



BEACON Human Resources and Payroll System

Fiscal Brief

September 17, 2008

BEACON – Building Enterprise Access for North Carolina's Core Operation Needs

Executive Summary

The BEACON Human Resources (HR)/payroll system is the HR/payroll system for approximately 90,000 State employees. Beginning in early June 2008, local print and television media began reporting problems with the new system. The problems included reports of pay shortages for overtime, shift premiums, etc., incorrect leave accruals, and resolution issues for some employees.

As a result of these media reports and several inquiries from legislators, the Fiscal Research Division (FRD) has reviewed the reported post-implementation issues with the Office of State Controller. Staff has also interviewed several agencies and departments relative to the BEACON HR/payroll system. These agencies and departments include the Department of Health and Human Services, Department of Correction, Department of Transportation, the Office of Administrative Hearings, the Community Colleges System Office, and the Department of Insurance.

While there have been some issues with the proper crediting of leave and in some instances supplemental pay, it appears the system is generating base pay correctly for all employees and supplemental pay correctly for the majority of employees when agency time administrators or supervisors have entered/approved time by payroll cut-off dates.

Please see the complete report for background information and our findings.

Background:

In 2001, the General Assembly authorized a State Business Infrastructure Study and directed the Office of State Controller (OSC) to determine the feasibility of developing and implementing a new business infrastructure (human resources/payroll, budgeting, accounting, revenue collection, cash management, investments, and other business functions) for the State. The study commenced in February 2003 under the direction of OSC with assistance from the Office of State Budget and Management, the Office of Information Technology Services, the Office of State Personnel, and the Department of Transportation.

Completed on October 31, 2003, the study concluded that continued use of the current business systems may adversely impact the fiscal integrity of State government as well as the efficiency and effectiveness of its operations. This conclusion was based in part upon findings that the legacy systems supporting the State's core business functions were over twenty years old with limited functionality. These systems rely on dated technology, do not communicate well with each other, are difficult to change for new operational requirements, and are hard to operate and maintain. Moreover, they are at risk of failure due to age, withdrawal of vendor support and the loss of experienced personnel that are reaching retirement age.

The General Assembly subsequently approved the recommendation to move forward with an Enterprise Resource Planning solution to develop one integrated system. The adopted strategy

included an extended or phased implementation approach with the first focus on replacing those systems with the greatest risk of failure, the Human Resources (HR) and Payroll Systems.

The BEACON HR/payroll system replaces the Personnel Management Information System (PMIS), Central Payroll and Department of Transportation (DOT) payroll. The PMIS and Central Payroll systems have been in use for over 25 years and the DOT payroll system has been in use for over 30 years.

The BEACON HR/payroll system has been implemented in two phases. The Group I agencies included:

- Department of Transportation (DOT),
- Department of Administration,
- Department of Revenue,
- Office of Information Technology Services,
- Office of State Budget and Management,
- Office of State Personnel,
- Office of State Controller, and
- State Board of Elections.

DOT began using the system mid-December 2007 with the other Group I agencies beginning January 1, 2008.

Group II agencies included:

- Administrative Office of the Courts,
- Department of Correction,
- Department of Environment and Natural Resources,
- Department of Health and Human Services,
- Department of Insurance,
- Secretary of State,
- Crime Control and Public Safety,
- Department of Justice,
- Department of Juvenile Justice and Delinquency Prevention,
- Department of State Treasurer,
- North Carolina Education Lottery,
- Department of Cultural Resources,
- Employment Security Commission,

- Department of Labor,
- NC School of Science and Mathematics,
- Office of State Auditor,
- Office of Administrative Hearings,
- State Health Plan,
- Department of Agriculture and Consumer Services,
- Department of Commerce,
- NC Community Colleges System Office,
- Department of Public Instruction, and
- Wildlife Resources Commission.

Group II agencies began using the system April 1st, 2008.

As a result of numerous media reports and several inquiries from legislators, FRD interviewed several agencies and departments about their experiences with the new BEACON HR/payroll system. In August, FRD interviewed human resources and payroll personnel in the Department of Health and Human Services, Department of Correction, and Department of Transportation. Subsequent to these face-to-face interviews, FRD conducted telephone interviews with human resources personnel or executive management in the Office of Administrative Hearings, the Community Colleges System Office, the Department of State Treasurer, and the Department of Insurance. Lastly, FRD reviewed the reported post-implementation issues with the State Controller and Deputy State Controller. Listed below are our findings.

Findings:

1. **Training:** The agencies we interviewed indicated that the training was high level, not agency specific, and did not address complex work schedule rules. Agencies also indicated that there is a large learning curve associated with the new system and that a users' manual was not provided. They requested more "hands-on," agency-specific training.

OSC revamped the initial training for the Group II agencies and departments. While some interviewees indicated the revamped training was

adequate, more indicated that it was not. OSC is continuing to provide training opportunities for new users, offering Payroll/Time/Reporting workshops, continuing weekly conference calls for core HR and Time/payroll users, improving the Employee Self Service/Manager Self Service training and providing more agency specific training for those agencies requesting additional support. It should be noted that employees received training specific to their individual roles as opposed to a more comprehensive training. Manuals are available for each specific training module. However, a comprehensive manual is not available.

2. **Data Entry Errors:** Data entry errors in creating individual employee profiles have impacted pay and leave balances. These errors seem to be the result of both actual entry errors and incorrect data being transferred to the new system without validation. For example, if an employee profile is not properly created to reflect that an employee is entitled to overtime pay, the employee will not be paid for overtime but instead will be credited with compensatory time. Because PMIS did not communicate with the payroll systems, misinformation in PMIS did not affect whether an employee was paid correctly. If this misinformation was transferred to BEACON without validation, the employee may not be paid appropriately. During our interviews, the Department of Correction indicated that they spot checked employee profiles, instead of checking every data field. This spot checking resulted in errors in some employees' pay. DHHS acknowledged that errors in data entry by both individual employees and its Human Resources personnel had contributed to their employees' pay problems. They also stated that they did not fully understand the importance of properly setting up employee profiles.

OSC is contacting each agency offering to meet with them to review any BEACON concerns. OSC has also offered agency specific assistance in correcting data entry/employee profile errors as well as additional training. DHHS reported that

employee profiles had been reviewed twice since implementation on April 1st. Data entry/employee profile errors seemed to be quickly resolved once they were identified.

3. **Time Entry/Approval:** BEACON incorporates standardized time-keeping functionality. Time-keeping was previously conducted independently by agencies using many different software products. BEACON permits an agency to establish a Time Administrator who is responsible for entering time worked, including overtime and supplemental time, for all employees. Alternatively, an agency may choose to allow time entry by individual employees through the Employee Self Service functionality with approval required by the employee's supervisor. In either situation, if time worked is not entered into the system and approved by the payroll cutoff date, an employee will not be paid correctly. Timeliness of time entry/approval has contributed to some extent to the pay shortages reported by employees.
4. **Programming:** Some overtime pay shortages, incorrect pay for some nurses, and incorrect leave accruals are directly attributable to BEACON programming. BEACON is not paying overtime to some employees who work extended duty and is not generating pay correctly for nurses employed under certain work schedules (e.g. the Baylor Nurse Plan). OSC reports there are less than 100 affected employees in each of those groups.

The one BEACON programming issue that has affected the most employees is related to leave accruals and holiday compensatory leave. These programming issues have resulted in significant errors in leave balances. Employees have discovered negative balances in compensatory time and annual leave, or have received leave to which they are not entitled. In some instances, negative leave balances may adversely affect an employee's pay.

OSC reports that the programming issues related to extended duty pay and the Baylor Nurse Plan are among their highest priority items. A manual work-around is in place currently for both of these programming defects (although the work-arounds are not without their own problems). OSC has made several changes to the leave accrual/balancing and holiday leave programming and believe they have corrected these issues. In several instances, these changes were processed retroactively to April 1, 2008 which created additional confusion for some employees. The last retroactive adjustment was done in August. This latest adjustment unfortunately resulted in some negative leave balances which are attributable, in part, to manual adjustments that agency personnel made to leave balances since April. OSC is meeting individually with personnel from each agency affected to instruct agency personnel how to correct these errors. OSC anticipates the leave accrual/balancing issues will be resolved by the end of September.

5. **Payroll Statements:** Payroll issues have been exacerbated by payroll statements that are difficult to understand. We received many comments about the complexity of content, the small font size of the statements, and the inability to reconcile with leave balances. Concern was also expressed because agency Human Resources and payroll personnel are having difficulty understanding and explaining the statements. One agency commented that the payroll statement was the single greatest generator of employee questions even when the information was accurate. They also stated that there was no understandable tool for employees to track time and leave balances in order to reconcile pay and reported there were many cases of BEACON issuing employee pay correctly when the payroll statement didn't give that appearance.

OSC made some minor changes to the payroll statements effective with the August payroll run. In addition, OSC is developing a simplified pay statement and anticipates this simplified statement will be in production with the October payroll

run. In addition, OSC is also revamping the employee time statement to facilitate reconciliation with the pay statement.

6. **Standardization:** The BEACON HR/payroll system was programmed to incorporate federal and State law and State personnel policies. This has resulted in a system that has standardized the application of federal and State law and enforces State personnel policy across all agencies using BEACON. Under the prior HR and payroll systems, there were some variances in the application of State policies as the application of policy was subject to agency interpretation. This standardization has uncovered situations where employees were being paid incorrectly or receiving pay to which they were not entitled. Agencies reported that they are in favor of standardization as it ensures the consistent application of policy within and across agencies.

OSC is continuing to work with agencies as necessary to enforce this standardization.

7. **BEST Shared Services:** BEST Shared Services is the customer contact section of the OSC and is the contact for employees and agency HR and payroll personnel for problem resolution. OSC reports, as of August 31, 2008, BEST has received 87,526 contacts since the implementation of BEACON. Of these, 3,132 or 3.6% are still in process or pending. Of these 3,132, 20% (631) are related to payroll and 58% (1801) are related to time.

A number of agency personnel commented about BEST shared services. The comments included:

- BEST did not get the most qualified people from agencies;
- the first level response team is not always knowledgeable;
- OSC was not able to recruit people with prior State experience due to the low salary grades;
- BEST does not respond in a timely manner;

- employees have received notices of resolution without an explanation; and
- BEST has referred employees back to their agency personnel.

OSC has implemented a SWAT team approach (dedicated all available personnel) to resolve the current backlog of open tickets, has committed to contacting the employee and agency directly before closing a ticket, where possible, and has committed to working directly with agency personnel to address employee issues as opposed to referring the employee back to the agency.

Summary:

While there have been some issues with the proper crediting of leave and in some instances supplemental pay, it appears the system is generating base pay correctly for all employees and supplemental pay correctly for the majority of employees when agency time administrators or supervisors have entered/approved time by payroll cut-off dates.

The Group I agencies appear to have fared better during implementation than some of the Group II agencies. This is likely attributable to several things: (1) Group I agencies generally were more involved throughout the entire process, (2) top-down management set BEACON as a high priority, and (3) Group I agencies have less of the supplemental pay issues than some Group II agencies.

All of the issues identified have contributed to some extent to the pay issues reported by the media. It appears that most of these issues have been or are soon to be resolved. Thus, we would anticipate the complaints to decrease provided agency personnel update and approve employee time in accordance with payroll cut-off dates. FRD will continue to monitor BEACON for any developing issues.

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