

CALIFORNIA'S GOVERNMENT PAYROLL SYSTEM ON VERGE OF A COLLAPSE



A \$371 million change to the government payroll system in the state of California is littered with problems and is "in danger of collapsing," according to the state controller's office and a story in The Los Angeles Times. The chief administrator of the controller said in a letter that the company hired to perform the project is struggling so much that it might not be able to keep its promise to update the system. The system is so old that even a tiny salary adjustment can cause it to operate inefficiently. On contractors, salaries for staff members, software and other items for the system's upgrade, the state has spent close to \$254 million. The overhaul on the system is five years past due and has tripled in cost since the upgrade was approved in 2005. "The project ... is foundering and is in danger of collapsing," administrator Jim Lombard wrote to the contractor, SAP Public Services, back in the month of October. Lombard said the new system is not capable of processing "any portion of the state payroll population, let alone the full population of approximately 240,000 employees." Andy Kendzie, a spokesman for SAP, said that the company has been meeting its obligations from the contract with the state. "Considering the project's complexity, and the many requirements involved in payroll processing, there have been some challenges," Kendzie said in a statement. "Despite these, SAP remains committed to the overall success of the project." In September of 2011, a brand new computer system was launched for the public pension fund at twice the original budget for the project. In 1994, a project for a new DMV system was thrown out when \$50 million had already been spent on it. In the letter from Lombard, the new payroll system was tested this year on 1,300 employees, but it failed. Employees were issued checks for the wrong amounts or checks were sent to the wrong employees. Lombard said that the testing started in June and since that time, "every pay cycle has experienced problems" despite the assurances from SAP that they were fixing the system. There was a second trial period that was supposed to begin in September. That session has been placed on hold until March at the earliest. Nine of the 44 deadlines SAP had to meet were missed in the first eight months of the 2012, according to the letter. Lombard, in the letter, demanded that SAP fix all of the problems outlined by the state. Some of those problems included replacing inexperienced staff and project managers. Jacob Roper, a spokesman for the controller, said that the state is reviewing a plan from SAP that will address the concerns.