

SENATE OFFICE OF OVERSIGHT AND OUTCOMES

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Aborted state payroll system suffered from failure to resolve core issues, leadership turnover and lapses in due diligence

SACRAMENTO – A \$373 million state payroll system, suspended in February amid recurring errors, suffered from a failure to resolve core issues raised early and often, chronic leadership turnover and lapses in due diligence, according to a report by the Senate Office of Oversight and Outcomes.

In addition, the Senate Oversight Office found the system’s sponsor, the State Controller’s Office, was not always candid about the difficulties facing the 21st Century Project, also known as MyCalPAYS. The Controller’s Office delivered upbeat reports to the Legislature and others that often only hinted at the turmoil churning within the project.

The report, “Crash Course: Failure to heed early warnings, troubles of the past contributed to payroll system collapse,” is available [here](#). The report was prepared for an Aug. 15 oversight hearing by Senate Budget and Fiscal Review Subcommittee 4, chaired by Sen. Richard Roth, D-Riverside.

“The expensive misadventure has once again left many wondering why – in a state that has given the world Google, Apple, Facebook and Twitter – California consistently struggles to modernize its own public computer systems,” the report states.

The project, the largest payroll modernization in the nation, was designed to replace a 40-year-old legacy system, while adding user access for 240,000 state employees in 160 departments.

The new system debuted last summer with a pilot that provided payroll for 1,300 employees of the Controller’s Office. When hundreds of mistakes in pay, deductions and benefits persisted over eight months, Controller John Chiang terminated the project contract on Feb. 8, leaving the state with little to show for more than a quarter of a billion dollars spent over the past decade.

A promised independent review of the project, to assess what if anything may be salvageable, has been put on hold pending the outcome of expected litigation between the state and the vendor, SAP Public Services, Inc.

Unlike other big state computer failures, the 21st Century Project collapsed not once, but twice, despite multiple layers of oversight designed to spot trouble early and keep the complex, massive undertaking on track.

In a review of hundreds of pages of documents and interviews with many of those involved, the Senate Oversight Office found that key issues – such as the state’s payroll complexity, leadership turnover, project staff vacancies, data conversion and the need to prepare existing staff for the new system – plagued the project from the outset.

The failure to resolve such issues may reflect frequent turnover at the top. Chiang is the latest of three controllers who have been responsible for the project, although he has been in charge for seven of the 10 years. In addition, the Controller’s team had at least five different project directors and four different project managers, with half of those leadership changes in the last 18 months alone.

Independent oversight reports also issued repeated warnings that the state was seeking more customization than perhaps it should from the SAP software, an “off-the-shelf” project not designed to undergo extensive modification. During the project’s final year, oversight reports also show project leaders failed to heed reported warnings about the adequacy of testing needed to identify and fix mistakes before the first paychecks were issued on July 1, 2012.

The nonpartisan Office of Oversight and Outcomes was created in 2008 by Senate President Pro Tempore Darrell Steinberg, D-Sacramento, to bolster the Senate’s ability to measure government performance.