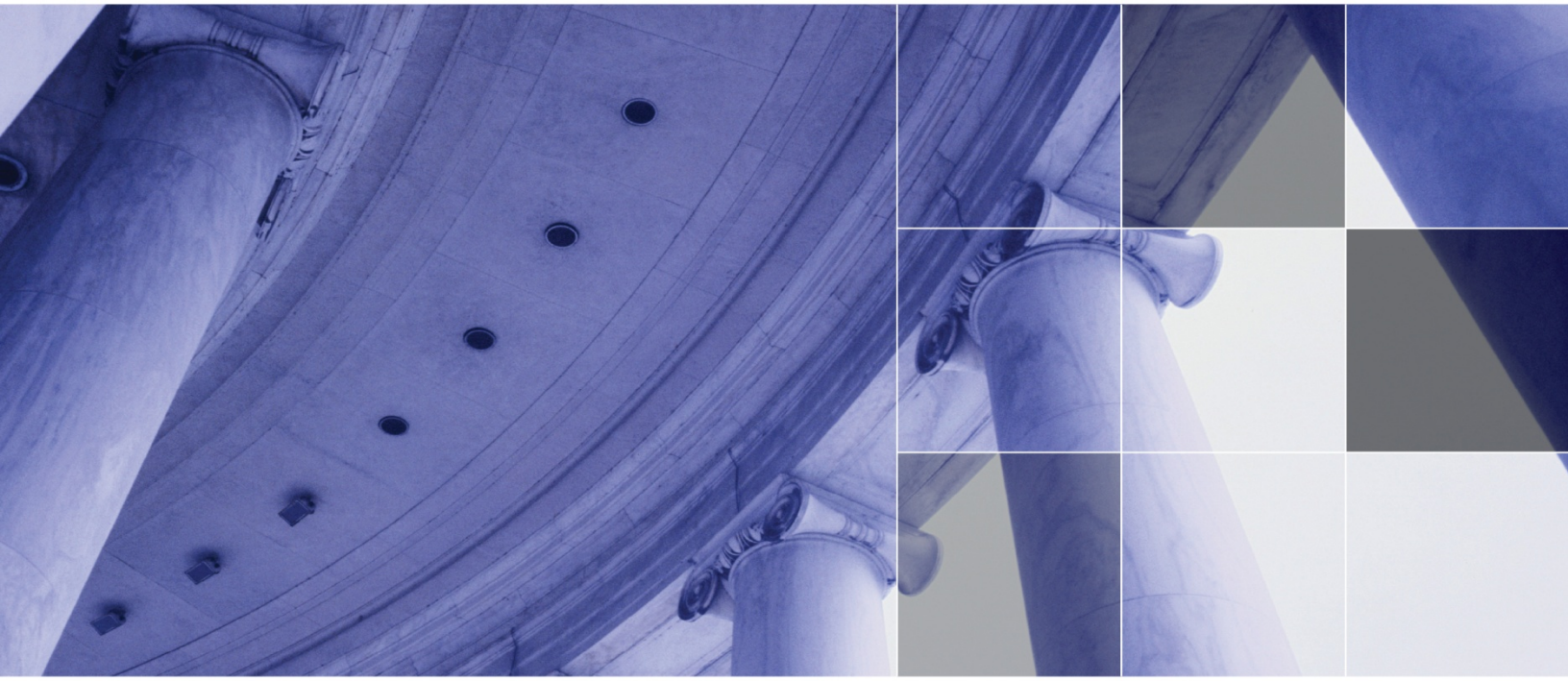

California Budget Impasse Payroll System

Feasibility Assessment Report

July 2, 2010

PRIVILEGED AND CONFIDENTIAL

California Budget Impasse Payroll System Feasibility Assessment Report

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1 Executive Summary

The California State Controller's Office (SCO) retained Kaye Scholer LLP (Kaye Scholer) to represent the office in Gilb v. Chiang, Sacramento County Superior Court, Case No. 34-2008-80000026 and related appeals. Kaye Scholer engaged Crowe Horwath LLP (Crowe) to perform an independent feasibility assessment. Specifically, Crowe was engaged to:

1. Assess the feasibility of SCO's payroll and personnel systems to comply with the Fair Labor Standards Act (FLSA) and the California Supreme Court ruling in White v. Davis (2003) 30 Cal 4th 528 Supreme Court (White v. Davis); and
2. Identify and assess alternative solutions, if any, to satisfy the Budget Impasse requirements, including the payroll recovery requirements associated with the budget approval, assuming the existing legacy payroll system is the core payroll system.

This California Budget Impasse Payroll System – Feasibility Assessment Report provides analysis of the ability of the SCO to comply with FLSA and White v. Davis.

To satisfy each Budget Impasse Business Requirements (*Appendix A*), as framed by and conforming to legal requirements, Crowe assessed the SCO's current systems' ability, or inability, to satisfy each Budget Impasse Business Requirement and documented the results of this assessment in *Appendix B* of this report. The conclusions reached by Crowe from analyzing the gaps in SCO's existing systems and processes to satisfy the Budget Impasse Business Requirements are as follows:

Budget Impasse Payroll System – Feasibility Assessment – Finding #1

The SCO cannot satisfy the payroll and payroll recovery Business Requirements by utilizing the SCO's existing systems and processes. Based upon the results of the SCO Budget Impasse Business Requirements High-Level Gap Analysis, there are numerous and substantial gaps in the SCO's existing systems and processes to satisfy the Budget Impasse payroll and payroll recovery Business Requirements. It is, therefore, infeasible for SCO to satisfy the Budget Impasse payroll and payroll recovery Business Requirements without significant new development and/or modification of systems and processes to resolve the identified gaps.

To summarize, in total, there are 19 of 28 Budget Impasse Business Requirements that cannot be fully satisfied by existing SCO systems and business process without considerable modification of systems and processes, and nearly half of the Business Requirements not capable of being satisfied represent gaps that require significant new development and/or modification.

Upon detailed analysis of the Budget Impasse Business Requirements, Crowe concluded the following:

Budget Impasse Payroll System – Feasibility Assessment– Finding #2

The Budget Impasse payroll and payroll recovery Business Requirements, when taken as a collective whole, create problems of logical mutual exclusivity whereby no solution can simultaneously satisfy all Budget Impasse Business Requirements at all times, regardless of the level of technical automation. Therefore, even if all current technical gaps were resolved in the SCO's existing payroll system, the overarching infeasibility problems remain, unless the Business Requirements are changed.

Crowe has concluded that the only solution to the problems of logical mutual exclusivity would be to seek changes to the conflicting Business Requirements, which we understand may require a legislative or constitutional amendment. The logical mutual exclusivity problems, which are referred to in this report as the "unsolvable puzzles," and the specific Business Requirements in conflict are described in detail in Section 4.

2 Introduction

2.1 Engagement Background

Crowe Horwath LLP was engaged by Kaye Scholer LLP on March 30, 2010 to assist in its representation of the Controller of the State of California and the Office of the State Controller of the State of California ("SCO") as a consulting expert in Gilb v. Chiang, Sacramento County Superior Court, Case No. 34-2008-80000026 and related appeals.

2.2 Project Background

The requirements dictating how California civil service and state university employees are paid during a Budget Impasse have been shaped by federal and state laws, as well as court decisions.

The role and responsibilities of the SCO in regard to payroll are summarized in a memorandum of the Chief Counsel for the SCO:[1]

> *The State Controller is the Chief Fiscal Officer for the State of California. The State Controller is constitutionally responsible for drawing warrants upon the State Treasury. Section 7 of article XVI of the California Constitution states that "money may be drawn from the Treasury only through an appropriation by law and upon a Controller's duly drawn warrant." The courts have interpreted the term "duly" to mean "as is right and fitting." It signifies correctness, propriety, validity, and that which is legally required. A duly drawn warrant, therefore, is one that is drawn for a lawful amount (Flournoy v. Priest (1971) 5 Cal.3d 350). Consistent with this constitutional authority, and in recognition thereof, Government Code section 12440 states, in part, "[t]he Controller shall draw warrants on the Treasurer for the payment of money directed by law to be paid out of the State Treasury: but a warrant shall not be drawn unless authorized by law, and unless, …, unexhausted specific appropriations provided by law are available to meet it."*

In White v. Davis, the California State Supreme Court looked to the State Constitution and the Fair Labor Standards Act (FLSA) to determine payroll ground rules for the SCO to follow during a period in which there is no enacted budget (i.e., a Budget Impasse) and the recovery thereafter. The court determined that SCO was not lawfully allowed to disburse funds without an appropriation or federal law to authorize the warrant. Therefore, without an enacted budget, SCO is generally not permitted to pay the vast majority of state employees their regular pay (see *Appendix A – SCO Budget Impasse Business Requirements*).

The court recognized that the feasibility of the current SCO payroll systems to satisfy the business requirements that conform to White v. Davis rules during a Budget Impasse and to recover the regular payroll after the budget is enacted had not been tested. The payroll infeasibility question is at issue in Gilb v. Chiang. Therefore, Kaye Scholer engaged Crowe Horwath, an independent consultant, to conduct an assessment study to determine if and how the SCO might satisfy the business requirements during and after a Budget Impasse within, or in conjunction with, the current SCO payroll legacy systems.

2.3 Project Objective and Scope

The objective of this project is to identify and evaluate alternative solutions, if any, that would satisfy the State of California's Budget Impasse Business Requirements (see *Appendix A*). This evaluation includes, but is not limited to, the SCO's personnel and payroll activities and systems that enable the collection and reporting of personnel, payroll and time information, the processing of payments, the immediate

[1] Confidential Memorandum, *Fair Labor Standards Act and White v. Davis (2003) 108 Cal. App. 4th 197, 133 Cal. Rptr. 2d 691*, from the State Controller's Office, Richard J. Chivaro, Chief Counsel, to Litigation Team, dated February 19, 2010.

conversion to Budget Impasse payroll practices, and the calculation of recovery pay and reversion to regular payroll practices immediately after a budget is approved. Crowe worked under a statement of work for these project services that referenced the possibility that the conclusion of this independent analysis could be that it is not feasible for the SCO to satisfy the Budget Impasse Business Requirements within a reasonable timeframe or cost.

The scope of this Budget Impasse Payroll Systems Assessment project was to:

1. Gather and review documentation associated with the SCO's current personnel and payroll business processes.
2. Gather and review documentation associated with the SCO's current personnel and payroll information systems.
3. Review the State of California's payroll requirements as they relate to the Budget Impasse, including time tracking, pay adjustments, recovery calculations, and recovery pay once the budget is approved. Budget Impasse payroll and payroll recovery Business Requirements were documented and provided to the Crowe team as part of the project.
4. Develop a report or reports to define the strategic and tactical plans to satisfy, if possible, the State of California's Budget Impasse Business Requirements or to define any inability to satisfy those requirements. This report is based upon the information the Crowe team studied during workgroup sessions and its independent analysis of the available data and documentation.

The scope of this project does not include assessing the 21st Century project or how the Budget Impasse requirements affect that effort. The scope of this assessment pertains only to a review of the existing legacy payroll system and how it might be modified or supplemented to satisfy the Budget Impasse requirements.

2.4 Report Overview

The remainder of this report is organized into two sections:

- **Section 3 – Assessment Methodology:** This section provides an in-depth explanation of the assessment methodology planned and executed for this Budget Impasse Payroll System Assessment project. This section provides a detailed description of the project including phases of the project, activities performed in each phase, and the outputs (i.e., deliverables) of each phase, as well as a description of the project management practices used to manage and control the execution of the project.

- **Section 4 – Assessment of Feasibility with Business Requirements:** This section details the evaluation of the feasibility of satisfying the Budget Impasse Business Requirements. This section discusses the logical and technical feasibility of satisfying the Budget Impasse Business Requirements and contains Crowe's findings regarding the feasibility of satisfying the full set of requirements.

3 Assessment Methodology

3.1 Project Methodology Overview

In order to conduct this Budget Impasse Payroll System Assessment project, Crowe developed and used a rigorous methodology to ensure that the results of the system assessment are based upon a comprehensive study of potential alternatives. The purpose of this section is to summarize the methodology that Crowe followed in conducting this Budget Impasse Payroll System Assessment project.

Crowe planned and executed an overall project approach whereby we worked with SCO personnel to:

(i) gain an understanding of SCO's current payroll environment (i.e., systems and business processes);

(ii) compare Budget Impasse Business Requirements to current system and process capabilities;

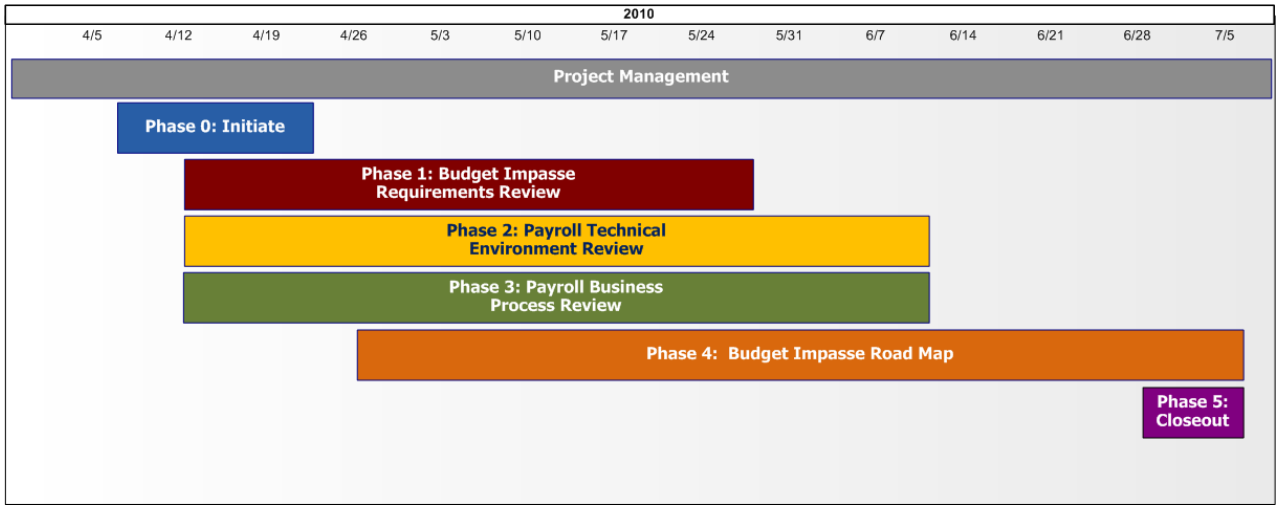
(iii) identify and discuss alternative solutions; and

(iv) perform the in-depth analysis required to develop this report.

SCO identified subject matter experts (SMEs) and Crowe worked with those personnel to gather existing documentation and information related to existing legacy payroll systems, existing interfaces in and out of the legacy payroll systems, and existing business processes.

The project was broken into phases, some of which were performed in parallel (see *Figure 1 – Phased Project Schedule* below). Subsequent sections of this document will describe each of the phases, including the activities performed; the deliverables created, reviewed, and approved; and the individual roles involved.

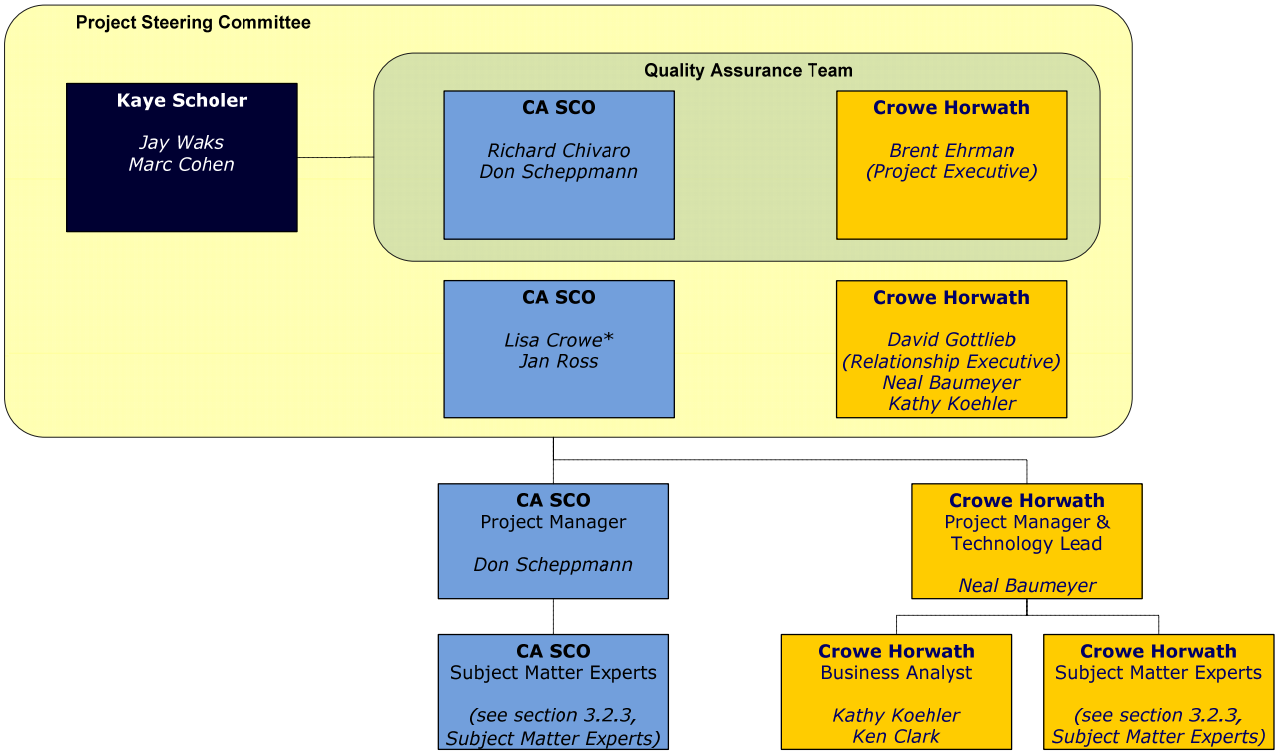
Figure 1 – Phased Project Schedule



3.2 Project Organization

In order to conduct this Budget Impasse Payroll System Assessment project, Crowe established its protocol for conducting the project, including the individuals and their roles and responsibilities. The following figure, *Figure 2 – Project Team Organization*, depicts the project team. The purpose of the diagram is to provide details on the reporting relationships and responsibilities of various roles in areas that were critical to setting direction and ensuring overall quality for the project.

Figure 2 – Project Team Organization



*Lisa Crowe, the SCO Personnel and Payroll Services Division (PPSD) Division Chief, has no relationships or involvement with Crowe Horwath LLP. The surname shared by Lisa Crowe and the firm name, Crowe Horwath LLP, is purely coincidental.

Resource/Role Table of Abbreviations

Throughout this report Crowe will refer to various project team roles in describing the activities performed and/or led by various team members. Crowe will frequently refer to those roles using common abbreviations. The following table provides a list of the roles and abbreviations used for those roles.

Resource/Role	Abbreviation
Quality Assurance Team	QA Team
California State Controller's Office	CA SCO or SCO
Crowe Horwath Project Executive	Crowe PE
Crowe Horwath Project Manager	Crowe PM
California SCO Project Manager	SCO PM
California SCO Subject Matter Experts	SCO SMEs
Crowe Horwath Business Analyst	Crowe BA
Crowe Horwath Subject Matter Experts	Crowe SMEs

3.2.1 Steering Committee

Throughout the life of this project, Crowe facilitated weekly Steering Committee meetings. These meetings were essential to ensure that all tasks were on schedule, and to provide guidance and direction to all other individuals assigned to this project. In these meetings we reviewed decisions made, discussed new findings and discoveries, identified risks and developed risk mitigation plans, and sought to remove any barriers to project success.

3.2.2 Quality Assurance Team

The Quality Assurance Team was a selected subset of the Steering Committee, whose primary purpose was to ensure that all project deliverables were reviewed and approved. Crowe utilized a common Quality Assurance Review process, which is described in *Appendix F*, for review and approval of all project deliverables.

3.2.3 Subject Matter Experts

The CA SCO Subject Matter Experts played a significant role in providing knowledge and insight into California's legacy payroll systems and business processes. Individuals in the following roles contributed to this project:

- SCO-PPSD Division Chief (retired)
- SCO-PPSD Division Chief
- SCO-ISD Division Chief
- SCO-PPSD-PMAB Bureau Chief
- SCO-ISD-BSB-HRMS Payroll, Administration & Disbursements Manager
- SCO-ISD-TSB-ESOS Production Operations Manager
- SCO-ISD-BSB-HRMS Employment History & Leave Manager
- SCO-ISD-BSB-HRMS Payroll, Administration & Disbursements Programmer-Analyst
- SCO-ISD-BSB-HRMS Employment History & Leave Programmer-Analyst
- SCO-ISD-TSB-ESOS-ESS Hardware/OS/Networking Specialist
- SCO-ISD-BSB-HRMS Employment History & Leave Specialist
- SCO-ISD-BSB-HRMS Payroll, Administration & Disbursements Specialist
- SCO-ISD-BSB-HRMS Payroll, Administration & Disbursements Annual Payroll Specialist
- SCO-PPSD-PMAB Mark IV Specialist
- SCO-PPSD-PMAB ClientBuilder Specialist

The Crowe Subject Matter Experts played a role in providing guidance on the project approach and methodology. Individuals in the following roles contributed to this project:

- Crowe Performance Business Unit Managing Partner
- Crowe Chief Risk Officer
- Crowe Information Systems Specialists

3.3 Project Phases

The Budget Impasse Payroll System Assessment project was planned and executed in the following project phases:

- Phase 0 – Initiate
- Phase 1 – Budget Impasse Business Requirements Review
- Phase 2 – Payroll Technical Environment Review
- Phase 3 – Payroll Business Process Review
- Phase 4 – Budget Impasse Road Map

The following sections of this document summarize each of the phases. Deliverables, which were generated by Crowe in each phase, reflect the information Crowe requested and received and Crowe's detailed review of the information with the SCO subject matter experts.

3.3.1 Phase 0 – Initiate

Phase	0	Initiate
Purpose	The purpose of this phase was for Crowe to develop a consensus regarding the proposed project plan and formally begin the project. Crowe established a phased project schedule, which established the roles and responsibilities of project team members. Crowe requested and received documentation from SCO to facilitate analysis on the project. The checklist of collected background information is included in *Appendix E* of this report.	

3.3.2 Phase 1 – Budget Impasse Business Requirements Review

Phase	1	Budget Impasse Business Requirements Review
Purpose	The purpose of Phase 1 was for Crowe to gain a deep understanding of SCO's Budget Impasse Business Requirements and to understand and document gaps, if any, in SCO's current business processes and systems to satisfy Budget Impasse Business Requirements as framed by, and to conform with, the legal requirements. Crowe reviewed, in detail, the summary provided of the federal and state legislation and court rulings that apply to SCO's payroll responsibilities and facilitated meetings with SCO and Kaye Scholer to ensure understanding of the requirements. Crowe reviewed information provided by the SCO (at Crowe's request) regarding the State of California's payroll and benefits policies related to payment periods, payment methods, overtime, vacation, sick leave, disability, miscellaneous and other payments, deductions, garnishments, recovery, tax implications, and retirement impact. Crowe reviewed information received from SCO (at Crowe's request) regarding the SCO's existing internal payroll procedure documentation. The SCO Budget Impasse Business Requirements were provided, at Crowe's request, by Kaye Scholer and SCO (see *Appendix A*) and were subsequently reviewed by Crowe with Kaye Scholer and SCO to confirm understanding. Crowe completed analysis and follow-up activities, including, but not limited to, facilitating gap identification sessions and producing a document titled *Budget Impasse Assessment Business Requirements Gap Analysis*. The document contains a comprehensive analysis of the gaps in the current/legacy SCO payroll systems and/or processes with respect to their ability to satisfy Budget Impasse Business Requirements. The Budget Impasse Assessment Business Requirements Gap Analysis is included as *Appendix B* of this report.	

3.3.3 Phase 2 – Payroll Technical Environment Review

Phase	2	Payroll Technical Environment Review
Purpose	The purpose of Phase 2 was for Crowe to gain an understanding of SCO's current Personnel and Payroll systems and technical environment and to understand and document the impact of Budget Impasse Business Requirements upon the systems and technical environment. At Crowe's request, SCO gathered and provided to Crowe existing Payroll system architecture documentation. (NOTE: Documentation gathered by Crowe as part of this process was logged in the Project Documentation Log, attached as *Appendix E* to this	

	report.) Crowe analyzed gathered information and facilitated sessions with SCO subject matter experts to confirm understanding of systems, technologies, and environment. Crowe created a Technical Environment Impact Summary (attached as *Appendix C* to this report). The report primarily provides a mapping of the Budget Impasse Business Requirements to the SCO Personnel and Payroll systems and interfaces that are impacted by the Business Requirements.

3.3.4 Phase 3 – Payroll Business Process Review

Phase	**3**	**Payroll Business Process Review**
Purpose	The purpose of Phase 3 was for Crowe to gain an understanding of SCO's personnel and payroll business processes and to understand and document the impact of Budget Impasse Business Requirements upon the personnel and payroll processes. At Crowe's request, SCO gathered and provided to Crowe existing Personnel and Payroll business process documentation. (NOTE: Documentation gathered by Crowe as part of this process was logged in the Project Documentation Log, attached as *Appendix E* to this report.) Crowe analyzed gathered information and facilitated sessions with SCO subject matter experts to confirm understanding of existing Personnel and Payroll business processes. Crowe created a Business Process Impact Summary (attached as *Appendix D* to this report). The report primarily provides a framework for listing and describing the business processes, as well as a mapping of the Budget Impasse Business Requirements to the existing Personnel and Payroll business processes that may be impacted by the requirements.	

3.3.5 Phase 4 – Budget Impasse Road Map

Phase	**4**	**Budget Impasse Road Map**
Purpose	The purpose of Phase 4 was for Crowe to work closely with SCO project team leadership to identify and analyze alternative solutions, if any, for satisfying SCO's Budget Impasse Business Requirements and document observations and analyses with respect to any findings as well as any alternative solutions. As it turned out, Findings 1 and 2 record the impossibility of resolving all gaps. Never the less, Crowe identified potential alternative solutions for satisfying, as reasonably as possible, the identified gaps. Crowe worked with the Steering Committee to vet each alternative and to brainstorm additional alternative solutions. Crowe used a methodology (that will be summarized in a separate report) to score each alternative solution and determine the strength of the alternative compared to the other solution alternatives. The resulting scoring of alternatives identified three solutions deemed to be relatively superior approaches compared to the remaining alternatives. The separate report contains the assessment of solution alternatives, each with its score relative to its ratings in the assessed criteria. Based upon the results of this activity, the Steering Committee selected the three alternatives for further assessment on the project as potentially viable (partial) solutions. Crowe facilitated a process to develop a conceptual design for each of the three highest scored alternative solutions and, as part of the sessions, captured the high-level technical impact, business process impact, and the strengths, weaknesses, issues, and risks of each. Crowe evaluated in greater detail each of the three highest scored solutions, in particular, to understand and document the components of effort, cost and timeline for	

implementation. This assessment of effort and cost gave considerable focus (where applicable) to the following possibilities:

- Modification to existing system components and program
- Creation of additional/new system components and programs
- Impact to the existing hardware/software environment at SCO
- Organizational change (changes to business processes, SCO systems operations, SCO system controls, and other California state units, such as other departments and the campuses)

For each alternative solution Crowe documented the conceptual design. The phase culminated in the creation of this report on Crowe's findings and a separate report which documents the resulting observations and analyses of the potentially viable (partial) solutions.

3.4 Project Management

In parallel with the individual phases of activities on the project, Crowe utilized our standard Project Management Methodology to successfully manage the project to completion (see *Appendix F*).

4 Assessment of Feasibility with Business Requirements

4.1 Background

As stated in the Project Objective section above, the objective of this Budget Impasse Payroll System Assessment project was to have Crowe identify and evaluate alternative solutions, if any, to satisfy the Budget Impasse requirements, including the payroll recovery requirements associated with the budget approval. As this objective would imply, in order for Crowe to evaluate alternative solutions, Crowe first needed to understand the Budget Impasse payroll requirements and the Budget Impasse payroll recovery requirements. Crowe applied the SCO Budget Impasse Business Requirements as the basis for all analysis throughout this project.

4.1.1 Current Negative Pay / Anticipatory Pay Processes

As documented in the Budget Impasse Business Requirements, the State Controller's Office operates a variety of pay plans to pay the State's Civil Service employees. The following table provides a summary of the pay plans and the number of exempt and non-exempt employees paid by each plan.

Basic SCO Pay Plans	Approximate Number of Employees	
	Exempt	Non-Exempt
A. A monthly/semi-monthly anticipatory plan otherwise known as a "negative" pay system, where monthly/semi-monthly paid employees are issued their pay on the last day of the pay period	69,501	187,932
B. A monthly plan with a lag, otherwise known as "positive" pay system, where pay is issued after the close of the pay period based on attendance reporting	4,586	40,766
C. A semi-monthly positive plan, a semi-monthly plan with a lag	18	11,249
D. A bi-weekly plan with a lag	0	134

SCO currently uses a "Negative Pay" system, which is also frequently termed an "Anticipatory Pay" system, to pay 187,932 non-exempt and 69,501 exempt employees under normal payroll conditions (i.e., not under a Budget Impasse or recovery from a Budget Impasse). There are numerous processes and systems involved in generating payroll which calculate and apply gross pay, deductions, garnishments, and leave.

For California's Negative/Anticipatory Pay process, the payday is the last day of the pay period (the period for which an employee is being paid). In order for the payday to be the last day of the pay period, SCO must begin preparation of the payroll for Negative/Anticipatory Pay employees approximately eight to ten calendar days in advance of the last day of the pay period. Therefore, SCO must prepare the payroll based upon what it *anticipates* a worker will work – i.e., the SCO presumes that the worker will work the number of hours indicated in his or her payroll record.

Ordinarily, if a non-exempt employee has not worked, and consequently is not due pay, for a portion of the anticipated hours, a payroll adjustment must be entered to reflect non-paid hours. SCO has established procedures and supporting systems to enter the payroll adjustments associated with the non-paid hours either before or after the payroll is processed.

If the employee has an absence and has leave time available, the non-worked time would be applied to that leave benefit. If the employee has an absence but no leave time available, the department or campus would submit a dock transaction to reduce the individual's pay. If the payroll adjustments are entered prior to the payroll process, the employee's paycheck for the current pay period will reflect the payroll adjustments.

If the payroll adjustments are entered after the Master Payroll cutoff date (i.e., after the 8 to 10 calendar days before the end of the payroll period), the employee's paycheck would be processed under the presumption that the employee would be due the pay for the anticipated hours. If the employee has leave benefit available, non-worked time would be applied to that leave benefit and a dock would not be submitted. If the employee has no leave benefit available, then the employee would have been overpaid for the non-worked hours. SCO would recover the overpayment by creating an account receivable for the amount of the overpayment and collect the amount as a payroll deduction or agency collection, after following required notification processes.

Given that payroll is processed eight to ten calendar days in advance of the last day of the pay period, it is common for payroll adjustments to be entered after the payroll process. Therefore, it is common for an employee to be overpaid in the current pay period for non-worked hours and to have it corrected at a subsequent date.

4.2 Feasibility Assessment

4.2.1 Feasibility of Existing Processes and Systems to Satisfy Budget Impasse Business Requirements

Based upon the Business Requirements, Crowe continued Phase 1 activities and began its assessment of the capability of existing systems and processes to satisfy the defined Business Requirements and the identification of gaps, if any, that might exist. The result of this activity, the *SCO Budget Impasse Business Requirements High-Level Gap Analysis*, is contained in *Appendix B* of this report. Crowe found numerous and substantial gaps in the existing systems and processes to satisfy the Business Requirements, and subsequently began its analysis of the feasibility of alternative solutions to satisfy the Business Requirements.

Budget Impasse Payroll System Assessment Project – Finding #1

The SCO cannot satisfy the payroll and payroll recovery Business Requirements by utilizing the SCO's existing systems and processes. Based upon the results of the SCO Budget Impasse Business Requirements High-Level Gap Analysis, there are numerous and substantial gaps in the SCO's existing systems and processes to satisfy the Budget Impasse payroll and payroll recovery Business Requirements. It is, therefore, infeasible for SCO to satisfy the Budget Impasse payroll and payroll recovery Business Requirements without significant new development and/or modification of systems and processes to resolve the identified gaps.

To summarize the analyses and observations made in the SCO Budget Impasse Business Requirements High-Level Gap Analysis completed by Crowe with regard to the 28 Budget Impasse Business Requirements:

- Nine of the business requirements can be fully satisfied by existing SCO systems and business process without modification of systems and processes.
- Ten of the business requirements can be partially satisfied, but not fully satisfied, by existing SCO systems and business process. In these cases, new development and/or modification of systems and processes would need to be completed to resolve identified gaps and allow SCO to satisfy the business requirements.

- Nine of the business requirements cannot be satisfied by existing SCO systems and business process. In these cases, significant new development and/or modification of systems and processes would need to be completed to resolve identified gaps and allow SCO to satisfy the business requirements.

In total, there are 19 of 28 Budget Impasse Business Requirements that cannot be fully satisfied by existing SCO systems and business process without modification of systems and processes, and nearly half of the Business Requirements not capable of being satisfied represent gaps that require significant new development and/or modification.

4.2.2 Feasibility of Solutions to Satisfy Budget Impasse Business Requirements

Upon analysis of the Business Requirements for purposes of activities in Phase 2 and Phase 3 of the project, it became apparent to Crowe that the Business Requirements create "unsolvable puzzles" – that is, business requirements that, when taken as a collective whole, create the problem of logical mutual exclusivity, as described further in section 4.3, whereby no solution can simultaneously satisfy all Business Requirements at all times, regardless of the level of technical automation.

Crowe also re-examined whether its interpretation of all requirements was correct and whether, in fact, there was a combination of Budget Impasse Business Requirements that might otherwise resolve the mutual exclusivity of the requirements. Crowe found no exceptions or other representations of the Budget Impasse Business Requirements that resolve the "unsolvable puzzles." To that end, Crowe:

A. Identified the specific requirements that create the "unsolvable puzzles," and

B. Determined an appropriate methodology for continuing the payroll system assessment given that no alternative systems or solutions would be able to simultaneously, and at all times, satisfy all requirements.

These are both explained in the two following sections. To be clear, however, we present the following finding:

Budget Impasse Payroll System Assessment Project – Finding #2

The Budget Impasse payroll and payroll recovery Business Requirements, when taken as a collective whole, create problems of logical mutual exclusivity whereby no solution can simultaneously satisfy all Budget Impasse Business Requirements at all times, regardless of the level of technical automation. Therefore, even if all current technical gaps were resolved in the SCO's existing payroll system, the overarching infeasibility problems remain, unless the Business Requirements are changed.

4.3 Logical Feasibility of Budget Impasse Business Requirements

As described in section 4.2 above, it is Crowe's observation that the Budget Impasse payroll and payroll recovery Business Requirements, when taken as a collective whole, create the problem of logical mutual exclusivity whereby no solution can simultaneously satisfy all Business Requirements at all times, regardless of the level of technical automation. The objective of this section is to describe specifically the Business Requirements that contribute to the "unsolvable puzzles" and illustrate how, in practice, these requirements conflict with one another.

To that end, consider the following four Business Requirements of a Budget Impasse (the full list of Business Requirements is contained in *Appendix A*) – ***emphasis added***:

No.	Requirement Concept	Description of Business Requirement
2.1	Payment of Nonexempt Employees – No Overtime	Controller must pay nonexempt employees who work no overtime in a pay period the minimum wage rate mandated by FLSA for all straight-time ***hours worked*** by employee.
2.2	Hours worked Basis for Payment	Controller must calculate all payments based on the ***actual number of hours worked*** by nonexempt employees within a pay period.
2.3	Timely Prompt Payment	Employer ***must pay on regular payday*** of nonexempt employees.
4.2	Payment of Nonexempt Employees – Working Emergency Overtime	Controller must pay, in the pay period, the employees who work unanticipated, emergency overtime in that pay period their regular wage rates for all straight-time hours worked in that pay period pursuant to FLSA rules. If the correct amount of overtime compensation cannot be determined until after the pay period in which the overtime hours are worked, Controller must make payment for such overtime compensation in the pay period immediately following the pay period in which the employees worked such overtime.

All of the above Business Requirements relate to the payroll payments made to nonexempt employees.

With regard to requirement 2.3 above, the regular payday for the 187,932 nonexempt monthly or semi-monthly employees included in California's Negative Payroll System is **the last day of the pay period.**

Consider the following three scenarios relevant to individuals paid via Negative/Anticipatory Pay:

A. **No Variance:** The individual worked exactly the hours that were anticipated.

B. **Shortage Variance:** The individual worked less actual time than the anticipated time (i.e., unpaid or paid leave). It is worthwhile to note that, under the California Leave Accounting System (CLAS), approximately 80,000 employees take paid leave during normal (i.e., not under a Budget Impasse) payroll monthly processing. This does not account for employees whose leave is maintained within the departments and campuses and not within CLAS.

C. **Overtime Variance**: The individual worked unscheduled/emergency overtime (not anticipated) – that is, the individual worked more actual time than anticipated time where the actual time was in excess of base hours and eligible for overtime pay. It is worthwhile to note that the volumes of overtime variance payments made during a Budget Impasse would be substantial. For example, during a two month period of the 2008 Budget Impasse, there was a ban on overtime and yet over 18,000 state employees (in departments not otherwise exempted from the overtime ban) worked almost 600,000 hours of unanticipated overtime.

Given the three scenarios identified above, all of the Budget Impasse Business Requirements **cannot be satisfied** by any potential solution. The capacity for the alternative solutions to satisfy each of the scenarios is further described below.

I. **<u>No Variance Scenario:</u>** The Business Requirements associated with the No Variance Scenario **can be satisfied**. If a nonexempt individual works exactly the hours anticipated, under a minimum wage scenario, the individual's gross pay can be calculated as the hours he or she would be anticipated to work multiplied by the minimum wage rate. At the end of the pay period, since there is no variance between the time anticipated and the actual time worked, this

individual's pay would be accurate – i.e., the amount calculated to be paid is exactly the amount that individual is due under minimum wage pay requirements.

II. **Shortage Variance Scenario:** The Business Requirements associated with the Shortage Variance Scenario **cannot be satisfied** by any solution. This, in effect, creates an "unsolvable puzzle," in that there is no solution that will always satisfy Business Requirement 2.2. It is not possible to determine in advance if an employee elects to work less than the anticipated hours after payroll is processed eight to ten days prior to the end of the pay period. Therefore, no solution can satisfy Business Requirement 2.2 in instances where the shortage is reported after the payroll is processed.

III. **Overtime Variance Scenario – Overtime Payment:** The Business Requirements associated with overtime payment in the Overtime Variance Scenario **can be satisfied** because, according to the Business Requirement 4.2, the SCO has until the next pay period to fully compensate the individual for the overtime variance. It is reasonable that technical and procedural solutions can be put in place to capture the actual straight-time hours and overtime hours worked and to appropriately and accurately issue overtime pay by the next pay date. Even for semi-monthly nonexempt employees, the additional pay would be issued within a minimum of 14 days past the pay date for the period in which the overtime was worked

IV. **Overtime Variance Scenario – Regular Wage vs. Minimum Wage Payment:** The Business Requirement associated with making immediate retrospective adjustments in pay by paying in the same pay period the full regular wage rates for all straight-time worked when, in the Overtime Variance Scenario, the employee is working unanticipated overtime in that same period, **cannot be satisfied** by any solution. Business Requirement 4.2 requires the "immediate retrospective adjustments" to be made in the current pay period to fully compensate the individual for the regular wage vs. minimum wage rate variance. This creates another "unsolvable puzzle" similar to the Shortage Variance Scenario described above, in that no solution will always be able to satisfy Business Requirement 4.2. Because of the emergency nature of unexpected overtime work, it is not possible to determine in advance if an employee will work overtime after payroll is processed eight to ten days prior to the end of the pay period. Therefore, no solution can satisfy Business Requirement 4.2 in any instance in which overtime is reported after payroll is processed.

The nature of the "unsolvable puzzles" is, in essence, the same for both scenarios II and IV. Under Negative/Anticipatory Payroll, the payroll process must be run prior to the end of the pay period in order for the payday to be on the last day of the pay period. It is not possible to foresee the future to determine if either; 1) an employee will have a shortage, or 2) an employee will work unanticipated overtime after the payroll is processed. Without knowing if a shortage or unanticipated overtime exists, it is impossible to satisfy all Business Requirements at all times.

In contemplating solutions to the "unsolvable puzzles," an alternative approach was evaluated whereby employees currently paid under a Negative/Anticipatory Pay process could be paid under a Positive Pay process. Under the Positive Pay approach, employees would be paid for actual hours worked only *after* working those hours and only after those hours are collected, reviewed, and verified for accuracy. Today the functions associated with collecting and verifying time worked are performed under Positive Payroll during the "lag."

However, the Positive Pay approach will also be unable to simultaneously satisfy all Business Requirements at all times. As mentioned above, requirements 2.2 and 2.3 require that only **hours worked** may be paid for on the **regular payday** of nonexempt employees. For nonexempt, Negative/Anticipatory Pay employees in the State of California, the last working day of the pay period *is* also the regular payday. But there would be no payroll lag period even if the Positive Pay approach were to be applied to Negative Pay employees. Unless there is a payroll lag, there is not time available to collect and verify time worked data. Employees are due pay for time worked, but must be paid while still accruing time in the time period – in essence, paying them on the last day of pay period for the last day worked in the pay period is a scenario that cannot logically be met.

Finding #2, therefore, is a conclusion based on the impossibility, in all these respects, to satisfy all Business Requirements at all times and under all circumstances. Accordingly, as a consequence of the unsolvable puzzles, it is not feasible for any payroll system to satisfy all the Budget Impasse Business Requirements.

5 Attachments

Appendix A: SCO Budget Impasse Business Requirements

Appendix B: SCO Budget Impasse Business Requirements: High-Level Gap Analysis

Appendix C: Impact Summary: Technical Environment

Appendix D: Impact Summary: Business Processes

Appendix E: Project Documentation Log

Appendix F: Project Management

Appendix A: SCO Budget Impasse Business Requirements

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MEMORANDUM

TO: Brent Ehrman and Neal Baumeyer of Crowe Horwath LLP

FROM: Richard J. Chivaro, Esq, Chief Counsel,
State Controller's Office, State of California
and
Steven S. Rosenthal, Marc S. Cohen and Jay W. Waks, Esqs.
Kaye Scholer LLP

DATE: May 21, 2010

SUBJECT: Business Requirements of the State's Uniform Payroll System in Regard to Crowe Horwath's Budget Impasse Assessment Study

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The following summary has been prepared by counsel to state the principal business requirements in regard to the application of the State of California's uniform payroll system administered by the State Controller's Office to the payment of California state employees during a budget impasse and the recovery of the payroll system upon subsequent enactment of the new budget. This document has been prepared by counsel in connection with the *Gilb v. Chiang* litigation currently pending before the California 3rd District Court of Appeal. The information in this document confirms the discussions that counsel has had with Crowe Horwath in connection with Crowe Horwath's retention as expert consultant to Kaye Scholer LLP. This document outlines the budget impasse assessment business requirements in conformance with legal requirements as framed by *White v. Davis* and the FLSA. Crowe Horwath may rely upon these requirements in preparing its assessment and report in regard to the operation of the payroll system during and after a California budget impasse. This document and the information contained herein are privileged and confidential and not to be disclosed except as necessary to provide for the defense of the State Controller and State Controller's Office in the *Gilb v. Chiang* case or as otherwise authorized by Kaye Scholer LLP.

By way of background, the State Controller is constitutionally responsible for drawing warrants upon of the State Treasury, as authorized by law, to pay (a currently estimated population of) approximately 314,184 State employees. Most General Fund appropriations are contained in the budget act for the fiscal year enacted by the Legislature and signed into law by the Governor. The State of California's fiscal year runs from July 1 to June 30. Although the Constitution requires the budget to be enacted by June 15 of each year, as a practical matter, in

order to commence the fiscal year with a budget in place, the budget must be signed on or before July 1. When a budget is late, and since most appropriations are contained in the budget act, the issue arises as to which payroll payments may be made by the Controller during the budget impasse.

The indeterminate nature of any budget impasse can be a major impediment to the appropriate operation of the payroll system in conformance with law. The first time a budget was passed untimely was in 1969 and, since that time, late budgets have become the norm and ranged from one day late in 1976 to 66 days in 2002. The 2008 budget was enacted eighty-four days late.

Post-1987, the number of days without a budget has increased. During this period, the Controller's Office formulated four criteria upon which an appropriation could be found to authorize continued payment despite the absence of a budget. The four criteria were: (1) prior year appropriations; (2) continuous appropriations; (3) appropriations required by the State Constitution, and (4) payments required by federal law. This practice ultimately was challenged in the *White v. Davis* case. In its 2003 decision, the California Supreme Court upheld the Controller's practice of relying upon these criteria, expressly in regard to the later three criteria that had been addressed by the parties on appeal. The first criterion was not in issue on appeal, and its application is appropriate under the Supreme Court's decision in *White* and its reliance upon the statutory authorization of payments of unexhausted specific appropriations.

The payroll system administered by the State Controller's Office is fairly complex. As of the April and May 2010 pay periods, the State Controller's Office pays 240,990 Civil Service employees (which total includes elected officials, their policymaking appointees, and Judicial Council employees), in addition to 73,194 employees of the California State University (including CSU student assistants), for the grand total of approximately 314,184 employees. The payroll process normally includes establishing the individual's gross pay, performing the gross-to-net calculations; reporting taxes and retirement calculations; applying, reporting and remitting mandatory and voluntary deductions; maintaining leave balances and applying leave usage; complying with requirements for various disability programs; and dealing with the differences in some 33 employee organization bargaining units.

Moreover, the State Controller's Office operates a variety of pay plans to pay the State's Civil Service employees (**Table A**):

Table A
Approximate Number of Exempt and Non-Exempt Employees Covered by Basic SCO Pay Plans

BASIC SCO PAY PLANS	APPROX. NUMBER OF EMPLOYEES	
	No. Exempt	No. Non-Exempt
A. A monthly/semi-monthly anticipatory plan otherwise known as a "negative" pay system, where monthly/semi-monthly paid employees are issued their pay on the last day of the pay period.	69,501	187,932
B. A monthly plan with a lag, otherwise known as "positive" pay system, where pay is issued after the close of the pay period based on attendance reporting.	4,586	40,766
C. A semi-monthly positive plan, a semi-monthly plan with a lag.	18	11,249
D. A bi-weekly plan with a lag.	0	134

(Note: The SCO's classification of employees as exempt or non-exempt conforms to the FLSA.)

Further complicating this picture in terms of designating employees who, during a budget impasse, would be paid at other than full pay, approximately 16,000 employees (some on the "negative" pay system, and others on the "positive" system) have been grouped with the non-exempt counts in the above table because the SCO has been unable to identify their FLSA designation from Payroll and Employment History data.

In support of the above textual background, **Table B** outlines the key business requirements for the budget and impasse payroll assessment study:

Table B

Key Budget Impasse Assessment Business Requirements

Cat.	Functional Category	Functional No.	Requirement Concept	Description of Requirement
0	Payroll Payment Authorization Requirements	0.1	Issuing Warrants	Controller draws warrants to be paid out of the State Treasury, only when authorized by law and sufficient and specific appropriations are available.
		0.2	Pay Periods and Pay Dates	Pay dates for monthly salaried employees -- no more than 10 calendar days after close of payroll period. Pay dates for semimonthly and biweekly employees -- no more than 15 calendar days after close of payroll period. Pay period changes for employees in collective bargaining units must be negotiated in the MOU for each unit.
1	Full Pay Categories during Budget Impasse	1.1	Constitutionally Required Payments	Controller must fully pay employees with constitutionally protected salaries and other payments authorized in self-executing provisions of the State Constitution (such as employee and employer retirement contributions covered in 5.6 below).
		1.2	Continuous Appropriations	Controller must fully pay employees funded by continuous appropriations.
		1.3	Federally Required Payments	Controller must fully pay employees' wages as required by federal law, and subject to court interpretation (*e.g.*, minimum wage and overtime payments of nonexempt employees, as mandated by Fair Labor Standards Act; certain medical delivery personnel of the California Department of Corrections & Rehabilitation as mandated by federal receivership).
		1.4	Prior Year Appropriations	Controller must fully pay employees of agencies operating under prior year appropriations where payment is charged to that prior year appropriation.

Cat.	Functional Category	Functional No.	Requirement Concept	Description of Requirement
2	Minimum Wage Payment during Budget Impasse	2.1	Payment of Nonexempt Employees – No Overtime	Controller must pay nonexempt employees who work no overtime in a pay period the minimum wage rate mandated by FLSA for all straight-time hours worked by employee.[a]
		2.2	Hours worked Bases for Payment	Controller must calculate all payments based on the actual number of hours worked by non-exempt employees within a pay period.
		2.3	Timely Prompt Payment	Employer must pay on regular payday of non-exempt employees.
		2.4	Minimum Payment of Exempt Employees	Controller must pay (on regular payday) at least the full amount of FLSA's salary level minimum pay to exempt Executive, Administrative, Professional (except doctors, lawyers, teachers) and Computer employees.
3	No Pay during Budget Impasse	3.1	Employees Not Covered by FLSA -- Elected Officials, Appointees of Elected Officials & Legislative Employees	Controller must not pay non-covered personnel.
		3.2	Employees Exempted by FLSA From Salary Basis/ Level Test -- Doctors, Lawyers & Teachers	Controller must not pay non-covered personnel.

[a] There is an issue in the pending litigation whether the actual minimum wage rate is the higher of the federal nationwide minimum wage or the California minimum wage. For purposes of the assignment, we assume that the actual required minimum wage rate is not material. The payroll system's flexibility and functionality in adapting to any mandated minimum wage requirements in effect during a future budget impasse, however, is the business requirement.

Cat.	Functional Category	Functional No.	Requirement Concept	Description of Requirement
4	Overtime during Budget Impasse	4.1	Payment of Nonexempt Employees - Working Anticipated Overtime	Controller must pay nonexempt employees who work in excess of 40 hours per week their regular pay for all straight-time hours plus 1.5 times regular pay rate for all overtime hours worked (calculated per FLSA rules, *e.g.*, time worked over 40 hours per 7-day period or time worked over expected hours per 28-day work period for employees subject to the FLSA exception for fire protection and law enforcement activities).
		4.2	Payment of Nonexempt Employees – Working Emergency Overtime	Controller must pay, in the pay period, the employees who work unanticipated, emergency overtime in that pay period their regular wage rates for all straight-time hours worked in that pay period, pursuant to FLSA rules. If the correct amount of overtime compensation cannot be determined until after the pay period in which the overtime hours are worked, Controller must make payment for such overtime compensation in the pay period immediately following the pay period in which the employees worked such overtime.
5	Other Payments, Deductions & Garnishments during Budget Impasse	5.1	Required Payments	Controller must only make payments considered "wages", at minimum wage rate, as mandated by FLSA.[b]
		5.2	Non-Wage Payments	Controller must refrain from making any payment not considered "wages" under FLSA (including voluntary deductions).[c]

[b] Specifically, Controller must issue at the minimum wage: Regular Pay and any pay at premium rates (reverting to full pay, if overtime is worked); Shift Pay; Student Assistance/Trainee Pay; Fire Mission Pay; and Out-of-State Pay.

[c] Specifically, Controller must withhold issuance of non-wage payments: Lump Sum Overtime, CTO, Holiday Credit, PH or Excess Hours; Vacation Leave Pay; Lump Sum Vacation; Lump Sum Sick Leave; Industrial Disability Leave; Military Leave and Military Pay Differential; Awards; Folio Pay; Final Settlement; Fringe Benefits; Labor Code 4800 Tax Refund; Maternity Leave; Deduction Refunds; Emergency Pay (not including Emergent Overtime); Non-Industrial Disability Indemnity; Supplemental Temporary Disability; Separation Payments; and Miscellaneous Payments.

Cat.	Functional Category	Functional No.	Requirement Concept	Description of Requirement
		5.3	Federal Deductions	Controller must withhold federal income taxes, Social Security taxes and Medicare taxes and remit timely to federal government (calculated on actual pay).
		5.4	State Tax Deductions	Controller must withhold state income tax and disability insurance (calculated on actual pay received).
		5.5	Garnishments	Controller must deduct garnishments from pay (as applicable to actual pay received).
		5.6	State Retirement Contributions	Controller must calculate and withhold retirement contributions as if the employee received full regular salary.
		5.7	Employee Voluntary Contributions	Employee voluntary contributions, such as to credit union or long-term disability, are suspended during budget impasse except for employees receiving full pay.
6	Budget Impasse Period	6.1	Indeterminate Duration	Controller's payroll system must be capable of supporting and promptly recovering from a budget impasse of indeterminate length until date of enactment.
7	Enactment of New Budget	7.1	Restoration of Regular Pay	Full restoration (retroactively and prospectively) of all regular salaries, withholdings and deductions must be made no later than employee's next payday or within 30 days of new budget enactment.
		7.2	Restoration of Overtime Pay	For overtime worked in preceding pay period, payment may not be delayed longer than reasonably necessary to compute and arrange for payment (but payment may not be delayed beyond the next pay period).
		7.3	Restoration of Separation Pay	Controller must issue separation pay within 72 hours of new budget enactment.
		7.4	Restoration of Voluntary Deductions	Controller must retroactively restore voluntary deductions that were not withheld during budget impasse.
		7.5	Restoration of Mandatory Deductions	Controller must apply mandatory deductions that were not withheld due to pay insufficiency.

Cat.	Functional Category	Functional No.	Requirement Concept	Description of Requirement
		7.6	Restoration of Garnishments	Controller must restore garnishments to any restoration pay, in the full amounts permitted by law.

Appendix B: SCO Budget Impasse Business Requirements: High-Level Gap Analysis

Budget Impasse Payroll System Business Requirements Gap Analysis

This document illustrates which budget impasse requirements may be met, partially met, or not met, with the current technology and business processes used by the SCO **without modification.**

Cat.	Functional Category	No.	Requirement Concept	Description of Requirement	Can Meet = ● Partially = ◒ Cannot meet = ○	What Can Be Met	Identified Gaps
0	Payroll Payment Authorization Requirements	0.1	Issuing Warrants	Controller draws warrants to be paid out of the State Treasury, only when authorized by law and sufficient and specific appropriations are available.	●	• Meet today through payroll process • Negative payroll with post-check corrections are considered duly drawn	• NOTE: Ability to issue accurate warrants may be compromised in minimum wage scenario, depending on solution
		0.2	Pay Periods and Pay Dates	Pay dates for monthly salaried employees -- no more than 10 calendar days after close of payroll period. Pay dates for semimonthly and biweekly employees -- no more than 15 calendar days after close of payroll period. Pay period changes for employees in collective bargaining units must be negotiated in the MOU for each unit.	●	• Meet today through payroll process	• NOTE: Ability to pay on specified pay dates may be compromised in minimum wage scenario, depending on solution
1	Full Pay Categories during Budget Impasse	1.1	Constitutionally Required Payments	Controller must fully pay employees with constitutionally protected salaries and other payments authorized in self-executing provisions of the State Constitution (such as employee and employer retirement contributions, covered in 5.6 below).	●	• Meet during budget impasses today (employees identified by WWG footnote)	•
		1.2	Continuous Appropriations	Controller must fully pay employees funded by continuous appropriations.	●	• Meet during budget impasses today (use payroll header file to identify fund with continuous appropriation and which employees are paid from it)	
		1.3	Federally Required Payments	Controller must fully pay employees' wages as required by federal law, and subject to court interpretation (*e.g.,* minimum wage and overtime payments of nonexempt	◒	• Can issue full pay to identified employees	• GAP (CDCR): Medical positions at correctional facilities may be able to be selected using agency and class codes (labor-intensive and has not

Cat.	Functional Category	No.	Requirement Concept	Description of Requirement	Can Meet = ● Partially = ◒ Cannot meet = ○	What Can Be Met	Identified Gaps
				employees, as mandated by Fair Labor Standards Act; certain medical delivery personnel of the California Department of Corrections & Rehabilitation as mandated by federal receivership).			been done before – will need to be developed and tested) • GAP: SCO cannot temporarily and immediately change wage rate with today's system
		1.4	Prior Year Appropriations	Controller must fully pay employees of agencies operating under prior year appropriations where payment is charged to that prior year appropriation.	●	• Meet during budget impasses today (must be pay-period-driven)	
2	Minimum Wage Payment during Budget Impasse	2.1	Payment of Nonexempt Employees – No Overtime	Controller must pay nonexempt employees who work no overtime in a pay period the minimum wage rate mandated by FLSA for all straight-time hours worked by employee.[1]	○		• GAP: SCO does not receive actual hours worked for negative payroll employees, for straight time or overtime • GAP: SCO cannot temporarily and immediately change wage rate with today's system • GAP: Today, overpayments due to unpaid leave of negative payroll employees are resolved through department revolving fund, which is unavailable without a budget
		2.2	Hours Worked Bases for Payment	Controller must calculate all payments based on the actual number of hours worked by non-exempt employees within a pay period.	○		• GAP: SCO cannot accurately calculate wages based on hours worked for negative pay employees (majority of employees)
		2.3	Timely Prompt Payment	Employer must pay on regular payday of non-exempt employees.	◒	• Can pay on required pay dates if using negative pay process; however, negative payroll may be inaccurate due to unreported hours or	• GAP: SCO cannot pay on required pay dates and meet Requirement 2.2 (actual hours worked) • GAP: SCO cannot pay minimum wage on a timely basis with today's system

[1] There is an issue in the pending litigation whether the actual minimum wage rate is the higher of the federal nationwide minimum wage or the California minimum wage. For purposes of the assignment, we assume that the actual required minimum wage rate is not material. The payroll system's flexibility and functionality in adapting to any mandated minimum wage rate in effect during a future budget impasse, however, is the business requirement.

Cat.	Functional Category	No.	Requirement Concept	Description of Requirement	Can Meet = ● Partially = ◒ Cannot meet = ○	What Can Be Met	Identified Gaps
						leave at the time pay is calculated	
		2.4	Minimum Payment of Exempt Employees	Controller must pay (on regular payday) at least the full amount of FLSA's salary level minimum pay to exempt Executive, Administrative, Professional (except doctors, lawyers, teachers) and Computer employees.	○		• GAP: SCO cannot temporarily and immediately change wage amount for this group with current systemNOTE: Need flexibility to pay these EAP individuals $455.00 per week, and $27.63 per hour minimum wage to those in certain computer-related occupations, depending on outcome of lawsuit •
3	No Pay during Budget Impasse	3.1	Employees Not Covered by FLSA -- Elected Officials, Appointees of Elected Officials & Legislative Employees	Controller must not pay non-covered personnel.	◒	• The SCO withholds pay for a portion of this group during impasses using Mark IV to move 5-600 officials into new WWG with suspended pay	• GAP: Must remove those with constitutionally-protected salaries
		3.2	Employees Exempted by FLSA From Salary Basis/ Level Test -- Doctors, Lawyers & Teachers	Controller must not pay non-covered personnel.	◒	• The SCO withholds pay for the group in Requirement 3.1 during impasses (see above)	• GAP: May be able to use new WWG method used for elected officials today, but would require testing for scalability
4	Overtime during Budget Impasse	4.1	Payment of Nonexempt Employees - Working Anticipated Overtime	Controller must pay nonexempt employees who work in excess of 40 hours per week their regular pay for all straight-time hours plus 1.5 times regular pay rate for all overtime hours worked (calculated per FLSA rules, *e.g.,* time worked over 40 hours per 7-day period or time worked over	◒	• SCO can issue full pay to all employees of agencies the administration identifies as "overtime-likely"	• GAP: If agencies are not excluded, SCO does not know total overtime worked before pay is issued • GAP: If agencies are not excluded, SCO must be able to return minimum wage employees to full pay plus 1.5 times full pay for

Cat.	Functional Category	No.	Requirement Concept	Description of Requirement	Can Meet = ● Partially = ◒ Cannot meet = ○	What Can Be Met	Identified Gaps
				expected hours per 28-day work period for employees subject to the FLSA exception for fire protection and law enforcement activities).			overtime when overtime is worked • NOTE: Even if agencies are excluded, non-wage payments (see Requirement 5.2 and footnote 3) may not be made to these employees
		4.2	Payment of Nonexempt Employees – Working Emergency Overtime	Controller must pay, in the pay period, the employees who work unanticipated, emergency overtime in that pay period their regular wage rates for all straight-time hours worked in that pay period, pursuant to FLSA rules. If the correct amount of overtime compensation cannot be determined until after the pay period in which the overtime hours are worked, Controller must make payment for such overtime compensation in the pay period immediately following the pay period in which the employees worked such overtime.	○		• GAP: SCO cannot change from minimum wage to full pay • GAP: SCO cannot trigger change based on overtime hours worked without time and attendance reporting • GAP: SCO cannot change pay of negative payroll employees to reflect emergency overtime reported after cutoff date for the pay period • NOTE: Even if employee works overtime and receives full pay, non-wage payments (see Requirement 5.2 and footnote 3) may not be made to these employees
5	Other Payments, Deductions & Garnishments during Budget Impasse	5.1	Required Payments	Controller must only make payments considered "wages", at minimum wage rate, as mandated by FLSA.[2]	○		• GAP: SCO cannot pay Fire Mission at minimum wage in current system • GAP: CSU would need a new wage rate (current system does not accommodate) • GAP: SCO cannot pay CS employees at minimum wage rate without change to EH or Payroll

[2] Specifically, Controller must issue at the minimum wage: Regular Pay and any pay at premium rates (reverting to full pay, if overtime is worked); Shift Pay; Student Assistance/Trainee Pay; Fire Mission Pay; and Out-of-State Pay.

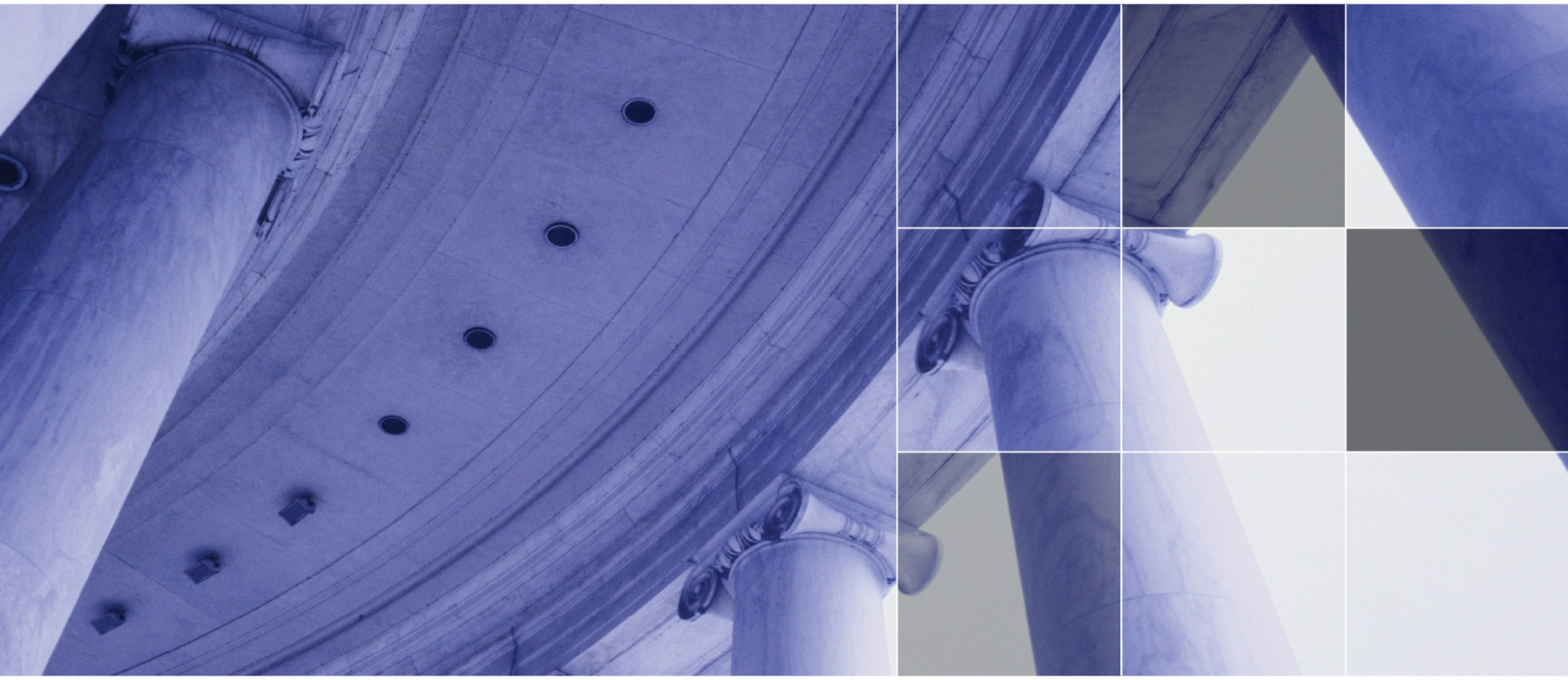
Cat.	Functional Category	No.	Requirement Concept	Description of Requirement	Can Meet = ● Partially = ◒ Cannot meet = ○	What Can Be Met	Identified Gaps
		5.2	Non-Wage Payments	Controller must refrain from making any payment not considered "wages" under FLSA (including voluntary deductions).[3]	○	• Lump sum payments could be withheld and issued later	• There is no functionality in today's system to withhold these payments.
		5.3	Federal Deductions	Controller must withhold federal income taxes, Social Security taxes and Medicare taxes and remit timely to federal government (calculated on actual pay).	●	• Process should not change from today	• NOTE: For non-resident aliens who work on a visa, the federal government has a special tax process for grossing up pay. Currently, SCO uses a look back method to add the additional tax due to the next payment.
		5.4	State Tax Deductions	Controller must withhold state income tax and disability insurance (calculated on actual pay received).	●	• Process should not change from today	
		5.5	Garnishments	Controller must deduct garnishments from pay (as applicable to actual pay received).	●	• Process should not change from today	• RISK: May not have sufficient income to meet garnishment
		5.6	State Retirement Contributions	Controller must calculate and withhold retirement contributions as if the employee received full regular salary.	○		• GAP: State retirement contribution should be applied to full salary during impasse, even for employees paid minimum wage (no functionality today to accommodate this need) • GAP: Minimum wage payments may not allow application of a full lump sum state retirement contribution (no functionality today to respond to this scenario)
		5.7	Employee Voluntary Deductions	Employee voluntary contributions, such as to credit union or long-term disability, are suspended during budget impasse except for employees receiving full pay.	◒	• Voluntary deductions for those employees receiving full pay should still be withheld.	• GAP: Cannot withhold these deductions in today's system, must create process to suspend voluntary deductions from MW payments, then apply them to the

[3] Specifically, Controller must withhold issuance of non-wage payments: Lump Sum Overtime, CTO, Holiday Credit, PH or Excess Hours; Vacation Leave Pay; Lump Sum Vacation; Lump Sum Sick Leave; Industrial Disability Leave; Military Leave and Military Pay Differential; Awards; Folio Pay; Final Settlement; Fringe Benefits; Labor Code 4800 Tax Refund; Maternity Leave; Deduction Refunds; Emergency Pay (not including Emergent Overtime); Non-Industrial Disability Indemnity; Supplemental Temporary Disability; Separation Payments; and Miscellaneous Payments.

Cat.	Functional Category	No.	Requirement Concept	Description of Requirement	Can Meet = ● Partially = ◒ Cannot meet = ○	What Can Be Met	Identified Gaps
							recovery payment
6	Budget Impasse Period	6.1	Indeterminate Duration	Controller's payroll system must be capable of supporting and promptly recovering from a budget impasse of indeterminate length until date of enactment.	○		• GAP: Solutions must address scenarios that become relevant with impasses that are longer than 2 months and affect periodic processes (e.g., quarterly tax payments, employer retirement contributions, etc.)
7	Enactment of New Budget	7.1	Restoration of Regular Pay	Full restoration (retroactively and prospectively) of all regular salaries, withholdings and deductions must be made no later than employee's next payday or within 30 days of new budget enactment.	◒	• "No Pay" Group: SCO could suspend and restore using current system (assuming attendance is certified) • "Overtime-likely" Agencies Exempted: If agencies are exempted due to potential for overtime, restoration would simply be a continuation of full pay • Suspended premiums: SCO must issue all suspended premiums (locked in or paid on positive basis), once they are sent to SCO after budget passes	• GAP: Could not restore minimum wage employees accurately and immediately using current system (some pay cannot be adjusted and restored automatically – e.g., overtime)
		7.2	Restoration of Overtime Pay	For overtime worked in preceding pay period, payment may not be delayed longer than reasonably necessary to compute and arrange for payment (but payment may not be delayed beyond the next pay period).	●	• Process should not change from today	

Cat.	Functional Category	No.	Requirement Concept	Description of Requirement	Can Meet = ● Partially = ◒ Cannot meet = ○	What Can Be Met	Identified Gaps
		7.3	Restoration of Separation Pay	Controller must issue separation pay within 72 hours of new budget enactment.	◒	• SCO could pay for time worked prior to separation	• GAP: SCO cannot withhold lump sum portions of separation pay, while issuing wage-related payments
		7.4	Restoration of Voluntary Deductions	Controller must retroactively restore voluntary deductions that were not withheld during budget impasse.	○		• GAP: Current system does not have functionality to suspend or restore voluntary deductions
		7.5	Restoration of Mandatory Deductions	Controller must apply mandatory deductions that were not withheld due to pay insufficiency.	◒	• SCO could restore percentage-based deductions (taxes)	• GAP: State retirement contribution should be applied in full during initial pay and not adjusted during restoration (no functionality today to accommodate this need)
		7.6	Restoration of Garnishments	Controller must restore garnishments to any restoration pay, in the full amounts permitted by law.	◒	• SCO could meet this requirement if past pay periods are being adjusted to restore pay and garnishments	• GAP: If past pay periods are not adjusted as part of the solution, garnishments that were unable to be taken from MW pay (due to insufficient funds) would not be restored automatically

Appendix C: Impact Summary: Technical Environment



Crowe Horwath™

California Budget Impasse Payroll System

Technical Environment Impact Summary Report

July 2, 2010

PRIVILEGED AND CONFIDENTIAL

Technical Environment Impact Summary Report

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1 Introduction

1.1 Purpose

As part of the Budget Impact Assessment Project and the evaluation of alternative solutions, it is necessary for Crowe to first understand the current technical environment used by SCO to perform its personnel, payroll, and related processes. Crowe completed a review of technical (i.e. systems) documentation and facilitated sessions with system subject matters experts at SCO to gain a full understanding of the systems, interfaces, and underlying technologies that comprise SCO's environment.

The objective of this Technical Environment Impact Summary Report is to provide a mapping of Budget Impasse requirements to the current SCO technical environment.

1.2 Scope

The scope of this Technical Environment Impact Summary Report is limited to the budget impasse requirements and the systems and technologies currently in place at SCO. This report does not contemplate future systems or technologies, most notably the Twenty First Century project. This report also does not contemplate the viability, efficiency, or sustainability of the existing SCO environment to meet both current requirements and the requirements changes that occur regularly based upon changing legislation, union contracts, policy or procedural changes. As such, this report will focus only on mapping the current technical environment to the known business requirements for implementing and meeting budget impasse minimum wage and minimum wage recovery requirements.

2 Current SCO Payroll and Human Resources Management Environment

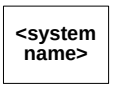
2.1 Systems Overview

In order to set the context for mapping the current systems and interfaces of the Payroll and Human Resource Management functions to the budget impasse requirements, the systems and interfaces within the scope of this assessment need to be identified. The purpose of this section is to provide a brief synopsis of the SCO technical environment as it pertains to payroll and the management of human resources.

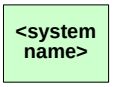
The figure on the following page, *Figure 1 – State Controller's Office Business Application Inter-relationships*, depicts the systems and the interfaces into or out of those systems that are within the scope of this impact assessment. The systems in area 5.0, Personnel Functions, and area 6.0, Payroll Functions, are further described below in order to provide the reader with a basic understanding of the scope and basic functionality provided.

The systems in the Personnel and Payroll Functions will be mapped to the budget impasse business requirements (see *Appendix A: SCO Budget Impasse Business Requirements*) While it is generally recognized that the end-to-end payroll process involves Audit, Accounting, and Disbursement functions, these systems primarily operate from the transactions and data generated by the Personnel and Payroll functions and, in this regard, can be considered "downstream" from the true impact of the budget impasse minimum wage and minimum wage recovery requirements.

The following provides a legend for Figure 1:



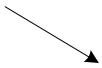
An SCO system or computer application that is not within the scope of this impact assessment (i.e. the impact to the system, if any, is initially assessed to be insignificant enough so as to exclude it from the overall assessment).



An SCO system or computer application that is within the scope of this impact assessment.

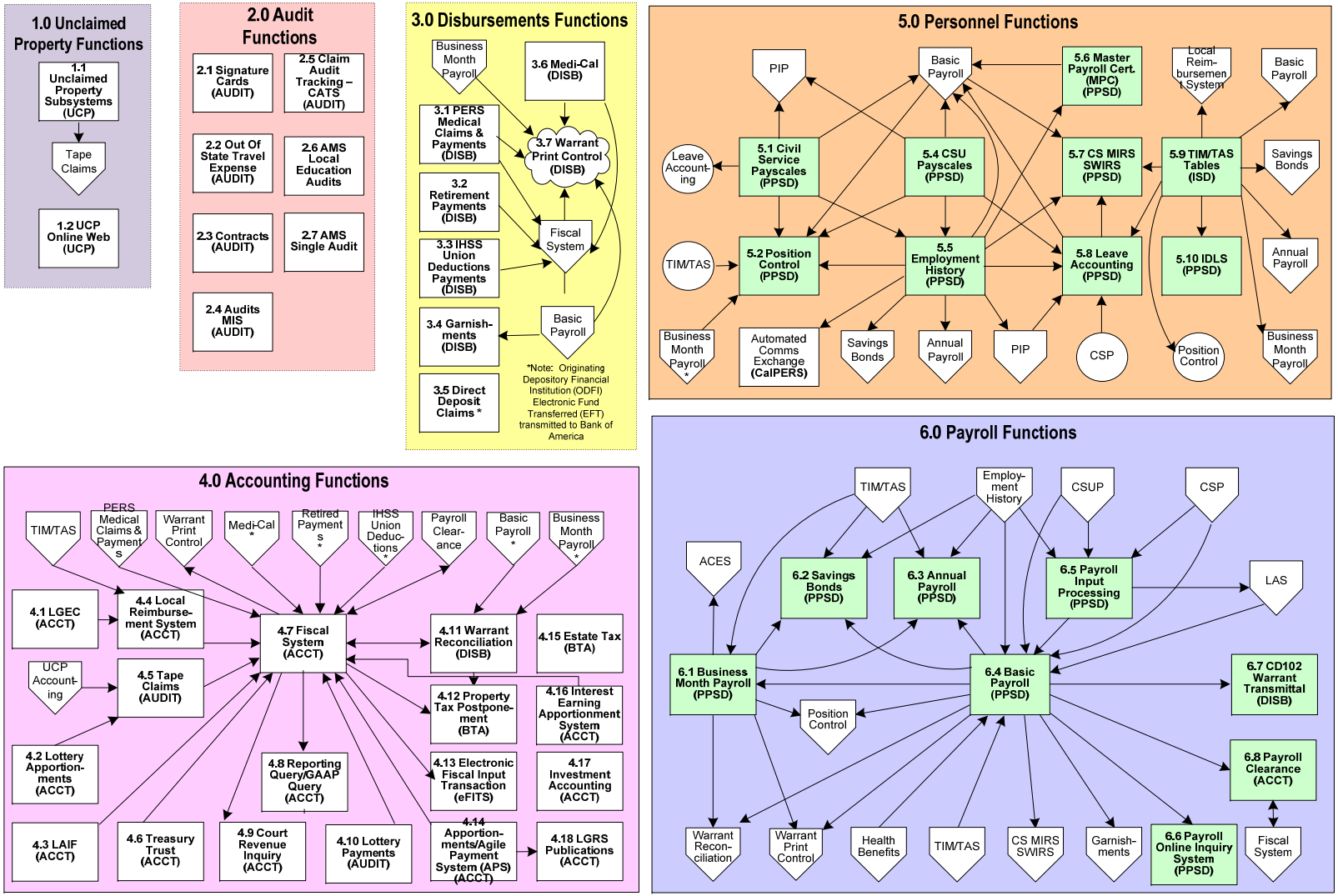
An SCO system that is already pictured within the diagram but outside of the functional grouping. For example, in the 5.0 Personnel Functions portion of the diagram, the Basic Payroll system is represented using this notation because the Basic Payroll system is defined within the 6.0 Payroll Functions area.

An SCO system or computer application that is already pictured within the diagram and within the functional grouping.



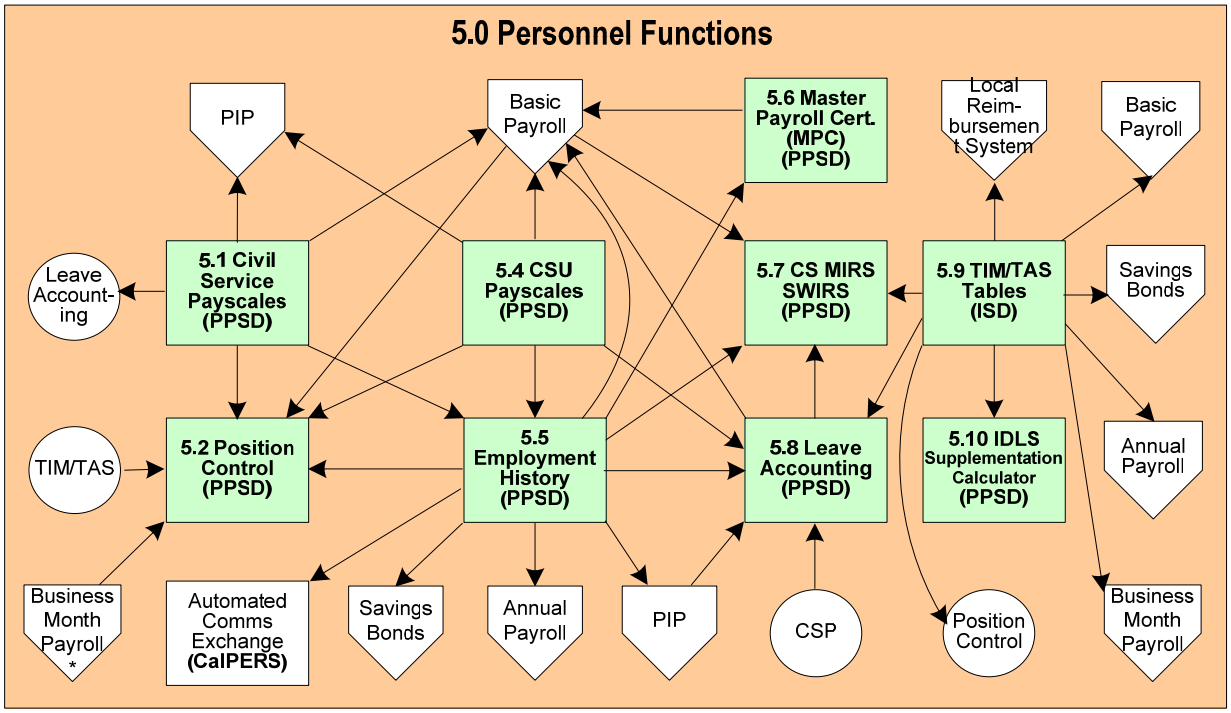
An interface between systems. The flow of data follows the direction of the arrow (from "source" system to "target" system).

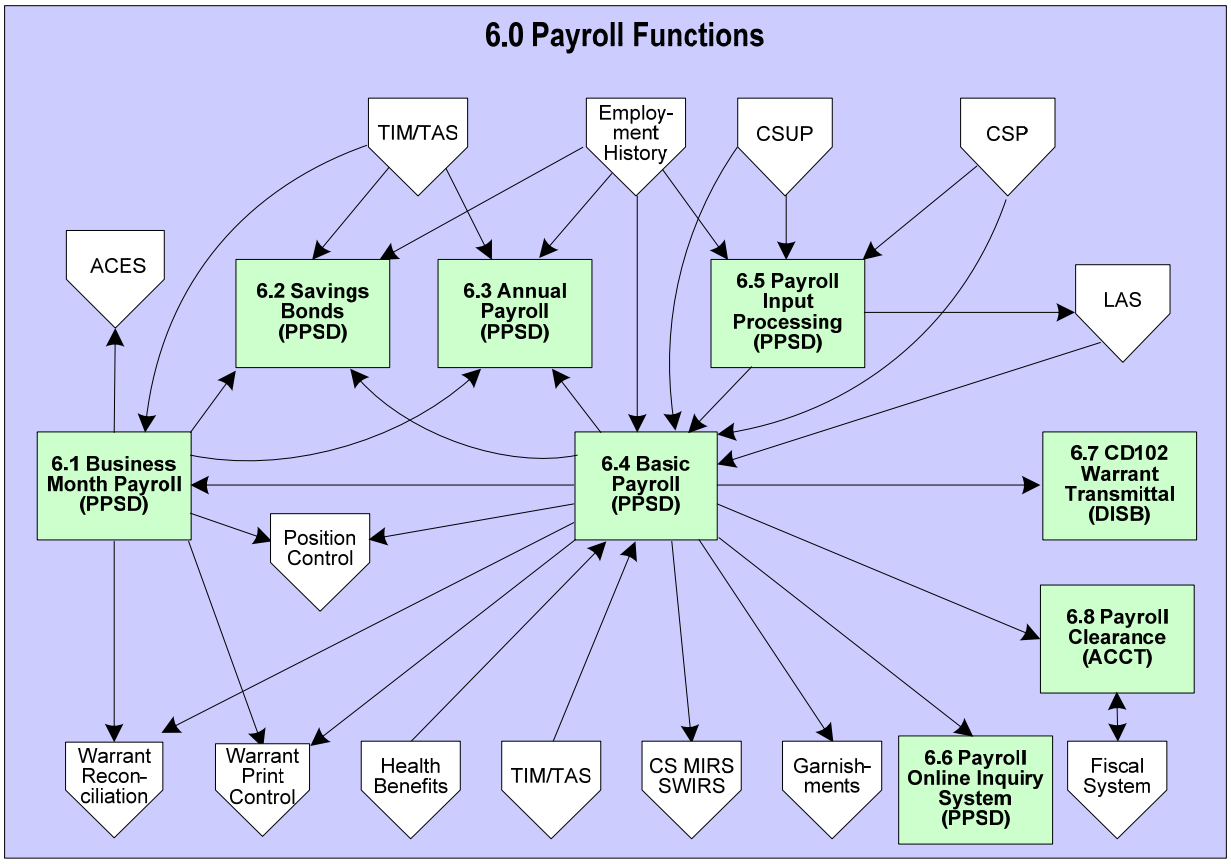
STATE CONTROLLER'S OFFICE
BUSINESS APPLICATION INTER-RELATIONSHIPS



ACCT	Accounting & Reporting Div.	**CSP**	Civil Service Payscales	**LGEC**	Local Government Electronic Claims	**TAS**	Table Access System
ACES	Automated Communications Exchange System	**CSUP**	California State University Payscales	**LGRS**	Local Government Reporting System	**TIM**	Table Inquiry & Maintenance System
AUDIT	Audits Division	**DISB**	Disbursements Division	**PERS**	Public Employee Retirement System	**UCP**	Bureau of Unclaimed Property
CSU	California State University	**IDLS**	Industrial Disability Leave System	**PIP**	Payroll Input Process	**PPSD**	Personnel/Payroll Services Div.
CS MIRS	Civil Service Mgmt. Info. Retrieval System	**IHSS**	In-Home Supportive Service	**POIS**	Payroll On-Line Inquiry System	**SWIRS**	Statewide Information Retrieval System
		LAS	Leave Accounting System				

Figure 2. Detailed View of Personnel and Payroll Functions





2.2 Personnel Systems Descriptions

The following tables provide a brief description of each of the Personnel systems. Please note that each system profile section contains a list of interfaces divided into two sections – namely, the interfaces that emanate out of the system (i.e. the system is the *source* of data being passed to another system) and the interfaces where the system receives and processes data from another system (i.e. the system is the *target* of data being sent from another system).

System	5.1 Civil Service Payscales
System Acronym	CSP
Description	The CSP system is a distributed online inquiry system used by the Employment History, Leave Accounting, and Payroll systems for automated processing. It provides the SCO the ability to update payscale information per instruction from the DPA. It also provides the SCO and departments access to current and historical payscale data. The CSP system maintains all current and historical classification and salary information. The payscale record for a classification defines the amount and basis of compensation (e.g., salary structure) and other attributes authorized for the class or specific alternate range by the classification setting authority. The CSP system is used to: • Validate classification and salary data entered on employment history and payroll transactions; • Provide a source to obtain classification and salary data for data generation and pay calculation; and • Display and print classification and salary data on reports and Employment History inquiry screens.
Interfaces	Source • CSP→PIP • CSP→CLAS • CSP→PC • CSP→EH • CSP→Basic Payroll

System	5.2 Position Control
System Acronym	PC
Description	The Position Control system controls, maintains, and reports on current year positions approved by the DOF. It performs two separate functions – Position Inventory and Blanket Fund Accounting. A position identifies a particular job filled by a specific employee, while blanket funds are used for paying temporary help, overtime, and other special payments to any number of employees. The system operates “after the fact” in relation to employment history action and payments. There are no controls to prevent appointments to non-established positions, nor does it prevent payments from positions that have not yet been established. The Position Control system maintains only limited information on current fiscal year positions; there is no permanent unique position number for each position thus making it difficult to extract position history information by position. The position information is collected by hardcopy documents, submitted by departments which are key entered into the system by the SCO staff.

	Generally, the only access departments have to position information is by hardcopy documents on file at the department (only a few departments have automated position control systems) or from reports provided by the SCO. A variety of monthly reports are produced from the established position files and provided through a variety of reporting capabilities, including ViewDirect, an online electronic report distribution system. Annual budget reports are produced showing actual, current, and prior year expenditures and budget year projections. Projections are based on the employment data for incumbents of filled positions and on defaults for vacant positions.
Interfaces	Target • TIM/TAS→PC • Busn Month Payroll→PC • Basic Payroll→PC • CSUP→PC • CSP→PC • EH→PC

System	5.3 Automated Communication Exchange System	CalPERS
System Acronym	ACES	
Description	The California Public Employees' Retirement System's (CalPERS) Automated Communications Exchange System (ACES), the Health Benefits online system, provides the SCO and departments/ campuses online inquiry access to current and historical (3 years of transaction and deduction detail) health benefits information by employee. Current status information is also provided for each employee. Further, ACES provides departments/campuses online entry input for enrollments, changes and cancellations. As a result of this input, CalPERS provides a health benefits transaction file to the SCO for processing purposes. In return, the SCO provides health benefit deduction information extracted from the Payroll system to update and maintain ACES.	
Interfaces	Source • ACES→Basic Payroll Target • EH→ACES • Busn Month Payroll→ACES	

System	5.4 California State University (CSU) Payscales
System Acronym	CSUP
Description	The California State University (CSU) Payscales system contains all current and historic classification, salary and miscelleneous information for classifications used within the California State University higher education system. The CSU payscale file on which the system operates in maintained by staff within the CSU Chancellor's Office. The CSU Payscales file is used by Employment History, Leave Accounting, Payroll, PIP, and Position Control systems to: • Validate classification and salary data entered on transactions • Obtain classification and salary data for data generation and pay calculation; and • Display and print classification and salary data on reports and inquiry screens
Interfaces	Source • CSUP→PC • CSUP→EH • CSUP→LAS • CSUP→Basic Payroll • CSUP→PIP

System	5.5 Employment History
System Acronym	EH
Description	The Employment History system serves as the official record of employment and the source of employee and position information containing historical records dating back to 1974. The system provides a single centralized source of employee history data and is maintained through online real-time updating for individual transactions and batch processing for mass updating. The system is available at the department/campus level for updating, inquiring, editing, and reporting. A record is produced and stored for every update. This information is provided on various interfaces to other systems and organizations. These records also serve the function of an audit trail for all employment history and payroll transactions. Processing of employment transactions is paper-based, requiring manual completion of a standard form to collect hire data or any other employment activity. The form is routed for appropriate approvals and is then used by departments for key entry to the Employment History system. CSU uses output from their Oracle/Peoplesoft system to produce documents that allow CSU staff to key enter transactions into EH. For both Civil Service and CSU, complex transactions and those requiring overrides are sent on paper to PPSD for processing. Although the majority of transactions are processed in a decentralized fashion, the SCO processes mass updates and individual transactions as needed (e.g., cost of living salary increase, retirement rate change).

Interfaces	Source • EH→PC • EH→ACES • EH→Savings Bonds • EH→Annual Payroll • EH→PIP • EH→LAS • EH→CS MIRS/SWIRS • EH→MPC • EH→Basic Payroll	Target • CSP→EH • CSUP→EH

System	5.6 Master Payroll Certification
System Acronym	MPC
Description	The MPC system is an online system updated by the SCO and departments/campuses identifying that payroll in the two exception/anticipatory payrolls has been verified. Upon update of the MPC system, adjustments previously held pending verification will continue processing and may automatically generate payments, transfer of funds for position changes, or error messages for overpayments, etc.
Interfaces	Source • MPC→Basic Payroll Target • EH→MPC

System	5.7 Civil Service Management Information Retrieval System, Statewide Information Retrieval System
System Acronym	CS MIRS, SWIRS
Description	The SWIRS is an online/ad hoc/report writing process that contains selected statewide data from Employment History, Payroll, Payscales, Position, and Leave Accounting files. The data is extracted from the files and loaded into the SWIRS database for reporting. It is available to the SCO management staff and the DPA. The SWIRS system uses FOCUS software and programming language for report writing. It provides ad hoc reporting and reports via a common library with predefined reports for all Civil Service agency employees. Civil Service Management Information Retrieval System (CS MIRS) is an online/ad hoc/report writing process that contains selected data extracted from Employment History, Payroll, Payscales, Position, and Leave Accounting files for subscriber departments. The data is extracted from the files and loaded into the CS MIRS database for departmental reporting. The CS MIRS uses FOCUS software and programming language for report writing. It provides ad hoc reporting and reports via a common library with predefined reports.

Interfaces	Target • EH→CS MIRS/SWIRS • Basic Payroll→CS MIRS/SWIRS • TIM/TAS→CS MIRS/SWIRS • CLAS→CS MIRS/SWIRS

System	5.8 Leave Accounting
System Acronym	LA, LAS, CLAS
Description	The CLAS is an online inquiry/update and batch process system that provides centralized maintenance of leave benefit and state service information. This system is used on a voluntary for-fee-basis by departments and campuses. The CLAS maintains state service and leave benefit records for employees in single positions based on the department's/campus' input, and automatically posts current period State Service and leave accruals per interfaces with the Employment History and Payroll systems. Retroactive updates/corrections are not automated and must be processed online by the departments/campuses. Participation in the current California Leave Accounting System (CLAS) is optional and includes both civil service and CSU. Approximately 50% of CSU employees are maintained on this system and 70% of civil service employees. Non-CLAS users either maintain manual processes, utilize independent COTS software products, or use homegrown systems (e.g., HRIS, currently supported by the Teale Data Center).
Interfaces	Source • LAS→Basic Payroll • LAS→CS MIRS, SWIRS Target • CSUP→LAS • CSP→LAS • EH→LAS • PIP→LAS • TIM/TAS→LAS

System	5.9 Table Inquiry and Maintenance / Table Access System
System Acronym	TIM/TAS
Description	TIM allows authorized SCO users to define and maintain table data which comprises critical code tables and parameters for other systems which rely upon these tables. The systems utilizing TIM include CLAS, IDLS, Payroll, PIP, and Position Control. TAS provides a standard set of methods for application programs to access TIM tables and obtain data in a consistent and controlled manner.

Interfaces	Source • TIM/TAS→PC • TIM/TAS→CS MIRS, SWIRS • TIM/TAS→Basic Payroll • TIM/TAS→Savings Bonds • TIM/TAS→Annual Payroll • TIM/TAS→Busn Mo Payroll • TIM/TAS→IDLS • TIM/TAS→LAS

System	5.10 Industrial Disability Leave System Supplementation Calculator
System Acronym	IDLS
Description	The IDLS Supplementation Calculator provides an online tool for departments to calculate IDLS supplementation payment amounts, including the amount of leave credits required to supplement disability pay. IDLS payment calculations are based solely on the data entered on the calculator's screen and are not persisted (i.e., stored). The fields on the calculator screen are arranged in four groups: • Salary information • Retirement/Social Security/Medicare information • Federal/State Tax information • Time for: Regular, IDL Full and IDL 2/3 Pay
Interfaces	Target • TIM/TAS→IDLS

2.3 Payroll Systems Descriptions

The following provides a brief description of the Payroll systems.

System	6.1 Business Month Payroll
System Acronym	*None*
Description	The Business Month Payroll sub-system provides for accounting control of payroll disbursements from the State Payroll Revolving Fund. It is responsible for: • Combining all monies deducted from payments with the applicable state contribution amounts and disbursing it to governmental agencies, insurance companies, unions, etc. • Preparing detailed reports listing all deductions for each deduction company, third-party administrators, unions, retirement systems, and central agencies. • Providing reporting for OASDI, tax, and retirement deductions in compliance with federal and state laws. • Providing payment data to the DPA and the Employment Development Department (EDD) for use in preparing management reports. • Assessing service charges to deduction companies to offset cost of deduction collection by the SCO and DPA.
Interfaces	Source • BMP→ACES • BMP→Warrant Reconciliation *[External/DISB System]* • BMP→Warrant Print Control *[External/DISB System]* • BMP→Savings Bonds • BMP→Annual Payroll • BMP→PC Target • TIM/TAS→BMP • Basic Payroll→BMP

System	6.2 Savings Bonds
System Acronym	*None*
Description	The Savings Bond sub-system allows employees to authorize monthly deductions from their salaries for the full or partial purchase of United States Savings Bonds, Series EE. The SCO maintains a file of monthly deductions and makes deposits for each deduction into the State Treasury to the credit of the employee's Savings Bond Account. The monies in the account are used to purchase bonds for employees when the total bond purchase price is accumulated. Extra monies are refunded when accounts are closed. A variety of reports are produced monthly by the SCO reflecting bonds purchased and accounting information to assist the SCO in the distribution and control of funds.
Interfaces	Target • TIM/TAS→Savings Bonds • EH→Savings Bonds • Busn Month Payroll→Savings Bonds • Basic Payroll→Savings Bonds

System	6.3 Annual Payroll
System Acronym	*None*
Description	The Annual Payroll Reporting sub-system reports taxable wages and earnings in compliance with Federal and State laws. It includes the annual production of W-2 forms and reports to the Internal Revenue Service (IRS), FTB, and the States of Illinois and New York. The system also provides the EDD with a quarterly report as required by the Unemployment Insurance Code. The Annual Payroll Reporting sub-system is comprised of the following processes: • Wage and Tax Process • Social Security and Medicare wages and deductions • W-2 Printing • Alpha Index of State Employees • New York State Wage and Tax Report • Illinois State Wage and Tax Report • Unemployment Insurance Reporting • Non-Uniform State Payroll System Payment Processing • W-2 Update Processing
Interfaces	Target • TIM/TAS→Annual Payroll • EH→Annual Payroll • Busn Month Payroll→Annual Payroll • Basic Payroll→Annual Payroll

System	6.4 Basic Payroll	
System Acronym	*None*	

Description	While the Payroll system is comprised of several sub-systems (including Business Month Payroll, Annual Payroll, Savings Bonds, and Position Control), the Basic Payroll system's primary functions are computation, certification (auditing), and creation of employee pay and reporting, including:
	• two exception/anticipatory payrolls (monthly salary rate employees paid semi-monthly or monthly),
	• five positive payrolls
	  o hourly or daily salary rate employees paid monthly;
	  o monthly or hourly salary rate employees paid semi-monthly;
	  o hourly rate employees paid biweekly
	• daily payrolls for "off cycle" payments (e.g., overtime, miscellaneous payments, retroactive adjustments, late payments)
	The system maintains records of all payments and deductions including employee and state contributions. The system is available at the department level for pay transaction input and inquiry with 36 months of payment history maintained and available to departments for inquiry. Only 13 months of payment history is used for automated processing. Retroactive or late payments with entitlement dates prior to the current 13 months of payment history must be processed manually by the SCO.
	The majority of employees' regular pay is based on monthly/semi-monthly anticipatory processing (without a lag) and the remainder is paid on a positive basis (with a lag which varies by department). The SCO issues an approximate number of payments on a monthly basis as follows[1]:
	• 257,000 monthly and semi-monthly regular pay anticipatory payments (not including adjustments);
	• 57,000 monthly and semi-monthly regular pay positive payments (not including adjustments);
	• 147,000 overtime and shift differential payments; and
	• 102,000 other payments (e.g., retroactive adjustments, miscellaneous payments, premium payments).
	Payroll is run 17 to 20 times per month.
	The Basic Payroll system processes the results of employment history transactions and automatically issues or adjusts payments and updates the payroll files. The system uses employment history data to audit pay requests.	

Interfaces	Source • Basic Payroll→ Annual Payroll • Basic Payroll→ Savings Bonds	Target • TIM/TAS→Basic Payroll • EH→Basic Payroll

[1] Note that the figures used here simultaneously represent approximations (i.e., ±10% of actual) and averages. These numbers are provided solely to represent the volumes and complexity of the transactions generated and processed by the Basic Payroll system on a monthly basis as of the date of this report.

	• Basic Payroll→ Busn Mo Payroll • Basic Payroll→ PC • Basic Payroll→ Warrant Reconc *[External/DISB]* • Basic Payroll→ Warrant Print Ctl *[External/DISB]* • Basic Payroll→ CS MIRS, SWIRS • Basic Payroll→ Garnishments *[External/DISB]* • Basic Payroll→ POIS • Basic Payroll→ Payroll Clearance • Basic Payroll→ Warrant Transmittal *[External/DISB]*	• CSP→Basic Payroll • CSUP→Basic Payroll • PIP→Basic Payroll • LAS→Basic Payroll • ACES→Basic Payroll

System	6.5 Payroll Input Processing
System Acronym	PIP
Description	The PIP is an online entry system that allows departments/ campuses to request dock and certify time-to-be-paid for two exception/anticipatory payrolls, input summary time-to-be-paid transactions for the five positive payrolls, and input daily payroll requests for “off cycle” payments (e.g., overtime, miscellaneous payments, fringe, benefits, retroactive adjustments, late payments). Departments/campuses participating in Leave Accounting may also use PIP to input leave transactions. The processing of PIP transactions is paper-based requiring the completion of one of five standard forms prior to key entry/update via the PIP. The transactions created through PIP are batch input into the Payroll system as well as the Leave Accounting process when Payroll is run. No notification is issued to departments/campuses on invalid/incorrect payroll transactions requiring manual research to determine corrective action. The PIP system does generate one of the standard input forms listing specific groups of employees and creates corresponding pre-loaded input files for use by the departments and campuses.
Interfaces	Source • PIP→ Basic Payroll • PIP→ LAS Target • Basic Payroll→ PIP • EH→ PIP • CSP→ PIP • CSUP→ PIP

System	6.6 Payroll Online Inquiry System
System Acronym	POIS
Description	The POIS is an online inquiry process accessed by the SCO and departments/campuses, containing 36 months of payment history data. POIS is a tool to assist in the analysis and resolution of payroll problems and inquiries. POIS provides, by employee: • A summary of payment/adjustment activity for a specified pay period or pay period range; • Detailed payment/adjustment data for a specified pay period; • Detailed deduction data withheld from specified payments; • Detailed deduction State contribution data; • Year-to-date summary of payment/adjustment activity by pay period; and • Year-to-date detailed payment/adjustment activity by pay period.
Interfaces	Target • Basic Payroll→ POIS

System	6.7 Warrant Transmittal
System Acronym	*None*
Description	A system used to provide warrant transaction data for the interface to the Disbursement System.
Interfaces	Source • Disbursement System(s) ***[External]*** (source) Target • Basic Payroll

System	6.8 Payroll Clearance
System Acronym	*None*
Description	A system used to provide payroll data for the interface to the Fiscal System.
Interfaces	Source • Fiscal System(s) ***[External]*** (source) Target • Basic Payroll

3 Technical Environment Impact Summary

3.1 Introduction

The following sections contain a crosswalk of the budget impasse business requirements to the systems and interfaces that comprise the current SCO Personnel and Payroll environment.

The rows of the table below represent the functional categories associated with the business requirements. The columns of the table represent the systems and interfaces of SCO's Personnel and Payroll environment. Each interface in SCO environment is listed with the source system of that interface – i.e. the system from which the interface emanates.

The intersection of the rows and columns contain indicators of the systems and interfaces that pertain to each requirement. The indicators are as follows:

✓	A "checkmark" indicates that the business requirement in all likelihood impacts the system or interface.
○	An "empty circle" indicates that it is probable, but questionable, that the business requirement impacts the system or interface. This is likely an indicator that under some alternative solutions this system or interface may or may not be highly impacted.
	A blank box (i.e. no indicator) indicates that the business requirement likely would not impact the system or interface under budget impasse or impasse recovery scenarios.

For purposes of readability, the tables are broken down into the Personnel systems and interfaces (section 3.2) followed by the Payroll systems and interfaces (section 3.3).

3.2 Business Requirements to Technical Environment Mapping – Personnel Systems and Interfaces

No.	Functional Category/ Requirement	5.1 CSP	CSP→PIP	CSP→CLAS	CSP→PC	CSP→EH	CSP→Basic Payroll	5.2 PC	5.3 ACES	ACES→Basic Payroll	5.4 CSUP	CSUP→PC	CSUP→EH	CSUP→LAS	CSUP→Basic Payroll	CSUP→PIP	5.5 EH	EH→PC	EH→ACES	EH→Savings Bonds	EH→Annual Payroll	EH→PIP	EH→LAS	EH→CS MIRS. SWIRS	EH→MPC	EH→Basic Payroll
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y
0	**Payroll Payment Authorization Requirements**																									
0.1	Issuing Warrants																									
0.2	Pay Periods and Pay Dates																○	○	✓	✓			✓		○	✓
1	**Full Pay Categories during Budget Impasse**																									
1.1	Constitutionally Required Payments	○	○	○		○	○				○	○	○	○	○	○	○			○		○	○	○	○	○
1.2	Continuous Appropriations	○	○	○		○	○				○	○	○	○	○	○	○			○		○	○	○	○	○
1.3	Federally Required Payments	○	○	○		○	○				○	○	○	○	○	○	○			○		○	○	○	○	○
1.4	Prior Year Appropriations	○	○	○		○	○				○	○	○	○	○	○	○			○		○	○	○	○	○
2	**Minimum Wage Payment during Budget Impasse**																									
2.1	Payment of Nonexempt Employees – No Overtime	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
2.2	Hours Worked Bases for Payment																									
2.3	Timely Prompt Payment																									

No.	Functional Category/ Requirement	**5.1 CSP**	CSP→PIP	CSP→CLAS	CSP→PC	CSP→EH	CSP→Basic Payroll	**5.2 PC**	**5.3 ACES**	ACES→Basic Payroll	**5.4 CSUP**	CSUP→PC	CSUP→EH	CSUP→LAS	CSUP→Basic Payroll	CSUP→PIP	**5.5 EH**	EH→PC	EH→ACES	EH→Savings Bonds	EH→Annual Payroll	EH→PIP	EH→LAS	EH→CS MIRS. SWIRS	EH→MPC	EH→Basic Payroll
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y
2.4	Minimum Payment of Exempt Employees	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
3	**No Pay during Budget Impasse**																									
3.1	Employees Not Covered by FLSA	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
3.2	Employees Exempted from FLSA	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
4	**Overtime during Budget Impasse**																									
4.1	Payment of Nonexempt Employees – Working Anticipated Overtime	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
4.2	Payment of Nonexempt Employees - Working Emergency Overtime	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
5	**Other Payments, Deductions & Garnishments**																									
5.1	Required Payments																		○							
5.2	Non-Wage Payments																			○						
5.3	Federal Deductions																									
5.4	State Tax Deductions																									
5.5	Garnishments																									
5.6	State Retirement Contributions								○	○																
5.7	Employee Voluntary Deductions																									

No.	Functional Category/ Requirement	**5.1 CSP**	CSP→PIP	CSP→CLAS	CSP→PC	CSP→EH	CSP→Basic Payroll	**5.2 PC**	**5.3 ACES**	ACES→Basic Payroll	**5.4 CSUP**	CSUP→PC	CSUP→EH	CSUP→LAS	CSUP→Basic Payroll	CSUP→PIP	**5.5 EH**	EH→PC	EH→ACES	EH→Savings Bonds	EH→Annual Payroll	EH→PIP	EH→LAS	EH→CS MIRS. SWIRS	EH→MPC	EH→Basic Payroll
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y
6	**Post-Budget Impasse**																									
6.1	Indeterminate Duration																		○		○		○		○	
7	**Enactment of New Budget**																									
7.1	Restoration of Regular Pay	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
7.2	Restoration of Overtime Pay	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
7.3	Restoration of Separation Pay	○	○	○		○	○				○	○	○	○	○	○	○		○	○		○	○	○	○	○
7.4	Restoration of Voluntary Deductions																									
7.5	Restoration of Mandatory Deductions																									
7.6	Restoration of Garnishments																									

Business Requirements to Technical Environment Mapping – Personnel Systems and Interfaces (CONTINUED)

No.	Functional Category/ Requirement	5.6 MPC	MPC→Basic Payroll	5.7 CS MIRS, SWRIS	5.8 LAS	LAS→Basic Payroll	LAS→CS MIRS, SWIRS	5.9 TIM/TAS	TIM/TAS→PC	TIM/TAS→CS MIRS, SWIRS	TIM/TAS→ Basic Payroll	TIM/TAS→ Savings Bonds	TIM/TAS→ Annual Payroll	TIM/TAS→ Busn Mo Payroll	TIM/TAS→IDLS	TIM/TAS→LAS	5.10 IDLS
		Z	AA	BB	CC	DD	EE	FF	GG	HH	II	JJ	KK	LL	MM	NN	OO
0	**Payroll Payment Authorization Requirements**																
0.1	Issuing Warrants																
0.2	Pay Periods and Pay Dates	○	○														
1	**Full Pay Categories during Budget Impasse**																
1.1	Constitutionally Required Payments																
1.2	Continuous Appropriations																
1.3	Federally Required Payments																
1.4	Prior Year Appropriations																
2	**Minimum Wage Payment during Budget Impasse**																
2.1	Payment of Nonexempt Employees – No Overtime	○	○														
2.2	Hours Worked Bases for Payment	○	○														
2.3	Timely Prompt Payment	○	○														
2.4	Minimum Payment of Exempt Employees	○	○														
3	**No Pay during Budget Impasse**																

No.	Functional Category/ Requirement	5.6 MPC	MPC→Basic Payroll	5.7 CS MIRS, SWRIS	5.8 LAS	LAS→Basic Payroll	LAS→CS MIRS, SWIRS	5.9 TIM/TAS	TIM/TAS→PC	TIM/TAS→CS MIRS, SWIRS	TIM/TAS→ Basic Payroll	TIM/TAS→ Savings Bonds	TIM/TAS→ Annual Payroll	TIM/TAS→ Busn Mo Payroll	TIM/TAS→IDLS	TIM/TAS→LAS	5.10 IDLS
		Z	AA	BB	CC	DD	EE	FF	GG	HH	II	JJ	KK	LL	MM	NN	OO
3.1	Employees Not Covered by FLSA	○	○														
3.2	Employees Exempted from FLSA	○	○														
4	**Overtime during Budget Impasse**																
4.1	Payment of Nonexempt Employees – Working Anticipated Overtime																
4.2	Payment of Nonexempt Employees - Working Emergency Overtime																
5	**Other Payments, Deductions & Garnishments**																
5.1	Required Payments																
5.2	Non-Wage Payments																
5.3	Federal Deductions																
5.4	State Tax Deductions																
5.5	Garnishments																
5.6	State Retirement Contributions																
5.7	Employee Voluntary Deductions																

No.	Functional Category/ Requirement	**5.6 MPC**	MPC→Basic Payroll	**5.7 CS MIRS, SWRIS**	**5.8 LAS**	LAS→Basic Payroll	LAS→CS MIRS, SWIRS	**5.9 TIM/TAS**	TIM/TAS→PC	TIM/TAS→CS MIRS, SWIRS	TIM/TAS→ Basic Payroll	TIM/TAS→ Savings Bonds	TIM/TAS→ Annual Payroll	TIM/TAS→ Busn Mo Payroll	TIM/TAS→IDLS	TIM/TAS→LAS	**5.10 IDLS**
		Z	AA	BB	CC	DD	EE	FF	GG	HH	II	JJ	KK	LL	MM	NN	OO
6	**Post-Budget Impasse**																
6.1	Indeterminate Duration				○	○											
7	**Enactment of New Budget**																
7.1	Restoration of Regular Pay				○	○	○										
7.2	Restoration of Overtime Pay																
7.3	Restoration of Separation Pay																
7.4	Restoration of Voluntary Deductions																
7.5	Restoration of Mandatory Deductions																
7.6	Restoration of Garnishments																

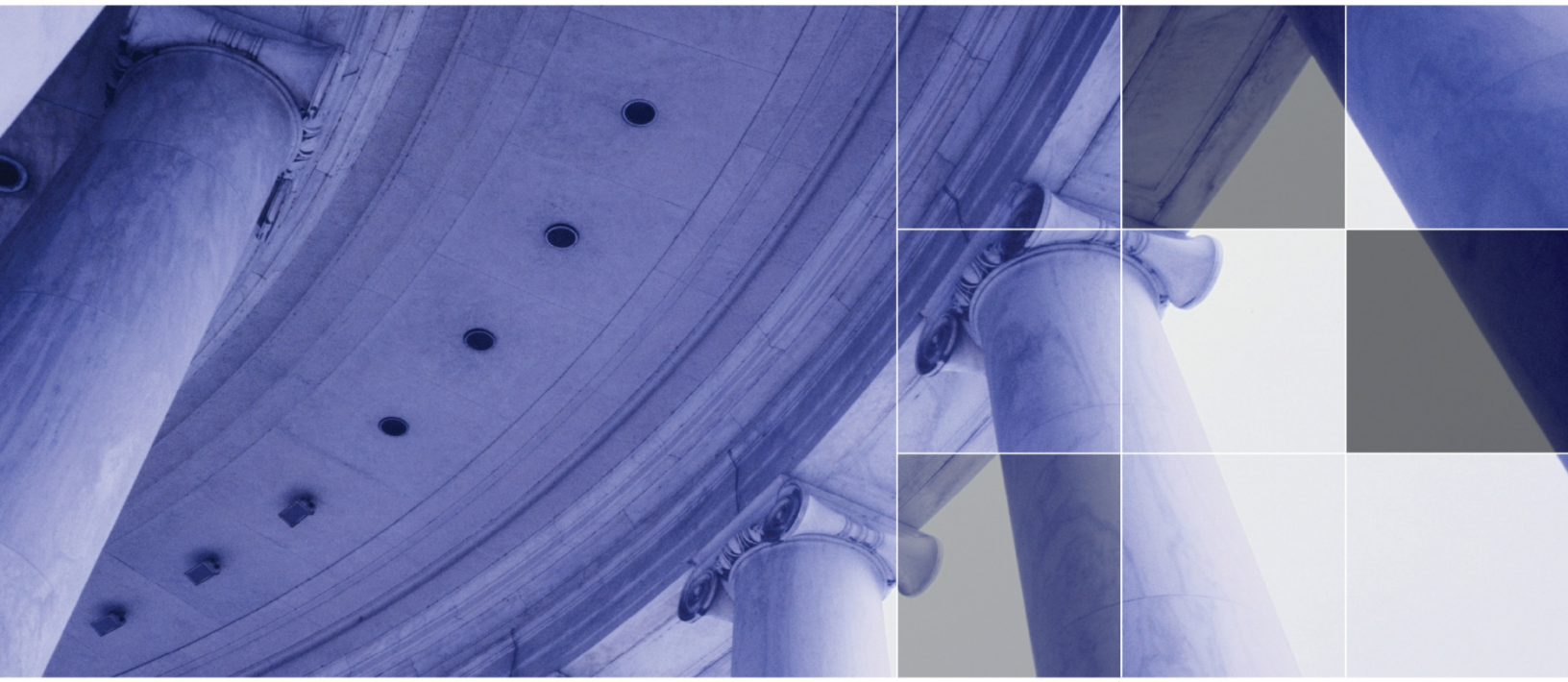
3.3 Business Requirements to Technical Environment Mapping – Payroll Systems and Interfaces

No.	Functional Category/ Requirement	6.1 Business Month Payroll	BMP→ACES	BMP→Warrant Reconciliation	BMP→Warrant Print Control	BMP→Savings Bonds	BMP→Annual Payroll	BMP→PC	6.2 Savings Bonds	6.3 Annual Payroll	6.4 Basic Payroll	Basic Payroll→ Annual Payroll	Basic Payroll→ Savings Bonds	Basic Payroll→ Busn Mo Payroll	Basic Payroll→ PC	Basic Payroll→ Warrant Reconc	Basic Payroll→ Warrant Print Ctl	Basic Payroll→ CS MIRS, SWRIS	Basic Payroll→ Garnishments	Basic Payroll→ POIS	Basic Payroll→ Payroll Clearance	Basic Payroll→ Warrant Transmittal	6.5 PIP	PIP→Basic Payroll	PIP→LAS	6.6 POIS	6.7 Warrant Transmittal	6.8 Payroll Clearance
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA
0	**Payroll Payment Authorization Requirements**																											
0.1	Issuing Warrants										✓					✓	✓		✓			✓					✓	
0.2	Pay Periods and Pay Dates	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
1	**Full Pay Categories during Budget Impasse**																											
1.1	Constitutionally Required Payments																											
1.2	Continuous Appropriations																											
1.3	Federally Required Payments																											
1.4	Prior Year Appropriations																											
2	**Minimum Wage Payment during Budget Impasse**																											
2.1	Payment of Nonexempt Employees – No Overtime										✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
2.2	Hours Worked Bases for Payment										✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			

No.	Functional Category/ Requirement	6.1 Business Month Payroll	BMP→ACES	BMP→Warrant Reconciliation	BMP→Warrant Print Control	BMP→Savings Bonds	BMP→Annual Payroll	BMP→PC	6.2 Savings Bonds	6.3 Annual Payroll	6.4 Basic Payroll	Basic Payroll→ Annual Payroll	Basic Payroll→ Savings Bonds	Basic Payroll→ Busn Mo Payroll	Basic Payroll→ PC	Basic Payroll→ Warrant Reconc	Basic Payroll→ Warrant Print Ctl	Basic Payroll→ CS MIRS, SWRIS	Basic Payroll→ Garnishments	Basic Payroll→ POIS	Basic Payroll→ Payroll Clearance	Basic Payroll→ Warrant Transmittal	6.5 PIP	PIP→Basic Payroll	PIP→LAS	6.6 POIS	6.7 Warrant Transmittal	6.8 Payroll Clearance
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA
2.3	Timely Prompt Payment										✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
2.4	Minimum Payment of Exempt Employees										✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
3	**No Pay during Budget Impasse**																											
3.1	Employees Not Covered by FLSA										✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
3.2	Employees Exempted from FLSA										✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
4	**Overtime during Budget Impasse**																											
4.1	Payment of Nonexempt Employees – Working Anticipated Overtime										○	○	○	○	○	○	○	○	○	○	○	○	○	○	○			
4.2	Payment of Nonexempt Employees - Working Emergency Overtime										✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
5	**Other Payments, Deductions & Garnishments**																											
5.1	Required Payments																											
5.2	Non-Wage Payments										✓		✓										✓	✓	✓			
5.3	Federal Deductions										○																	
5.4	State Tax Deductions										○																	
5.5	Garnishments										✓			○					✓									

No.	Functional Category/ Requirement	**6.1 Business Month Payroll**	BMP→ACES	BMP→Warrant Reconciliation	BMP→Warrant Print Control	BMP→Savings Bonds	BMP→Annual Payroll	BMP→PC	**6.2 Savings Bonds**	**6.3 Annual Payroll**	**6.4 Basic Payroll**	Basic Payroll→ Annual Payroll	Basic Payroll→ Savings Bonds	Basic Payroll→ Busn Mo Payroll	Basic Payroll→ PC	Basic Payroll→ Warrant Reconc	Basic Payroll→ Warrant Print Ctl	Basic Payroll→ CS MIRS, SWRIS	Basic Payroll→ Garnishments	Basic Payroll→ POIS	Basic Payroll→ Payroll Clearance	Basic Payroll→ Warrant Transmittal	**6.5 PIP**	PIP→Basic Payroll	PIP→LAS	**6.6 POIS**	**6.7 Warrant Transmittal**	**6.8 Payroll Clearance**
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA
5.6	State Retirement Contributions										✓			○														
5.7	Employee Voluntary Deductions										✓		✓	○														
6	**Post-Budget Impasse**																											
6.1	Indeterminate Duration										✓		○										○	○	○			
7	**Enactment of New Budget**																											
7.1	Restoration of Regular Pay										✓												✓	✓	✓			
7.2	Restoration of Overtime Pay										✓												○	○				
7.3	Restoration of Separation Pay																											
7.4	Restoration of Voluntary Deductions										✓																	
7.5	Restoration of Mandatory Deductions										✓																	
7.6	Restoration of Garnishments										✓																	

Appendix D: Impact Summary: Business Processes



California Budget Impasse Payroll System

Business Process Impact Summary Report

July 2, 2010

PRIVILEGED AND CONFIDENTIAL

Business Process Impact Summary

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1 Introduction

1.1 Purpose

The purpose of this Business Process Impact Summary Report is to define the business processes used by the State Controller's Office (SCO) to perform payroll purposes, and to identify which business processes may be impacted by the budget impasse requirements.

2 Current SCO Business Process Environment

2.1 Business Process Overview

In order to set the context for mapping the current business processes to the budget impasse requirements, payroll business processes within the scope of this assessment were identified. The purpose of this section is to provide a brief synopsis of SCO business processes related to payroll and human resource management.

The figures on the following pages, *Figure 1. Semi-monthly and Monthly Master Payroll Processes (Negative Pay Employees)* and *Figure 2. Daily Payroll Processes (Positive Pay Employees)*, depict the payroll business processes that occur during a typical month and are within the scope of this impact assessment. Each of the business processes is labeled with a letter that corresponds to the column where that business process is included in the mapping table in Section 3.2. The business processes are also described in Section 2.2, in order to provide a basic understanding of the scope and tasks performed.

The following shapes are used in Figure 1:

Semi-monthly Master Payroll

Monthly Master Payroll

Daily Payroll

Sub-process or key date within larger process

Figure 1. Semi-monthly and Monthly Master Payroll Processes (Negative Pay Employees)

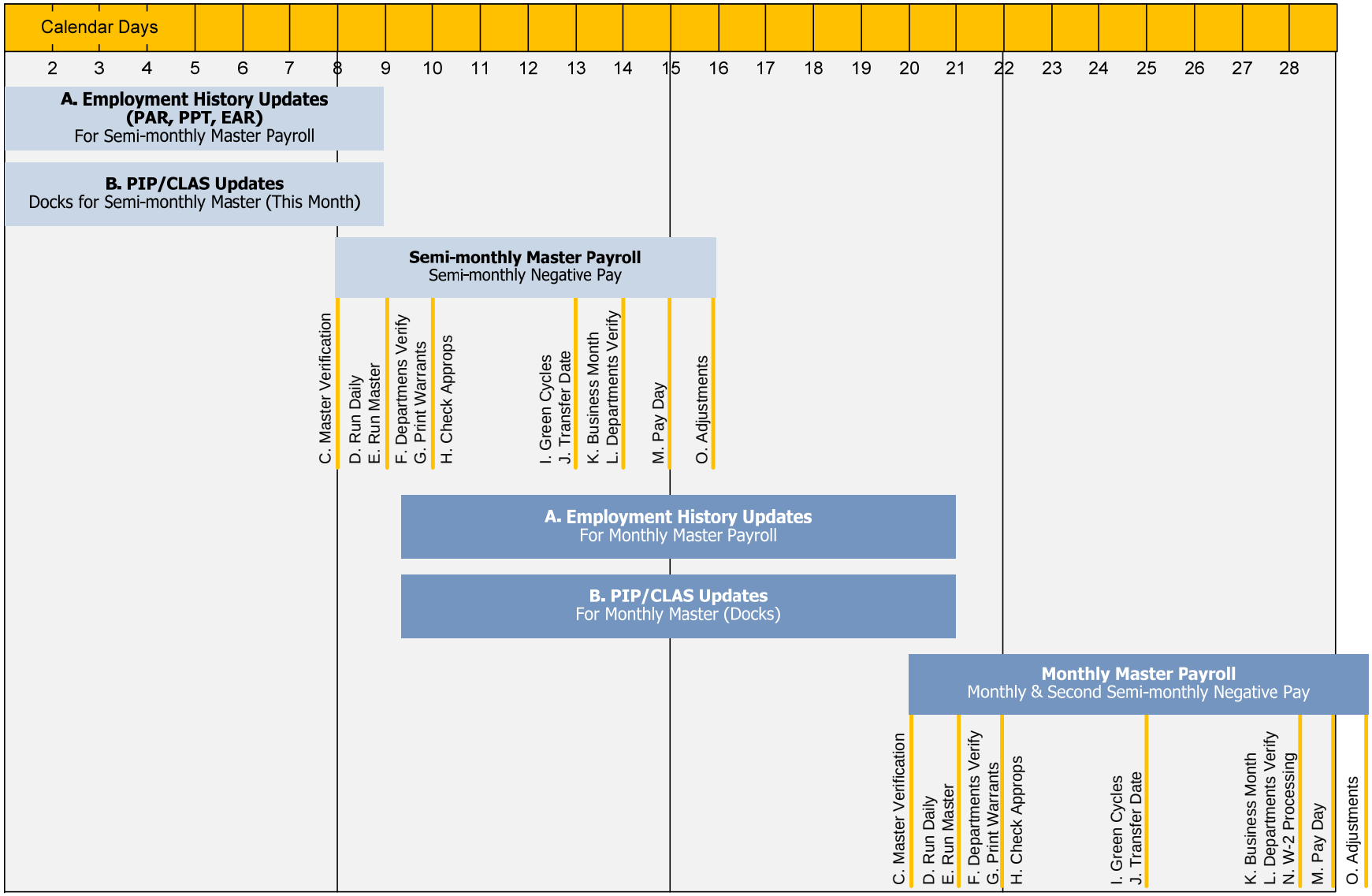
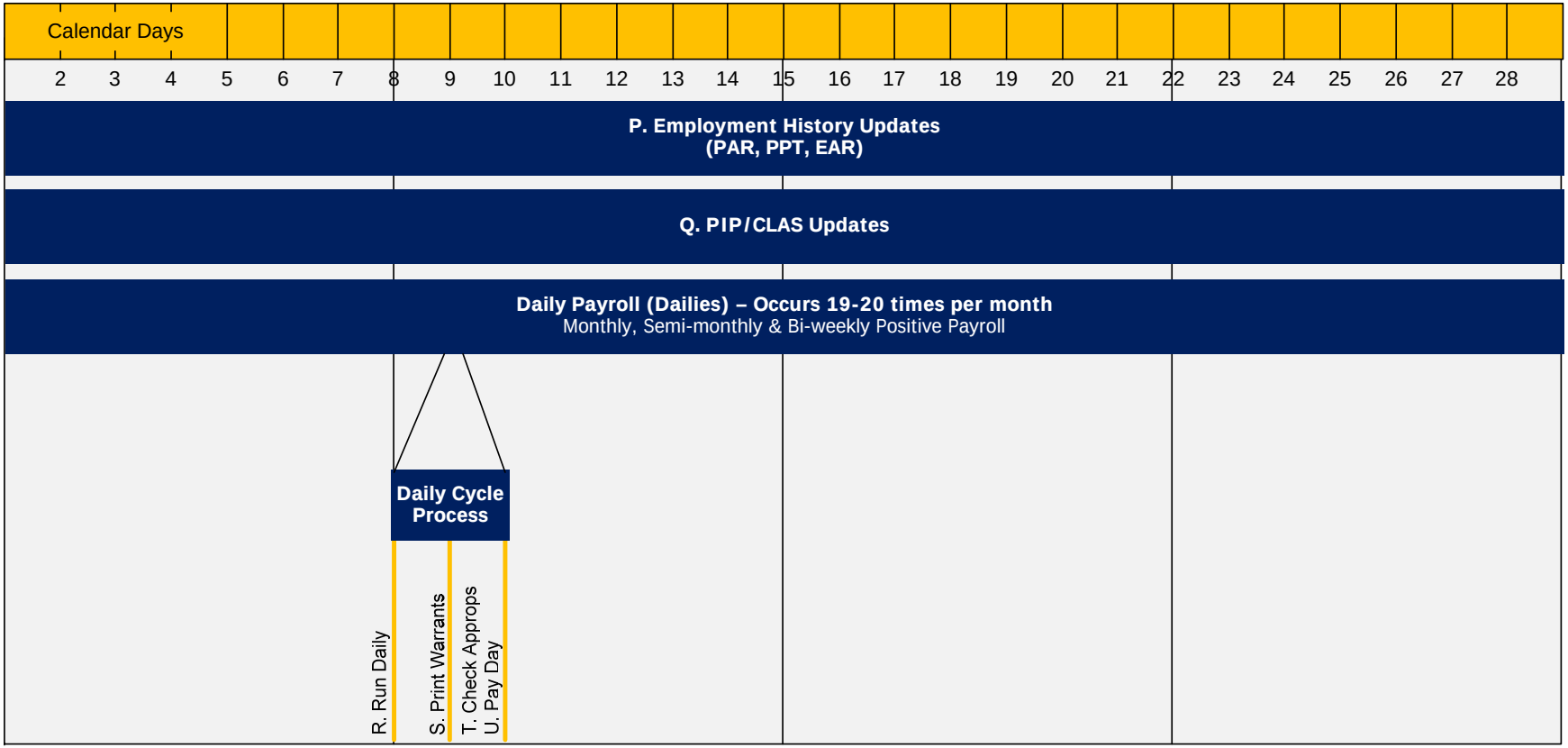


Figure 2. Daily Payroll Processes (Positive Pay Employees)



2.2 Business Process Descriptions

2.2.1 Semi-monthly Master Payroll Process

The Semi-monthly Master Payroll Process is used to compensate negative pay employees their first pay of the month. Their second pay of the month is paid as a part of the Monthly Master Payroll Process (described in subsequent sections of this document). Fewer than 10,000 employees are paid using the semi-monthly negative payroll process. Descriptions of the sub-processes are below.

A. Employment History Updates

- Departments and campuses must submit updates to Employment History (EH) by the cutoff date (specific to each month) to be reflected in the upcoming pay
- EH updates are submitted to PPSD by departments and campuses in the form of a Personnel Action Request (PAR), Personnel/Payroll Transaction (PPT) or Employee Action Request (EAR)
    - Updates from most campuses are sent from their PeopleSoft HR systems to PPSD for manual entry
- PPSD manually updates EH when forms are received

B. PIP/CLAS Updates

- Prior to the end of a pay period (typically), departments and campuses report docks to reduce time for Semi-monthly negative employees who did not work all expected hours
    - Docks entered before running Master are applied before employee is paid
    - Docks entered after running Master (Late Docks) must be recovered using a accounts receivable to the department or a payroll deduction from the employee's future pay
- After a pay period ends (typically), departments and campuses report overtime, shift differentials, premiums outside EH, some disability transactions and leave usage
- Departments typically use PIP to report these data; however, leave usage can also be entered directly into CLAS
    - Updates from most campuses are sent from their PeopleSoft HR systems to PPSD

Semi-monthly Master Payroll

- C. Master Verification
    - PPSD's "practice run" which includes only selected records to make sure runs are performing correctly
- D. Run Daily
    - PPSD runs a final daily payroll cycle before running Master
- E. Run Master
    - EH and PIP data are inputs into Master
    - PPSD runs the Master to produce the Pay Status File (payment amounts) and Payroll Master File (deductions)
- F. Departments Verify Payroll
    - Once Master is run, the online warrant register is available for departments and campuses to verify pay amounts
- G. Print Warrants
    - SCO's Disbursements Division (Disbursements) prints warrants and Direct Deposit Advices (DDAs), and sorts, packages and distributes them to departments by the Transfer Date

- H. Check Appropriations
  - Disbursements runs a check to determine whether appropriations are available to cover payroll. If not, Disbursements contacts the department/campus to transfer funds to accommodate payroll.
- I. Green Cycles
  - Daily payroll cycles run after Master is run, but before the Transfer Date
  - Master-related payments included in green cycles are amended to reflect the Master's Issue Date and are not issued until Master is released for pay (all other payments are processed and disbursed immediately)
- J. Transfer Date
  - Date on which warrants and DDAs are distributed to departments and campuses
- K. Business Month
  - PPSD remits third-party payments and deductions to governmental agencies, insurance companies, unions, etc.
- L. Departments Verify Payroll
  - Once warrants and DDAs are distributed, departments and campuses review prior to distribution to employees
- M. Pay Day
  - Date on which employees' pay is available via direct deposit or in the form of a physical check
- O. Adjustments
  - Throughout the following pay period, PPSD performs adjustments to correct negative pay amounts for the past pay period

2.2.2 Monthly Master Payroll Process

The Monthly Master Payroll Process is used to compensate the monthly negative pay employees with their monthly pay, and semi-monthly negative pay employees with their second pay of the month. The majority of employees, more than 240,000, are paid through the Monthly Master Payroll Process. Descriptions of the sub-processes are below.

A. Employment History Updates

- Departments and campuses must submit updates to Employment History (EH) by the cutoff date (specific to each month) to be reflected in the upcoming pay
- EH updates are submitted to PPSD by departments and campuses in the form of a Personnel Action Request (PAR), Personnel/Payroll Transaction (PPT) or Employee Action Request (EAR)
  - Updates from most campuses are sent from their PeopleSoft HR systems to PPSD for manual entry
- PPSD manually updates EH when forms are received

B. PIP/CLAS Updates

- Prior to the end of a pay period (typically), departments and campuses report docks to reduce time for Semi-monthly negative employees who did not work all expected hours
  - Docks entered before running Master are applied before employee is paid
  - Docks entered after running Master (Late Docks) must be recovered using a accounts receivable to the department or a payroll deduction from the employee's future pay
- After a pay period ends (typically), departments and campuses report overtime, shift differentials, premiums outside EH, some disability transactions and leave usage
- Departments typically use PIP to report these data; however, leave usage can also be entered directly into CLAS
  - Updates from most campuses are sent from their PeopleSoft HR systems to PPSD

Monthly Master Payroll

- C. Master Verification
  - PPSD's "practice run" which includes only selected records to make sure runs are performing correctly
- D. Run Daily
  - PPSD runs a final daily payroll cycle before running Master
- E. Run Master
  - EH and PIP data are inputs into Master
  - PPSD runs the Master to produce the Pay Status File (payment amounts) and Payroll Master File (deductions)
- F. Departments Verify Payroll
  - Once Master is run, the online warrant register is available for departments and campuses to verify pay amounts
- G. Print Warrants
  - SCO's Disbursements Division (Disbursements) prints warrants and Direct Deposit Advices (DDAs), and sorts, packages and distributes them to departments by the Transfer Date
- H. Check Appropriations
  - Disbursements runs a check to determine whether appropriations are available to cover payroll. If not, Disbursements contacts the department/campus to transfer funds to accommodate payroll.
- I. Green Cycles
  - Daily payroll cycles run after Master is run, but before the Transfer Date
  - Master-related payments included in green cycles are amended to reflect the Master's Issue Date and are not issued until Master is released for pay (all other payments are processed and disbursed immediately)
- J. Transfer Date
  - Date on which warrants and DDAs are distributed to departments and campuses
- K. Business Month
  - PPSD remits third-party payments and deductions to governmental agencies, insurance companies, unions, etc.
- L. Departments Verify Payroll
  - Once warrants and DDAs are distributed, departments and campuses review prior to distribution to employees
- N. W-2 Processing
  - PPSD runs annual system processing to compile W-2 information
- M. Pay Day
  - Date on which employees' pay is available via direct deposit or in the form of a physical check
- O. Adjustments
  - Throughout the following pay period, PPSD performs adjustments to correct negative pay amounts for the past pay period

2.2.3 Daily Payroll Process

The Daily Payroll Process (referred to as "dailies") is used to pay positive pay employees their regular pay. It is also used to pay any overtime, disability pay or other miscellaneous payments to all state employees, including those on the negative pay cycle. There are about 19 daily cycles per month, which means that dailies are run almost every business day of each month. Changes to EH, entries into CLAS or PIP, and other HR system outputs, are the inputs to dailies. The majority of payments generated out of dailies are issued during the first few days of the month, and volume decreases over the course of each month. Descriptions of the sub-processes follow.

P. Employment History Updates

- EH updates are submitted to PPSD by departments and campuses in the form of a Personnel Action Request (PAR), Personnel/Payroll Transaction (PPT) or Employee Action Request (EAR)
- PPSD manually updates EH when forms are received

Q. PIP/CLAS Updates

- After the pay period ends, departments and campuses use PIP and CLAS to report data regarding time worked, differentials, and leave, for positive pay employees
- After a pay period ends (typically), departments and campuses report overtime, shift differentials, premiums outside EH, some disability transactions and leave usage
- Departments typically use PIP to report these data; however, leave usage can also be entered directly into CLAS
    - Updates from most campuses are sent from their PeopleSoft HR systems to PPSD

Daily Payroll

- R. Run Daily
    - EH and PIP data are inputs into Daily
    - PPSD runs the Daily to produce the Pay Status File (payment amounts) and Payroll Master File (deductions)
- S. Print Warrants
    - SCO's Disbursements Division (Disbursements) prints warrants and Direct Deposit Advices (DDAs), and sorts, packages and distributes them to departments
- T. Check Appropriations
    - Disbursements runs a check to determine whether appropriations are available to cover payroll. If not, Disbursements contacts the department/campus to transfer funds to accommodate payroll.
- U. Pay Day
    - Date on which employees' pay is available via direct deposit or in the form of a physical check

3 Business Process Impact Summary

3.1 Introduction

The following sections contain a crosswalk of the budget impasse business requirements to the business processes used by SCO to pay employees during a typical month.

The rows of the table below represent the functional categories associated with the business requirements. The columns of the table represent the business processes used by SCO to pay employees.

The intersection of the rows and columns contains an indicator of whether or not the particular business process is likely to be impacted by the particular budget impasse business requirement. The indicators are as follows:

✓	A "checkmark" indicates that the business requirement is likely to impact the business process.
○	An empty circle indicates that it is possible that the business requirement would impact the business process. Many of these cases will be those in which the impact would vary depending on the solution adopted.
	A blank box (i.e. no indicator) indicates that the business requirement is unlikely to impact the business process.
N/A	A "Not Applicable" indicates that the business requirement is not relevant to the business process (*e.g.,* a requirement only relevant to Negative Pay employees is not applicable to a business process that involves only Positive Pay employees)

3.2 Business Requirements to Business Process Mapping

No.	Requirement	Negative Pay Updates		Semi-Monthly & Monthly Master (Negative Pay)													Positive Pay Updates		Daily Cycles			
		EH	PIP/ CLAS	Verify Master	Run Daily	Run Master	Depts Verify	Print Warrants	Check Approp's	Green Cycles	Transfer Date	Bus Mth	Depts Verify	Pay Day	W-2[1]	Adjust	EH	PIP/ CLAS	Run Daily	Print Warrants	Check Approp's	Pay Day
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
0	Payroll Payment Authorization Requirements																					
0.1	Issuing Warrants																					
0.2	Pay Periods and Pay Dates																					
1	Full Pay Categories during Budget Impasse																					
1.1	Constitutionally Required Payments	○	○		○	○	○		○				○				N/A	N/A	N/A	N/A	N/A	N/A
1.2	Continuous Appropriations	○	○		○	○	○						○				○	○	○			
1.3	Federally Required Payments	○	○		○	○	○		○				○				○	○	○		○	
1.4	Prior Year Appropriations	○	○		○	○	○						○				○	○	○			

[1] W-2 Processing occurs only during Monthly Master.

No.	Requirement	Negative Pay Updates		Semi-Monthly & Monthly Master (Negative Pay)													Positive Pay Updates		Daily Cycles			
		EH	PIP/ CLAS	Verify Master	Run Daily	Run Master	Depts Verify	Print Warrants	Check Approp's	Green Cycles	Transfer Date	Bus Mth	Depts Verify	Pay Day	W-2[1]	Adjust	EH	PIP/ CLAS	Run Daily	Print Warrants	Check Approp's	Pay Day
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
2	Minimum Wage Payment during Budget Impasse																					
2.1	Payment of Nonexempt Employees – No Overtime	○	○		○	○	✓					✓	✓			○	○	○	○			
2.2	Hours Worked Bases for Payment																					
2.3	Timely Prompt Payment																					
2.4	Minimum Payment of Exempt Employees	○	○		○	○	✓					✓	✓			○	○	○	○			
3	No Pay during Budget Impasse																					
3.1	Employees Not Covered by FLSA	✓					✓						✓			○	N/A	N/A	N/A	N/A	N/A	N/A
3.2	Employees Exempted from FLSA	✓					✓						✓			○						
4	Overtime during Budget Impasse																					
4.1	Payment of Nonexempt Employees – Working Anticipated Overtime		✓		○	○	✓		○			○	✓			○		✓	○		○	

No.	Requirement	Negative Pay Updates		Semi-Monthly & Monthly Master (Negative Pay)													Positive Pay Updates		Daily Cycles			
		EH	PIP/ CLAS	Verify Master	Run Daily	Run Master	Depts Verify	Print Warrants	Check Approp's	Green Cycles	Transfer Date	Bus Mth	Depts Verify	Pay Day	W-2[1]	Adjust	EH	PIP/ CLAS	Run Daily	Print Warrants	Check Approp's	Pay Day
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
4.2	Payment of Nonexempt Employees - Working Emergency Overtime		✓		○	○	✓		○			○	✓			○		✓	○		○	
5	Other Payments, Deductions & Garnishments during Budget Impasse																					
5.1	Required Payments	○	○		○	○	✓					✓	✓			○	○	○	○			
5.2	Non-Wage Payments	○					✓		○			✓	✓			○	○				○	
5.3	Federal Deductions																					
5.4	State Tax Deductions																					
5.5	Garnishments						○						○			○						
5.6	State Retirement Contributions	○										✓	○			○	○		○			
5.7	Employee Voluntary Deductions	○										✓	○			○	○		○			
6	Budget Impasse Period																					
6.1	Indeterminate Duration																					

No.	Requirement	Negative Pay Updates		Semi-Monthly & Monthly Master (Negative Pay)													Positive Pay Updates		Daily Cycles			
		EH	PIP/ CLAS	Verify Master	Run Daily	Run Master	Depts Verify	Print Warrants	Check Approp's	Green Cycles	Transfer Date	Bus Mth	Depts Verify	Pay Day	W-2[1]	Adjust	EH	PIP/ CLAS	Run Daily	Print Warrants	Check Approp's	Pay Day
		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
7	Enactment of New Budget																					
7.1	Restoration of Regular Pay	○	○		○	○	✓					○	✓			○	○	○	○			
7.2	Restoration of Overtime Pay	○	○		○	○	✓					○	✓			○	○	○	○			
7.3	Restoration of Separation Pay	○	○		○	○	✓					✓	✓			○	○	○	○			
7.4	Restoration of Voluntary Deductions	○	○		○	○	○					✓	○			○	○	○	○			
7.5	Restoration of Mandatory Deductions	○	○		○	○	○					✓	○			○	○	○	○			
7.6	Restoration of Garnishments	○	○		○	○	○					✓	○			○	○	○	○			

Appendix E: Documentation Log

#	Documentation Requested/ Received	Request Date	Requested Of	Received Date	Status	Medium Received	Document Date	Electronic Work Paper	Notes
001	SCO Assessment Study SOW	04/01/10	Kaye Scholer	04/01/10	**Received**	rjc ppsdpayrolldocs.pdf		001 – SCO Assessment Study SOW.pdf	Received as part of initial project work papers
003	SCO Litigation Team Memo – 2010-02-19	04/01/10	Kaye Scholer	04/01/10	**Received**	rjc litteammemo.pdf	02/19/10	003 – SCO Litigation Team Memo FLSA.pdf	Received as part of initial project work papers
004	Kaye Scholer Engagement Letter 2010-03-30	04/01/10	Kaye Scholer	04/01/10	**Received**	Kaye Scholer EL Final 3-30-10.DOCX	03/30/10	004 – Kaye Scholer Engagement Letter FINAL (2010-03-30).docx	Received as part of initial project work papers
007	SAP's Posting to Accounting, Current System and Payroll (Business Process Model) diagrams	04/08/10	Don Scheppmann	04/08/10	**Received**	Visios.docx	03/18/10	007 – Payroll Functions and Systems Diagrams.docx	Received from SCO for project background
008	Master Payroll flow diagram 1999-05-21	04/08/10	Don Scheppmann	04/08/10	**Received**	Master3 1999-05-21.vsd	05/21/99	008 – Master Payroll System Diagram (1999-05-21).vsd	Received from SCO for project background
009	Section of 21st Century Project RFP describing HR/Payroll functions and technology.	04/08/10	Don Scheppmann	04/08/10	**Received**	Sec III_SI_RFP.doc	04/02/10	009 – Current HR and Payroll System and Business Processes.doc	Received from SCO for project background
010	FLSA Work Week Group (WWG) Definitions for civil service.	04/08/10	Don Scheppmann	04/08/10	**Received**	section-10.pdf	04/01/86	010 – FLSA Work Week Group Definitions.pdf	Received from SCO for project background
011	2008 Report of Employees in Work Week Group 2 – most likely effected by the minimum wage issue	04/08/10	Don Scheppmann	04/08/10	**Received**	cswwg2.csv	08/01/08	011 - Civil Service Positions in WWG 2 (2008).csv	Received from SCO for project background
012	A link to the SCO web page for employees including demographic information.	04/07/10	Don Scheppmann	04/07/10	**Received**	http://www.sco.ca.gov/ppsd_se_payroll.html		Website	Received from SCO for project background
013	Payroll Procedures Manual (PPM)	04/07/10	Don Scheppmann	04/07/10	**Received**	http://www.sco.ca.gov/ppsd_state_hr.html		Website	Received from SCO for project background
014	Information on the deduction program.	04/08/10	Don Scheppmann	04/08/10	**Received**	http://www.sco.ca.gov/ppsd_payroll_deduct_clients.html		Website	Received from SCO for project background
015	Attendance certification process used for departments to certify that monthly employees are entitled to full pay. Section of PPM.	04/08/10	Don Scheppmann	04/08/10	**Received**	http://www.sco.ca.gov/Files-PPSD/PPM/m.pdf	03/2002	Website	Received from SCO for project background
016	Survey of other states to see if anyone had done anything similar to California is trying to do.	04/12/10	Don Scheppmann	04/12/10	**Received**	State Survey.pdf	03/27/09	016 – State Budget Impasse Survey (2009-03-27).pdf	Received from SCO for project background

#	Documentation Requested/ Received	Request Date	Requested Of	Received Date	Status	Medium Received	Document Date	Electronic Work Paper	Notes
017	SCO letter sent to DPA in response to DPA proposal.	04/12/10	Don Scheppmann	04/12/10	**Received**	Chapman ltr.pdf	08/11/08	017 – SCO Response to DPA Proposal (2008-08-11).pdf	Received from SCO for project background
018	List of continuously appropriated funds.	04/12/10	Don Scheppmann	04/12/10	**Received**	DOF Continuously Appropriated Funds2.xls	08/10/08	018 – DOF Continuously Appropriated Funds (2008-08-10).xls	Received from SCO for project background
019	Minutes from SCO meeting with DPA regarding DPA proposal for minimum wage program.	04/12/10	Don Scheppmann	04/12/10	**Received**	Minimum Wage Meeting Minutes 08'07'08 final.doc	08/15/08	019 – SCO-DPA Minimum Wage Meeting Minutes (2008-08-07).doc	Received from SCO for project background
020	DPA pay letter to SCO ordering a minimum wage program be implemented.	04/12/10	Don Scheppmann	04/12/10	**Received**	dpa ltr.pdf	08/05/08	020 – DPA Pay Letter Ordering MW Program (2008-08-05).pdf	Received from SCO for project background
021	First attempt to turn the legal requirements into business requirements.	04/12/10	Don Scheppmann	04/12/10	**Received**	Min Wage Reqs.docx	11/12/09	021 – SCO Minimum Wage Program Business Requirements (2009-11-12).docx	Received from SCO for project background
022	SCO assessment of the DPA proposal in 2008. Response to Doc 020.	04/12/10	Don Scheppmann	04/12/10	**Received**	2008 Min Wage DPA Concept Option 1 Assessement.doc	08/19/08	022 – SCO Assessment of DPA MW Program Proposal (2008-08-19).doc	Received from SCO for project background
023	Monthly schedule of CLAS and Mark IV processes	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	04/08/10	023 – CLAS and Mark IV Calendar (2010-04-08).pdf	Received from SCO – ISD during initial technical assessment sessions
024	Configuration of SCO mainframe environment (regions, etc.)	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	10/31/08	024 – Proposed Gold Camp CPU Config (2008-10-31).pdf	Received from SCO – ISD during initial technical assessment sessions
025	California Office of Technology Services bill rates and structure	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	01/14/10	025 – OTech Billing Structure and Rates (2010-01-14).pdf	Received from SCO – ISD during initial technical assessment sessions
026	California Office of Technology Disaster Recovery Planning for SCO	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	10/19/09	026 – OTech Disaster Recovery Prep (2009-10-19).pdf	Received from SCO – ISD during initial technical assessment sessions
027	Information regarding mainframe data storage for SCO	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	03/02/10	027 – DASD, DASD Datasets and JCL (2010-03-02).pdf	Received from SCO – ISD during initial technical assessment sessions
028	SCO – ISD staff roster as of April 2010	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	04/2010	028 – SCO-ISD Staff (2010-04).pdf	Received from SCO – ISD during initial technical assessment sessions
029	Description of services provided by SCO – ISD's Enterprise System Support unit	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		029 – SCO-ISD ESS Mission and Responsibilities.pdf	Received from SCO – ISD during initial technical assessment sessions

#	Documentation Requested/ Received	Request Date	Requested Of	Received Date	Status	Medium Received	Document Date	Electronic Work Paper	Notes
030	The April 2010 payroll operations calendar including a list of all jobs run and a short description of each	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	04/2010	030 – Payroll Operations Calendar (2010-04).pdf	Received from SCO – ISD during initial technical assessment sessions
031	The April 2010 personnel operations calendar including a list of all jobs run and a short description of each	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	04/2010	031 – Personnel Work Schedule Calendar (2010-04).pdf	Received from SCO – ISD during initial technical assessment sessions
032	Description of the California Leave Accounting System	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		032 – CLAS Description.pdf	Received from SCO – ISD during initial technical assessment sessions
033	Description of the Payroll Input Process system	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		033 – PIP Description.pdf	Received from SCO – ISD during initial technical assessment sessions
034	Description of the Industrial Disability with Leave Supplementation system	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		034 – IDLS Description.pdf	Received from SCO – ISD during initial technical assessment sessions
035	List of payroll transaction codes	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		035 – Payroll Transaction Codes.pdf	Received from SCO – ISD during initial technical assessment sessions
036	Description of the daily payroll functionality including TLogs, edit process and audit & apply process	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		036 – Daily Payroll Functionality Description.pdf	Received from SCO – ISD during initial technical assessment sessions
037	Overview of the CLAS databases and systems and their functions	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	04/11/96	037 – CLAS Overview (1996-04-11).pdf	Received from SCO – ISD during initial technical assessment sessions
038	Overview of the EH system, it's makeup and functions	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	04/15/10	038 – EH Overview (2010-04-15).pdf	Received from SCO – ISD during initial technical assessment sessions
039	ISD's 2008 assessment of the ability of PPSD to issue MW pay	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	2008	039 – ISD Minimum Wage Assessment (2008).pdf	Received from SCO – ISD during initial technical assessment sessions
040	Estimate of time and cost for PPSD to implement DPA Option 1	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	08/12/08	040 – DPA Option 1 Cost Estimates (2008-08-12).pdf	Received from SCO – ISD during initial technical assessment sessions
041	Description of the technical process for generating negative monthly master payroll	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		041 – Generate Master Payroll Process Instructions.pdf	Received from SCO – ISD during initial technical assessment sessions

#	Documentation Requested/ Received	Request Date	Requested Of	Received Date	Status	Medium Received	Document Date	Electronic Work Paper	Notes
042	Mainframe physical device information	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	04/15/10	042 – Environmental Control Block Information (2010-04-15).pdf	Received from SCO – ISD during initial technical assessment sessions
043	List of software used by SCO and stored at the disaster recovery site	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	03/18/10	043 – Disaster Recovery List (2010-03-18).pdf	Received from SCO – ISD during initial technical assessment sessions
044	List of all software packages stored on the SY3 mainframe	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	03/04/10	044 – SY3 Software Inventory (2010-03-04).pdf	Received from SCO – ISD during initial technical assessment sessions
045	List of software that must be upgraded for z/os 1.11 (from current OS level)	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	04/15/10	045 – Software Upgrades for Z OS 1.11 (2010-04-15).pdf	Received from SCO – ISD during initial technical assessment sessions
046	Information regarding tape data storage for SCO	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	10/01/09	046 – Tape, Tape Datasets and JCL (2009-10-01).pdf	Received from SCO – ISD during initial technical assessment sessions
047	Description of how SCO's Information Systems Division is organized	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		047 – SCO-ISD Overview.pdf	Received from SCO – ISD during initial technical assessment sessions
048	Description of SCO's technology infrastructure	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		048 – SCO Technology Infrastructure.pdf	Received from SCO – ISD during initial technical assessment sessions
049	Description of ISD Business Systems Bureau Human Resources Management Section's systems roles and responsibilities	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		049 – SCO-ISD BSB HRMS Roles and Responsibilities.pdf	Received from SCO – ISD during initial technical assessment sessions
050	Leave Accounting System – TIMs Tables Information	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	08/31/95	050 – CLAS TIMs Tables Information (1995-08-31).pdf	Received from SCO – ISD during initial technical assessment sessions
051	Overview of the PIP system and functions	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		051 – PIP Overview.pdf	Received from SCO – ISD during initial technical assessment sessions
052	Diagram showing how PIP transactions are entered and how the PIP system interacts with other systems	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	02/02/98	052 – PIP Application Diagram (1998-02-02).pdf	Received from SCO – ISD during initial technical assessment sessions
053	General description of each Human Resources Management System	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		053 – SCO-ISD BSB HRMS Overview.pdf	Received from SCO – ISD during initial technical assessment sessions
054	Overview of the Industrial Disability Leave with Supplementation system and functions	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		054 – IDLS Overview.pdf	Received from SCO – ISD during initial technical assessment sessions

#	Documentation Requested/ Received	Request Date	Requested Of	Received Date	Status	Medium Received	Document Date	Electronic Work Paper	Notes
055	Descriptions of payroll subroutines and programs	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy		055 – Payroll Subroutine Descriptions.pdf	Received from SCO – ISD during initial technical assessment sessions
056	Diagrams of SCO's development, test and production environments	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	12/09/02	056 – SCO CICS Environment Diagrams (2002-12-09).pdf	Received from SCO – ISD during initial technical assessment sessions
057	Diagram of the flow of EH data	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	02/2001	057 – EH Data Flow Chart (2001-02).pdf	Received from SCO – ISD during initial technical assessment sessions
058	Basic instructions for filling out the California Department of Finance's Economic Analysis Workbook Package	04/15/10	SCO – ISD	04/16/10	**Received**	Paper Copy	06/12/06	058 – EAWP Instructions (2006-06-12).pdf	Received from SCO – ISD during initial technical assessment sessions
059	ISD estimate of time and cost of implementing DPA Option 3	04/16/10	SCO – ISD	04/16/10	**Received**	Paper Copy	08/27/08	059 – DPA Option 3 Estimates (2008-08-27).pdf	Received from SCO – ISD during initial technical assessment sessions
060	Service request prepared by PPSD for the 2002 system changes		Don Scheppmann	04/16/10	**Received**	SSR-min wage.doc	03/20/02	060 – ISD Service Request for MW only (2002-03-20).doc	Received from Don Scheppmann to explain system changes requested in 2002
061	Service request prepared by PPSD for the 2002 system changes		Don Scheppmann	04/16/10	**Received**	S891P all requirements.doc	03/20/02	061 – ISD Service Request for All Requirements (2002-03-20).doc	Received from Don Scheppmann to explain system changes requested in 2002
062	Addendum to service request prepared by PPSD for the 2002 system changes		Don Scheppmann	04/16/10	**Received**	S891P-Requirements Addendum #1.doc	03/20/02	062 – ISD Service Request Addendum 1 (2002-03-20).doc	Received from Don Scheppmann to explain system changes requested in 2002
063	Addendum to service request prepared by PPSD for the 2002 system changes		Don Scheppmann	04/16/10	**Received**	S891P-Requirements Addendum #2.doc	03/20/02	063 – ISD Service Request Addendum 2 (2002-03-20).doc	Received from Don Scheppmann to explain system changes requested in 2002
064	Addendum to service request prepared by PPSD for the 2002 system changes		Don Scheppmann	04/16/10	**Received**	S891P-Requirements Addendum #3.doc	03/20/02	064 – ISD Service Request Addendum 3 (2002-03-20).doc	Received from Don Scheppmann to explain system changes requested in 2002
065	Mark IV Processes	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	04/19/10	065 – Mark IV Processes (2010-04-19).pdf	Received from SCO – PPSD during initial business process sessions
066	CSU FLSA Codes	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	10/01/04	066 – LSA Overtime Eligibility Codes (2004-10-01).pdf	Received from SCO – PPSD during initial business process sessions
067	California Leave Accounting System (CLAS) information	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	04/19/10	067 – CLAS Information (2010-04-19).pdf	Received from SCO – PPSD during initial business process sessions

#	Documentation Requested/ Received	Request Date	Requested Of	Received Date	Status	Medium Received	Document Date	Electronic Work Paper	Notes
068	PPSD Organization Charts	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	02/2010	068 – SCO PPSD Org Chart (2010-02).pdf	Received from SCO – PPSD during initial business process sessions
069	PPSD Administrative Unit information	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy		069 – SCO PPSD Administrative Unit.pdf	Received from SCO – PPSD during initial business process sessions
070	DPA Memo on Options 1-3 (Aug 7, 2008)	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	08/07/08	070 – DPA Solutions (2008-08-07).pdf	Received from SCO – PPSD during initial business process sessions
071	DPA Pay Letter - Option 1	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	09/2008	071 – DPA Solution 1 (2008-09).pdf	Received from SCO – PPSD during initial business process sessions
072	DPA Pay Letter - Option 2	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	08/23/08	072 – DPA Solution 2 (2008-08-23).pdf	Received from SCO – PPSD during initial business process sessions
073	Business Month Payment History File (August 2006)	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	08/2006	Remains in hard copy format	Received from SCO – PPSD during initial business process sessions
074	Civil Service Current Status Department File (October 2004)	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	10/2004	Remains in hard copy format	Received from SCO – PPSD during initial business process sessions
075	Civil Service Transaction Log Department File (May 2003)	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	05/2003	Remains in hard copy format	Received from SCO – PPSD during initial business process sessions
076	Personnel Action Manual	04/20/10	SCO – PPSD	04/20/10	**Received**	Paper Copy	03/30/10	Remains in hard copy format	Received from SCO – PPSD during initial business process sessions
078	Statewide Information Management Manual – Economic Analysis Workbook (EAW) Package		Erik Eid	04/29/10	**Received**	http://www.cio.ca.gov/Government/IT_Policy/SIMM.html		Website	Received from Erik Eid via email
079	Business Requirements	05/07/10	Kaye Scholer	05/21/10	**Received**	31981730.docx	05/21/10	079 – Business Requirements (2010-05-21).docx	Received from Jay Waks at Kaye Scholer

Appendix F: Project Management

Crowe manages large complex projects for our clients. These projects typically involve individuals across multiple departments and agencies. It takes a significant amount of planning, communication, collaboration, cooperation, decision making, risk mitigation and problem resolution to deliver these projects successful. Crowe utilizes a consistent Project Management approach that is customized to the unique requirements and circumstances of each of our client engagements. Crowe's Project Manager and Lead Business Analyst resources are both certified as Project Management Professionals (PMP) by the Project Management Institute (PMI)1. Crowe uses the PMI's Project Management Body of Knowledge (PMBOK) framework for its project management practices, while overlaying this framework on the specific tasks associated with an assessment project of this nature. The information in this appendix provides a summary of our Project Management Approach and Methodology.

Project Management Approach

Project management is a set of processes and standards used to manage work efforts with dependencies across groups, teams or activities, and keep all parties aligned to deliver on a common goal.

Throughout a project, all parties must stay aligned on the purpose (what needs to be done), the organization (who is responsible for each activity), the methodology (how the work will be executed) and the timing (when the work will be done).

- **Aligned on Purpose *(What are we doing?)*** Crowe worked with the Budget Impasse Assessment (BIA) project team to define and regularly communicate the purpose of the project. Keeping the team focused and aligned on the scope of what needs to be delivered and what requires daily attention is critical to a project's success.
- **Aligned on Organization *(Who is doing it?)*** Crowe worked with the BIA project team to define and regularly confirm and communicate the structure, organization, and responsibilities of the initiative. Ownership, accountability and communication are essential in eliminating confusion and delay in resolving issues, particularly when the team is comprised of a number of resources from many different organizations or organizational units.
- **Aligned on Methodology *(How are we doing it?)*** Crowe worked with the BIA project team to define and communicate the overall methodology and standard terminology to be used for the project. Using a common set of terms, phases and activities for delivery throughout the project makes it easier for team members to communicate with each other, identify dependencies and determine actions to meet appropriate delivery dates.
- **Aligned on Timing *(When are we doing it?)*** Crowe worked with the BIA project team to establish and manage a high-level integrated master project schedule with key delivery milestone dates. The team must be able to easily understand whether or not the project is delivering on time and budget, identify potential problems early in the process, and be able to make the necessary adjustments to deliver successfully.

The following components of the project were planned, managed and communicated regularly throughout the duration of the work effort in accordance with PMBOK standards:

- Scope of the work
- Risks associated with the work
- Schedule for the work

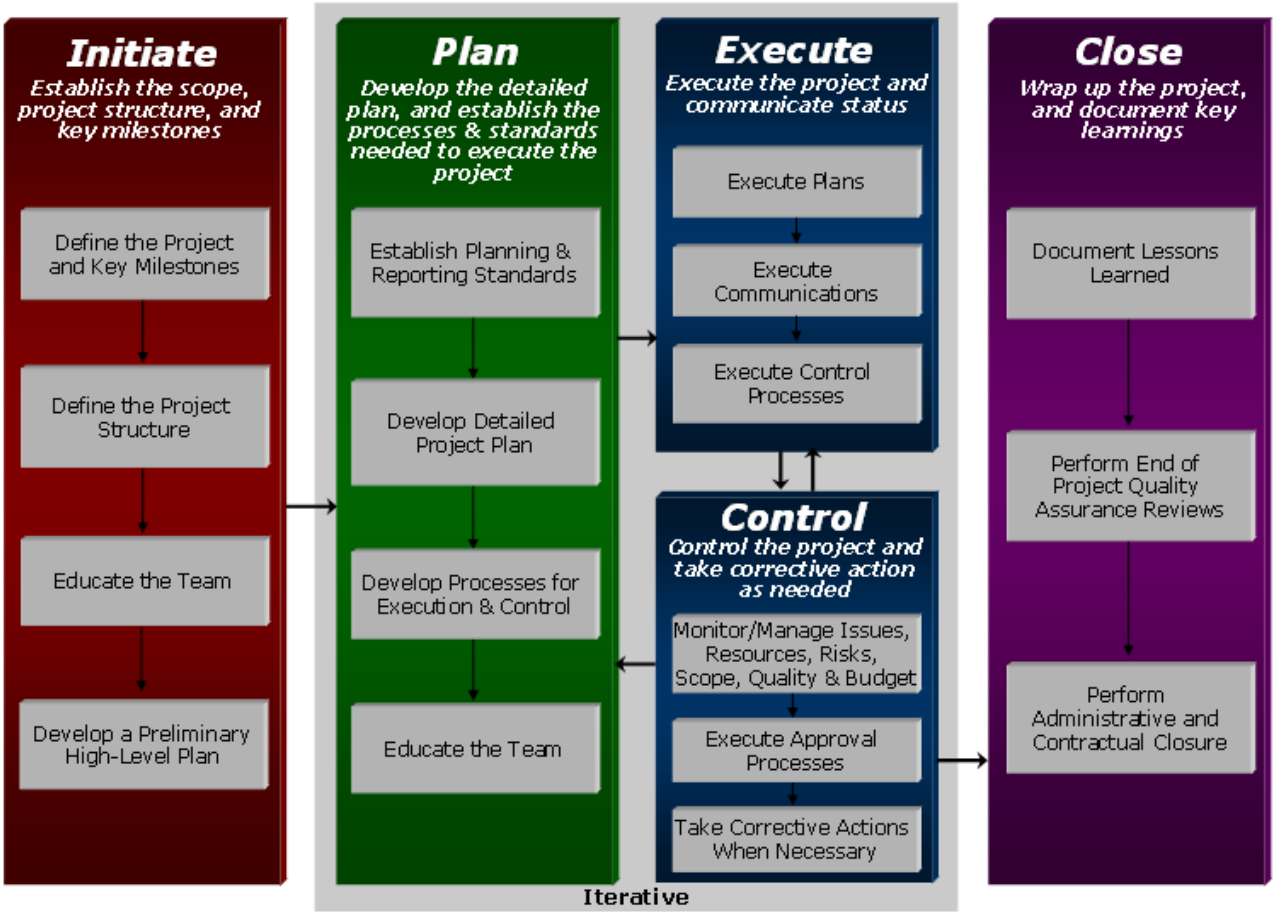
[1] Per PMI's website (www.pmi.org), the "primary goal [of PMI] is to advance the practice, science and profession of project management throughout the world in a conscientious and proactive manner so that organizations everywhere will embrace, value and utilize project management and then attribute their successes to it." Founded in 1969 by working project managers, PMI currently has more than 500,000 members and credential holders. PMI maintains global standards crucial to the project management profession, which ensures a basic project management framework is applied consistently worldwide. There are twelve global standards (including Program and Portfolio Management) and over 3 million copies of A Guide to the Project Management Body of Knowledge (PMBOK® Guide) in circulation.

- Costs associated with the work
- Resources involved in the work and needed to support the work
- Quality of the work delivered
- Issues encountered during the planning and execution of the work

Project Management Methodology

A basic, high-level overview of the Project Management Methodology appears below.

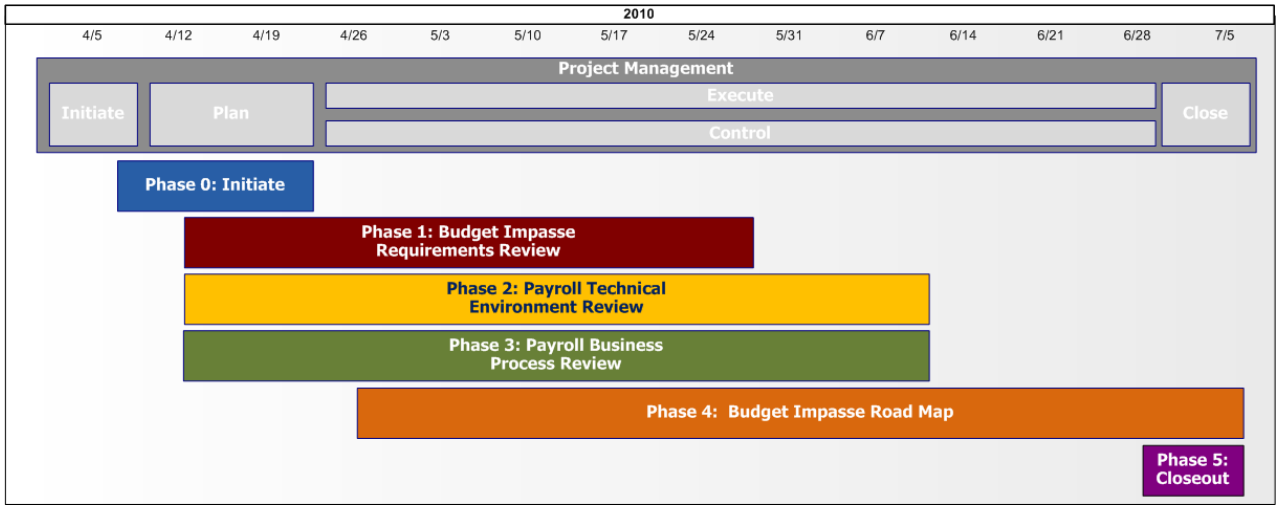
Figure 3 – Project Management Methodology



This Project Management Methodology was utilized, where applicable, throughout the Budget Impasse Payroll Assessment project.

Figure 4 (below) overlays the Project Management Methodology in Figure 3 with the specific project phases in *Figure 1 (in Section 3.1 of this report)*.

Figure 4 – Phased Project Schedule with Project Management Methodology Overlay



The following tables summarize each phase of the Project Management Methodology.

Initiate	
Define and confirm the scope, as well as the overall structure of the project, including roles, responsibilities and communication flow. Establish an initial high-level project plan, and begin defining the detailed activities within the project.	▪ **Define the Project and Key Milestones** ***a.*** Define project scope ***b.*** Define risks ***c.*** Define major milestones and due dates ***d.*** Define dependencies ***e.*** Define budget ***f.*** Develop the project overview ▪ **Define the Project Structure** ***a.*** Identify and clarify roles and responsibilities ***b.*** Identify staffing ***c.*** Develop high-level project staffing structure ***d.*** Develop high-level communication plan ▪ **Educate the Team on the Project** ▪ **Develop the Preliminary Plans**

Plan	
Establish tools, processes, standards and templates needed to support the project. Develop an initial integrated master plan and plans for each activity within the project	▪ **Establish Planning and Reporting Standards** ***a.*** Set expectations/standards for project managers ***b.*** Develop reporting templates (e.g., status, performance, etc.) ***c.*** Develop/identify tools for tracking (e.g., issues, requirements, budget, project documentation, etc.) ▪ **Develop Plan** ***a.*** Develop detailed project plan ***b.*** Refine project structure, communication flow and program overview documentation (as needed) ▪ **Develop Processes for Execution and Control** ***a.*** Manage and update the master plan ***b.*** Manage and update the detailed plans by project ***c.*** Manage and update issues ***d.*** Manage and escalate risks ***e.*** Manage scope and resources ***f.*** Control quality and approve deliverables ***g.*** Track budget to actuals ▪ **Educate the Team on all Planning Activities**

Execute	
Execute the project, and keep all activities within the project aligned. Manage the plans, issues, risks, quality, scope and budget. Communicate regularly to all necessary parties.	▪ **Execute Plan** ***a.*** Manage and update the project plan ***b.*** Manage budget ▪ **Execute Communications** ***a.*** Execute meetings ***b.*** Distribute project information to all necessary parties ▪ **Execute Control Processes** ***a.*** Issue management ***b.*** Risk management ***c.*** Scope management ***d.*** Quality assurance ***e.*** Budget management ***f.*** Resource management

Control	
Execute the necessary controls to ensure the project is running effectively. These controls include monitoring and managing issues, risks, resources, quality, scope and budget.	▪ **Monitor and Manage** ***a.*** Issues ***b.*** Risks ***c.*** Quality of deliverables ***d.*** Resources ***e.*** Scope changes ***f.*** Budget ▪ **Execute the Approval Processes** ***a.*** Scope changes ***b.*** Issue resolution ***c.*** Deliverable acceptance ▪ **Take Corrective Action Where Necessary** ***a.*** Quality or delivery issues ***b.*** Scope issues ***c.*** Budget issues ***d.*** Resource issues

Close	
Wrap up all necessary details from the project. Document lessons learned in preparation for future projects.	▪ **Document Lessons Learned** ▪ **Perform End of Project Quality Assurance Reviews** ***a.*** Deliverables ***b.*** Budget ***c.*** Issues ▪ **Perform Administrative and Contractual Closure** ***a.*** Project documentation and deliverables complete ***b.*** Final budget ***c.*** Vendor contracts

Project Management Practices

Throughout the project, Crowe used a number of project management practices to manage and control the project to successful completion. A brief synopsis of project management practices follows.

Work Plan Control

The project work plan (i.e., the schedule) was maintained throughout the project life cycle. The activities involved in managing and controlling the project work plan were as follows:

1. Initiated the project with the creation of a baseline project schedule (used for scheduling major activities, deliverables, and milestones). The work schedule was produced and maintained in MS Project.
2. Reviewed tasks and resource allocations on a weekly basis.
3. Updated the project schedule weekly by entering the percentage completion for each initiated task.
4. Attached the project schedule to the weekly status report.

Quality Assurance Process
Quality reviews were carried out for each key deliverable identified in the Project Charter. A record of all deliverable reviews was kept as an audit trail. In order to ensure quality of the project processes and deliverables produced, the following steps were taken:

1. All project deliverables were reviewed by Crowe internally before being delivered to team members external to Crowe for their review.
2. Crowe reviewed the feedback and comments provided by the Steering Committee members and revised the deliverable as appropriate.
3. Crowe collected and reviewed feedback and comments and revised the deliverable, as appropriate. Frequently, Crowe interacted with individuals to fully understand the feedback and ensure accuracy of the information.
4. Crowe provided the deliverables for review and approval.

Issues/Risk Management
Risks and issues were identified and managed through to resolution or non-impact on the project. Risks and issues, once identified, were investigated and resolved, or managed, during project meetings. The procedures were as follows:

1. Notify Project Manager of issue/risk immediately.
2. Document issue/risk and identify appropriate actions for resolution and target dates.
3. Notify the appropriate individual(s) or team(s) of issue/risk, as appropriate.
4. Reviewed issues/risks on a daily basis and pursue resolutions, as appropriate.
5. Closed issues when resolved.

Project Change Management
Crowe followed a Change Management process designed to maintain project scope and control without unduly restricting creativity and necessary project changes. The foundation for the Project Change Management process is based upon industry best practices as documented by the Software Engineering Institute's Capability Maturity Model Integration (CMMI) and the PMBOK. Changes to project scope, project assumptions, or accepted requirements or design were all candidates for the change management process. The critical results of change management include:

- Documented and understood scope, purpose, and benefit for the change;
- Documented evaluation of the impact to project cost, schedule, and/or scope; and
- Documented change decisions.

Resource Management
The Crowe Project Manager was responsible for managing Crowe resources and working with the SCO Project Manager to schedule the appropriate SCO SMEs and other project team resources needed to execute the project activities and achieve project milestones.

Communication Management
A Project Communications Plan was developed at the beginning of the project as part of the project charter to determine the communications necessary to maintain project alignment throughout the project. The Communications Plan included the identification of necessary communications, as well as the frequency, medium, format, and responsibilities for each communication.

Status monitoring and reporting is one critical element of communications. The project status was monitored and reported by the Crowe Project Manager, or designee in the Project Manager's absence. The purpose of status reporting was to keep the Steering Committee informed of significant project activities. The Crowe Project Manager provided weekly status reports to the Steering Committee on a designated day and time each week. The status report included, but was not limited to, the following:

- Brief description of completed activities from the previous week;
- Brief description of outstanding tasks and due date;
- Brief description of next activities and expected goals for the coming week; and
- Brief description of any concern, issues, and risks.