

DRAFT AS OF MAY 14, 2001



Payroll Business Line
FISCAL YEAR 2001 – 2005 PLAN

Executive Summary

Mission: Provide accurate and timely payroll and related services for 12,000 Department of Energy Federal employees.

Vision for Near Term: Modernize business processes and automated systems that effectively and efficiently sustain the most critical business function of the Department. This includes the focus on replacing aging systems and integrating the time and attendance, payroll, labor distribution, and the accounting functions. Herein, the aging systems are the Energy Time and Attendance System (ETA), PAYS, Labor Distribution System (LDS) and the Departmental Integrated Standardized Core Accounting System (DISCAS).

Balance Score Card Objectives:

- **Customers:** Ensure that DOE employees are paid accurately and in a timely manner and that supervisors and financial resource managers receive value added reports.
- **Financials:** Develop and execute plans to implement a new payroll system that is most cost effective to all DOE stakeholders.
- **Internal Processes:** Evaluate and/or reengineer policies, procedures, and business practices to complement the payroll system modernization initiative.
- **Learning and Growth:** Develop and implement strategies to deploy technology and training to employees, administrative staff, and supervisors so that they become integral partners in the payroll modernization process.

Accomplishments:

- 100% on time payment delivery to employees
- Tested and evaluated the web-based time and attendance systems of Department of Interior and General Services Administration
- Partnered with CHRIS-HR to enhance the Employee Self-Service (ESS) that provides employees with electronic Leave and Earning Statements and allows employees to independently submit request to effect their payroll deductions and/or entitlements.
- Completed fit gap analysis of the PeopleSoft Payroll product to determine its adequacy for DOE needs.
- Implemented an imaging and electronic document tracking system that eliminated the need to retain paper documentation and generated increased control and efficiency.
- Completed an independent study to identify alternatives and determine the feasibility of sourcing the payroll functions

Introduction

Currently, the Capital Accounting Center provides payroll and related services for all Department of Energy Federal employees except those in the Federal Energy Regulatory Commission and the Bonneville Power Administration. The services described below are performed for approximately 12,000 employees and are supported by three aging information systems: PAYS, Energy Time and Attendance (ETA) and the Labor Distribution System (LDS).

- Prepares civilian payrolls based on authenticated and substantiated documentation. Computes, deposits, and reports Federal, State, and local income taxes.
- Maintains employee records related to Civil Service and Federal Employees Retirement Systems (CSRS and FERS), reports retirement information to the Office of Personnel Management (OPM), and performs reconciliation of account balances with OPM and Treasury.
- Accounts and reports employee's health benefit coverage, thrift savings plans, and unemployment compensation, among other non-salary employee payments.
- Maintains donated leave subsystem.
- Maintains and operates the Department's system of allocating payroll costs to the affected offices and proper appropriations.

In 1994 the Department recognized that payroll related systems had not kept pace with technology and faced the added risk that staff reductions had reduced critical functional expertise. In order to address these sensitive issues, the Department initiated a plan to outsource the payroll function to the Department of Interior (DOI). Shortly after starting this first initiative, the Department learned that outsourcing to DOI was cost prohibitive and terminated this outsourcing initiative. On or about 1998 and as a part of the Corporate Human Resources Information System (CHRIS) initiative, the Department explored the possibility of using and integrating the PeopleSoft payroll application. In fiscal year 2000, the Department learned that there were too many gaps and it would be too costly to implement the PeopleSoft payroll application. Since the Department is at a critical point where decisions and strategic directions are needed, a preliminary study was conducted that indicated outsourcing the payroll function could enhance the sustainability of the payroll activity. At the direction and approval of the Working Capital Fund Board, a contract consultant was obtained to make an objective and independent assessment on the viability of outsourcing the payroll functions.

Planning Process: The Capital Accounting Center and its stakeholders support the WCF interest and objectives in improving the efficiency of DOE administrative services and to provide accurate full-cost budgets. The Payroll Business Line will continue efforts to improve performance that are in line with those of the CFO and the WCF and support the Department's strategic objectives in Corporate Management. The business line will work towards achieving the balanced scorecard objectives and report the progress to the WCF Board on a quarterly and annual basis.

Each year the business line updates its five-year plan using a balanced scorecard approach with objectives, performance goals to measure our success, and strategies to reach our objectives. We report progress towards these balanced scorecard objectives to the WCF Board on a quarterly and annual basis. The pricing policies are based on the guidelines provided in the Working Capital Fund Guide to Services and Procedures (the Blue Book). For fiscal year 2003, the Payroll Business Line recommends that the pricing policy remains at status quo and that the cumulative annual assessment of \$3.1 million remains the same as fiscal years 2001 and 2002.

Environmental and competitor analysis: Since 1994, the Department has recognized and acknowledged that PAYS, ETA, and LDS have not kept pace with new technology and there is considerable risk in the failure of one of these systems. Federal and contractor resources are utilized to maintain the operation of these systems; determine requirements for enhancements to keep pace with changes to regulatory and legislated requirements; and design, program and test those enhancements. While these systems have been adapted to satisfy new regulated and legislated requirements, these systems have not kept pace with technological advances provided by the internet and user interactivity. Furthermore, the reengineering of business processes supporting these services have been hampered by the reliance on aging systems resulting in less than optimal practices.

On April 16, 2001, Booz, Allen, & Hamilton, Inc. completed the Business Case Analysis for Payroll and Related Services. The study identified seven potential payroll service alternatives and recommended that the Department proceed with the General Services Administration service offering at the earliest opportunity. This recommendation was based on the best-cost benefit analysis that included quantitative and qualitative benefits.

External regulation and partnerships: Except for the deteriorating functional and infrastructure risks and the economic necessity to achieve long term efficiency, there is no external mandate or driver that is influencing the Payroll Business Line to modernize its operations. The payroll business responsibilities and functions are performed in full compliance with DOE accounting regulations, IRS Tax Codes, Treasury's Fiscal Requirements Manual, and Title 5, Code of Federal Regulations, Administrative Personnel.

While the Payroll Business Line plans to direct its resources to potentially outsourcing the payroll function to the General Services Administration, it will continue to participate in the Federal User Network that is composed of several Government agencies that are using or implementing the PeopleSoft payroll module. This later involvement is to keep abreast of the PeopleSoft enhancements and to use this knowledge should the General Services Administration alternative prove to be an unworkable solution for the Department in the future.

Resources and capabilities of the organization: To add to the risks of aging legacy systems, the staff supporting this area has undergone significant reductions, thereby, limiting functional expertise to a staff that is too small to provide adequate support. This situation also exposes the Department's most critical business processes to considerable risk. As the infrastructure ages and functional expertise disappear, the risks for failure are becoming more apparent and seriously critical.

With the approval and support of the WCF Board to continue the pricing policy for fiscal years 2002 and 2003, the Payroll Business Line should have the resources to continue its path forward to modernize its operations, achieve overall savings, and sustain the high level of quality and expected payroll services to the DOE employees and affected program offices.

Needs and capabilities of customers: The Payroll Business Line is very sensitive to the employees' expectations and needs to receive accurate and timely payroll payments and services. Based on current trends to engage employees more and more in the internet and user interactivity environment, the Payroll Business Line is also fully aware that it needs to develop communication and training strategies for employees' involvement in the payroll modernization initiative. Additionally, the Payroll Business Line realizes that it needs to enhance its accounting reports and utilize the web-based platforms so that budget and management officials have user friendly access to these reports. As a part of modernization plan, the WCF Payroll Group is expected to advise and make recommendations to the Payroll Business Line at critical stages of the modernization plan to ensure the enhances meet all stakeholders interests.

Future competitive advantages: The Payroll Business Line's modernization strategy is based on the best alternative to sustain or enhance the payroll operations and services and simultaneously achieving economic benefits to the Department in the long run.

Balance Scorecard Elements

1. Customer Objective: Ensure that DOE employees are paid accurately and in a timely manner and that supervisors and financial resource managers receive value added reports.

Modern information systems have features, which support faster processing with improved decision support. The current T&A system is DOS based whereas state of the art Web-based systems have easier to use navigation tools that provide more intuitive flow for the end user. The current legacy systems provide limited tools for analysis and reporting. Reporting and analysis is a manual process requiring access to multiple data sources.

Performance Goal	Performance Standard
Pay employees on time	100% on-time biweekly disbursement to employees
Deliver payroll T&A and LDS reports on time	100% on time delivery of reports

Baseline: The Payroll Business Line has consistently made disbursements and delivered reports on a biweekly basis and thereby has sustained the 100% performance objectives for many years.

Data Source: U.S. Department of Treasury records, PAYS Time and Attendance reports, and Labor Distribution System reports.

Frequency: Biweekly

Strategies for Improving Customer Satisfaction	2001	2002	2003	2004	2005
Develop web-based tools for accessing ESS	x	x	x	x	x
Maintain excellent performance record	x	x	x	x	x
Modernize payroll systems and processes to improve the availability of management information reporting.	x	x	x		
Provide mechanism for customers to develop own report		x	x		

2. Financial Objective: Develop and execute plans to implement a new payroll system that is most cost effective to all DOE stakeholders

As pointed out in several cases studies, outsourcing of the payroll functions to another servicing Government agency appears to be cost effective because the servicing agency normally receives benefits from economies of scales (larger number of employees being served). The Payroll Business Lines serves 12,000 employees and this costs the WCF approximately \$260 per person. By outsourcing to the General Services Administrations the cost per person could be reduced to \$110 per person; thereby, the DOE program offices could in turn realize lower WCF charges.

Performance Goal [strategies?]	Performance Standard
Complete outsourcing analysis	Analysis is complete
Develop strategies for outsourcing	Target date: 05/11/01
Establish MOU with GSA to start gap analysis	Target date: 05/11/01
Develop requirements document	Target date: 06/15/01
Complete gap analysis	Target date: 08/15/01
Present recommendation to WCF Board as to whether outsourcing to GSA should proceed	Target date: 09/01/01

Baseline: Proceed with the development of the requirements document and conduct functional gap analysis of GSA’s payroll systems and procedures. Ensure WCF Board is kept apprised of progress and potential problems.

Data Source: Booz-Allen & Hamilton Inc. Business Case Analysis for Payroll and Related Services (Dated April 13, 2001)

Frequency: At least quarterly, report progress to the WCF Board

Strategies for Improving Financial Performance	2001	2002	2003	2004	2005
Implement an enhanced timekeeping functionality		x	x		
Implement an enhanced labor distribution functionality		x	x		
Implement a web-based platform to enhance employee interactivity		x	x		

3. Internal Processes Objective: Evaluate and/or reengineer policies, procedures, and business practices to complement the payroll modernization initiative

Modern information systems have features, which support faster processing with improved decision support. The current T&A system is DOS based whereas state of the art Web-based systems have easier to use navigation tools that provide more intuitive flow for the end user.

Performance Goal	Performance Standard
Ensure employees receive Earning and Leave Statement on a biweekly basis	100% on-time biweekly delivery to employees
Eliminate paper Earnings and Leave Statements	90% of employees receive electronic Earning & Leave Statements by partnering with Labor Relations and local unions and encouraging employees to receive statements electronically and adhering to paperwork reduction standards (Target Date: January 2002)
Empower employees to electronically request and report leave taken	90% of employees uses web-based T&A application to execute requests and report leave taken (Target Date: January 2002)

Baseline: The payroll Earnings and Leave Statements have been consistently delivered on time; thereby, the Payroll Business Line have sustained the 100% performance objective

Data Source: PAYS Time and Attendance reports and Earnings and Leave Statements

Frequency: Biweekly

Strategies for Improving Internal Processes	2001	2002	2003	2004	2005
Implement an enhanced timekeeping functionality	x	x	x		
Implement a web-based platform to enhance employee interactivity	x	x	x		
Reduce paper processing by reengineering T&A process.		x	x		

4. Learning and Growth Objective: Develop and implement strategies to deploy technology and training to employees, administrative staff, and supervisors so that they become integral partners in the payroll modernization initiative.

Performance Goal	Performance Standard
Develop strategy and plan	Complete strategy by 10/31/2001
Implement plan	Initiate plans in fiscal year 2002 and proceed in incremental stages by regional areas

Baseline: Utilize plan, monitor progress, and report status to WCF.

Data Source: None

Frequency: No training cycle or performance measure at this time.

Strategies for Improving Learning and Growth	2001	2002	2003	2004	2005
Develop strategy and plans	x	x			
Implement plan with milestones	x	x			
Develop communication plan	x	x			
Deploy training by regional area		x	x		