity areas such as applicant to hire.</p>

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Procure	<ul style="list-style-type: none"> ✓ Due diligence to support negotiation and contracting ✓ Establish procurement timeline ✓ Establish provider requirements ✓ Develop request for proposal ✓ RFP response and review ✓ Selection and contract negotiation ✓ Deal approval, financial assurance and risk management 	<p>October 2009</p> <p>October 2009 September – November 2009 November 2009 – April 2010</p> <p>April 2010</p>	This process should be dictated by the State's competitive procurement rules.
Transition (In-sourcing of Service Centers)	<ul style="list-style-type: none"> ✓ Execute implementation and transition plans for bringing service centers back in-house ✓ Establish service center including operation procedures, processes, etc. ✓ Identify service center location/facilities, implement service center technology tools ✓ Move existing staff or hire new staff to support centers ✓ Develop and deliver service center training ✓ Service center testing 	November 2009- January 2011	Focus on transparency within the case management system and escalation processes. Identify existing seasoned HR experts within the State to serve key roles within the service centers.
Migration and Transition	<ul style="list-style-type: none"> ✓ Migration to new provider ✓ Change service delivery requirements ✓ Apply changes to existing processes ✓ Implement new processes and procedures ✓ Develop training ✓ Deliver training 	June 2010-March 2011	Emphasis on change management and communications.
Evaluate & Monitor	<ul style="list-style-type: none"> ✓ Define service levels, monitoring tools and mechanisms, reporting and risk management ✓ Implement monitoring and reporting 	January 2011- ongoing	Major emphasis on transparency. Effective and informative performance metrics.

d. Option Implementation Costs and Potential Savings

This option assumes a blended solution in which the State would keep certain components of the existing service delivery model (SAP and Authoria platforms) outsourced (the support and maintenance of the technology platform and system) while insourcing other components (the service centers). There are significant costs related to procuring a new provider to operate the existing People First

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platform. Further, while the State would eliminate some current contracts costs by insourcing the service centers, establishing the service centers requires an upfront investment.

Potential One Time Expenses

In terms of potential one-time expenses, they would consist of the following:

- ✓ Transition costs surrounding the move to a new provider estimated at \$2 M.
- ✓ DMS project management costs estimated at \$500K.
- ✓ Internal resources and external consulting firm to manage those tasks associated with the contract renegotiation process (minimum) and to manage the transition process (maximum) estimated at \$1.25 M.
- ✓ Potential external legal fees associated with the contract renewal/extension estimated at \$750K.
- ✓ Cost of bringing in call center technology (IVR, call/case management tools, call and screen monitoring software etc. estimated at \$1.5 M.
- ✓ Cost of consulting expertise with knowledge in establishing and operating call centers estimated at \$750K.
- ✓ Office set up costs (computers, desks, etc for approximately 125 employees) estimated at \$250K.
- ✓ State of Florida staff time in developing new jobs, recruiting/hiring, training and developing staff and developing service center metrics and procedures estimated at \$500K.
- ✓ Office space costs dependent on what existing space may be available - TBD.

Potential Savings

For purposes of this analysis we have targeted having a new contract in place by July 1, 2011 or the beginning of FY2012. We would recommend that the new contract run for at least a five-year period of time (FY 2012 through 2016) and believe that the State could expect to reduce contract appropriations over this period of time per the following table. This is based upon obtaining a median PEPY year reduction in ongoing cost of 7.5 percent.

Savings Option Blended 8	FY2010	Total Savings	Investment	Net Savings
Minimum (.75 of median)	\$0	\$12,937,500	\$5,625,000	\$9,750,000
Maximum (1.25 of median)	\$0	\$21,562,500	\$9,375,000	

e. Option Risks and Mitigation Strategies

This option presents a variety of risks because it requires the State to redesign its service delivery model, establish and manage service centers to replace those being provided under the contract with Convergys and move to a new provider. There is uncertainty related to the ability of another vendor to successfully operate the customized SAP platform and also some uncertainty as it relates to the cost that the new provider will incur related to the license fees that they will pay to the primary existing technology vendors (SAP and Authoria).

In this option, the State would be insourcing the service centers and therefore, assuming the responsibility for staffing and operating the service centers. The risks associated with insourcing the service centers are due to the State's lack of experience in operating in this type of environment. A true shared services environment is a much more measured and restrictive environment than what is typically experienced in HR. A successful shared services operation requires that individuals meet exacting service level standards and they are monitored through regular performance measurement. Service center representatives must not only be able to accurately handle routine transactions, but also provide superb customer relations services in a multi-tasking environment. Thus, the skills that allowed an individual to be successful in a traditional HR operation will not necessarily make this person successful in the service center environment. New job descriptions, knowledge, skills, abilities and competencies will need to be developed, as well as, new selection procedures.

Additionally, office space would have to be identified to house the service center staff, including office design, equipment, and call center technology to support the operations. There would also be a need to develop and deliver training, work processes and procedures, service levels, etc. to ensure the success of the service center.

Further, under this option, the State will continue with the People First system (supported by a new provider) but would need to design the service centers in a manner that will allow for successful integration between the service centers and the People First system. As detailed in previous options, the existing outsourced service centers are "hard-wired" to the People First system. Unlike a service provider that would likely already have existing tools that would need to be adapted to integrate with People First, the State will be able to establish and operate the service centers with a keen understanding of what is necessary to integrate with People First. This inherent flexibility should diminish some of the State's risk involved with eliminating the existing outsourced service centers and replacing them with insourced service centers.

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To mitigate these risks we recommend thoughtful transition planning combined with the support of external consultants that are knowledgeable in service center operations. This approach would enable the State to develop the following:

- Consideration throughout the planning and implementation process on the successful integration of the insourced service centers and People First,
- The skill sets and competencies for the service center jobs,
- Selection procedures for service center staff,
- Work processes and procedures, roles and responsibilities, organization structures, scheduling and hours of operation for the service center,
- Training programs for service center staff,
- An effective service center design and the appropriate service center tools (including necessary integration with People First),
- Periodic audits of performance through the first year or two of the transition,
- An effective change management program and “roll out plan,” and
- Start up staff augmentation and on-site support.

All said, we still remain confident that the State would be successful in establishing and managing the service centers necessary to support State employees and other users. The State has existing service centers that work well in other areas and could use these service centers as models for the HR operation. Further, we believe that with the appropriate preparation and due diligence, the State will also be able to successfully integrate the insourced service centers with People First (though this will take time). Insourcing the service centers should also have a positive impact on the user groups as one of the chief complaints we identified during this assessment was the perception of the existing service centers as being ineffective and incapable of resolving important employee issues. Supporting and managing the service centers in-house should also aid in standardization as the State will be able to drive efforts towards more consistent processes through the centers.

We identify the risks as being around the careful planning including the timeline to establish the service centers and go live prior the expiration of the contract with Convergys. Further, establishing the service centers will require several key steps involving multiple parties including the identification of a service center facility, selection and implementation of service center technology, recruiting, staffing and training of service center staff, the development of the necessary knowledge management information to operate and integration with People First. Since the State does not have a clear sense of the percentage of its fees which was allocated to support the service centers in the Convergys contract, we can only provide an estimate of what it likely cost for Convergys to provide these services. It will likely cost more for the State to operate the service center especially early on given the start-up costs. It is also important to note that one of the main challenges identified during the assessment was linked to

the lack of HR expertise exhibited by the staff of the current service centers. More highly skilled resources, especially State employees with extensive experience, come at a higher salary than the resources employed at the Convergys service centers.

Additional risks are evident in that this option assumes the State will move to a new provider that will operate the People First platform. A new provider will in many ways provide the State with a fresh start and by utilizing past lessons learned, the State should be able to arrive at a solution that more fully meets its needs. However, many of People First's challenges find their source in the State's lack of willingness or ability to drive standardization of processes during the initial implementation. This lack of appetite for change coupled with a timeline that became severely condensed resulted in the current system. The State must be committed to a planning process including major initiatives to drive standardization to prevent this same experience. If the State acknowledges that the level of standardization required is not feasible, this option presents more risk = The lack of consistency in State processes and procedures cannot be solved by a different provider but rather requires management action, leadership support and buy-in from user groups.

f. Comparison to Best Practices

This option embraces two key tenets related to "best practices" in terms of HR service delivery:

- ✓ It provides a single place for State employees (and prospective employees) to go for a broad set of delivered services such as staffing, time reporting, payroll preparation, benefits administration, etc.
- ✓ It provides the necessary framework (employee and manager self service) to enable the limited HR resources that exist today within the State agencies to focus on the critical strategic activities which enable the agency to efficiently provide the services required by the citizens of the State.

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IX. Recommendation of Best Option – Outsourcing 1

The following table summarizes at a high level what EquaTerra assessed as viable post-contract options as well as some high-level data related to this assessment.

Savings Option - Outsourcing 1	FY2010	Total Savings	Investment	Median Net Savings
Minimum (.75 of median)	\$3,450,000	\$24,150,000	\$750,000	\$31,200,000
Maximum (1.25 of median)	\$5,750,000	\$40,250,000	\$1,250,000	
Savings Option Outsourcing 3	FY2010	Total Savings	Investment	Net Savings
Minimum (.75 of median)	\$0	\$34,500,000	\$31,230,000	\$4,360,000
Maximum (1.25 of median)	\$0	\$57,500,000	\$52,050,000	
Savings Option Insourcing 6	FY2010	Total Savings	Investment	Net Savings
Minimum (.75 of median)	\$0	\$55,200,000	\$45,487,500	\$12,950,000
Maximum (1.25 of median)	\$0	\$92,000,000	\$75,812,500	
Savings Option Blended 7	FY2010	Total Savings	Investment	Net Savings
Minimum (.75 of median)	\$0	\$8,625,000	\$3,000,000	\$7,500,000
Maximum (1.25 of median)	\$0	\$14,375,000	\$5,000,000	
Savings Option Blended 8	FY2010	Total Savings	Investment	Net Savings
Minimum (.75 of median)	\$0	\$12,937,500	\$5,625,000	\$9,750,000
Maximum (1.25 of median)	\$0	\$21,562,500	\$9,375,000	

Based upon our detailed analysis, coupled with the current condition of the State’s economy (at all levels), we believe that the most viable option would be for the State to immediately enter into renegotiations of the current contract with Convergys. We believe this to be the best option open to the State of Florida for the following reasons:

- ✓ It requires a very modest upfront investment.
- ✓ It provides a financial return in FY 2010.
- ✓ It permits the State to get a return on the substantial investment it has already made in the People First system and platform.
- ✓ It recognizes the substantial improvements that have been made in recent months in the underlying technology platform and overall service delivery model in addition to what can be expected at the completion of enhancements related to Amendment 10.
- ✓ It recognizes that (in our view) the State is getting fair value from the current contract with Convergys – specifically as relates to the PEPY (per employee per year) cost of services.
- ✓ It recognizes that the underlying technical platform for People First (SAP) is sound and that the infrastructure provided by Convergys would be difficult for the State to replicate.

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- ✓ Client-service provider relations, while strained, are not irreconcilable. (A note of caution: Personal issues and animosities need to be put aside. Both parties need to negotiate in good faith.)

This is not to say that there are not significant issues with which the State and Convergys must grapple. We also recognize that there are many key stakeholders (particularly in the larger agencies) that are not supportive of the current solution. However, we do believe these issues can be overcome as the platform continues to evolve, the service delivery issues are managed, and the various Amendment 10 initiatives are completed.

Immediate Next Steps

Recommended Option – Outsourcing 1

We would recommend an expedited renegotiation of the current contract to drive down ongoing operating costs. We believe the State could save somewhere between five and 15 percent in FY 2010 alone. In our view, quick action is more important than revising the services delivered or adding new initiatives to the mix. This is not to say that the service delivery issues that still confront the state cannot be addressed during the renegotiation process; they can.

We would also recommend that a percentage of the savings achieved be utilized as an investment source to fund enhancements to the People First system either through changes to the technology or by funding internal staff and external expertise to drive improved service delivery over the life of the new contract.

As for other desired improvements to the current contract – including systems to support integrated learning management, performance management, succession planning and records management – we believe these should be addressed separately. First, we believe that adding new systems like those mentioned above would further complicate and potentially extend the renegotiation process. Second, given the requirements of Amendment 10 and the planned improvements and enhancements in the next year to 18 months, adding new systems may further strain both the State and Convergys.

Rather than add these systems during the renegotiation process, the State could dedicate a portion of the savings achieved through the renegotiation to be dedicated to adding/integrating these systems at a later date. We recognize that there is likely concern within the People First team and DMS that given the State's budgetary woes and overall economic outlook, it may be difficult to retain some part of the achieved savings especially since the State is making massive cuts across all agencies. However, both the People First team and DMS would be able to use the findings of this assessment to demonstrate the

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importance of first, setting aside funds to support ongoing enhancements and improvements and second, retaining a portion of the savings to support new systems.

It is also important to point out that throughout this assessment; we identified numerous examples of agencies already in the process of purchasing or considering the purchase of an individual system to meet one of the aforementioned needs (learning management, performance management or succession planning). It would behoove the Legislature to eliminate funding for these individuals systems and allocate this funding to the People First team and DMS to ensure a consistent and effective solution which can be maintained and improved upon in the future and is available to all user groups.

Accordingly, we have developed a series of steps and a timeline around the approach we would recommend in this report for this recommended option. They are presented in an earlier section.

That said, we also believe the State should have a “Plan B.” That is, if for any reason the contract renegotiation process does not proceed as planned – because of seemingly irreconcilable differences or inaction on the part of the service provider – we believe the State should be prepared to pursue the Blended 8 option.

Alternative Option – Blended 8

As previously discussed, the Blended 8 option outlines the State retaining People First but contracting with a new provider to host and support the system while insourcing the service centers. The provider, in this case, could be either a commercial service provider or the State itself – that is, if DFS goes forward with the implementation and deployment of a multi-function ERP.

The reasons we believe this option is an excellent alternative are as follows:

- ✓ It permits the State to get a return on the substantial investment that it has already made in the People First platform.
- ✓ It recognizes the substantial improvements that have been made in recent months in the underlying technology platform and overall service delivery model in addition to what can be expected at the completion of enhancements related to Amendment 10.
- ✓ It recognizes that the underlying technical platform for People First (SAP) is sound and that the infrastructure provided by Convergys would be difficult for the State to replicate.
- ✓ The investment required (compared to other options) is relatively low.
- ✓ It would allow the State to move to a technical foundation aligned with current and future HR strategies.

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- ✓ Timing of the move could be aligned with the end of the contract with Convergys. Please note: We anticipate there will be considerable complexity around the license rights for the existing platform that will need to be resolved during the negotiation process.

Explanation Regarding Blended 7 Option

As previously discussed, the Blended 7 Option suggests that Convergys would continue to support the underlying technology platform for the People First solution. However, the State would insource the service centers. Given the closeness of this option to the Blended 8 option discussed above, we believe it is important to provide additional clarity on why we do not view Blended 7 as the best alternative option.

First, Convergys, the current service provider, is not in the business of simply supporting systems. By its own admission, Convergys' forte is in the call/service center business, not in the development, management and maintenance of technology platforms. There are service providers within the industry that specialize in supporting systems and would be able to assume responsibilities for People First successfully. The key would be to develop a procurement process and craft a solicitation which targets providers with this specific expertise.

Second, given the tight integration of the current system with the service delivery aspects of the total solution, we believe it would be difficult to "peel off" pieces of a currently integrated system without impacting the delivery of services. Clearly, this "peeling off" of pieces would need to take place if the State insourced the service centers and a new provider began supporting People First. The difference is in how both the State and new provider would approach the integration between People First and the service centers. Since the State would be building or purchasing new tools to establish the service centers, the State would be able to develop the service centers with a keen eye on integration with People First's successor platform. We would also anticipate the new provider would have considerable experience with integrating systems with service centers and, thus, would be more flexible and adaptable in its approach.

Finally, we believe that if the State and Convergys were unable to move quickly towards a new, renegotiated agreement (our primary recommendation), it would be evidently clear that the relationship was irreparably tarnished and the State should look elsewhere for support of its HR function.

Additional Thoughts & Conclusion

Throughout our analysis, we have attempted to focus on the overall costs associated with People First and our assessment of the value received based upon a standard used in the outsourcing industry of PEPEY (per employee per year) cost of services. This benchmark is useful and does provide a way to gauge received value. However, it does not give a total perspective.

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As indicated in various places throughout this report, the primary concept behind People First was to move the responsibility for gaining needed information and taking required actions from an individual in the human resources organization and to an employee or manager through self service. As we know, this is not a new concept and probably the primary initial example of widespread self service was the ATM machine. When initially introduced, it was not met with widespread acceptance and there were many forecasts that it would never be successful.

The justification for the investment that has been made in People First was around the fact that approximately 850 personnel positions would be eliminated as transactions were moved to a self service platform. Based upon our interviews and data collection, we do not believe that this actually occurred. While 850 positions may have been taken out of agency budgets, the actual work in many cases remained in the agency and has either been assigned to employees not considered “human resources” or is still being done by the HR department.

There is a parallel to the introduction of the ATM to the situation today at the State of Florida with its acceptance (and use) of People First and both the State of Florida and Convergys share responsibility in getting the delivery platform to the point where it achieves the universal use of the ATM.

The State needs to provide access points, training, communication materials, and other tools that will increase the adoption and use of self service. Convergys needs to continually improve the self service workflow making it more intuitive and easier to use.

During our interview process, we talked to the leaders of many agencies and, understandably, found varying perspectives about how well self service has been accepted and to what degree it is being utilized. Many of the reasons given for not using self service (e.g., no employee access, we are still more comfortable with the paper forms, etc.) are, in our view, not supportable especially in light of the fact that a large percentage of the population did use self service for the recent benefit enrollment process. In many best practice organizations today, there is no option around the use of self service and this has greatly increased utilization of the technology and also driven down the costs for services dramatically.

Therefore, we would further recommend that DMS partner with the agencies and undertake an activity analysis to see how the “work of HR” is being done today within each agency and use this data as the springboard for determining how best to get the platform truly operational across all delivered services. The primary focus should be in the areas of time and attendance and in the recruit-to-hire process. We believe that many of the desired efficiencies could be achieved without any changes to the underlying technical platform by simply forcing compliance with current processes and tools. The investment fund

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achieved through a reduction in the overall cost of services would be utilized to fund underlying changes to technical platform when required.

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X. Appendix A

Research Review

- » OPPAGA Progress Report. “While Improving, People First Still Lacks Intended Functionality, Limitations Increase State Agency Workload and Costs.” Report No. 06-39. Published April, 2006.
- » OPPAGA Progress Report. “DMS Has Improved People First, But Some System Components Are Still Not Fully Implemented.” Report No. 08-31. Published May, 2008.
- » Auditor General Report. Department of Management Services and Selected State Agencies People First Operational Audit. Report. No. 2007-087. Published January, 2007.
- » Auditor General Report. Department of Management Services People First Operational Audit. Report. No. 2005-047. Published October, 2004.
- » Council on Efficient Government. Report to the Governor on MyFloridaMarketplace.com, People First and Project Aspire. Report No. R08-002. Published January, 2008.
- » DMS People First Customer Survey and responses, 2007.

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