LAUSD

PAYROLL BEST PRACTICES REVIEW

Prepared by Andersen

April 2001
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NOTE: Appendices F, H, and I have been removed from the main report in order to protect proprietary information provided by the vendors. The appendices will be provided to LAUSD under separate cover.

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Executive Summary

This executive summary is organized by the following sections:

- Section I – Introduction and Report Format
- Section II – Project Methodology
- Section III – Key Observations and Findings
- Section IV – Recommendations and Action Items

Introduction and Report Format

The Los Angeles Unified School District (“LAUSD”) is the second largest school district in the nation servicing approximately 900,000 students a year. In order to meet the unique demands of a large student base, the district employs approximately 67,000 individuals at one of approximately 932 schools and centers as well as support locations such as maintenance facilities and administration offices. The salary expense for the fiscal year 2000-2001 is approximately half of the $8.8 billion-dollar budget for the district. The large volume of employees requires approximately 100,000 W-2’s to be issued annually and necessitates 1,388 reporting locations to report time and attendance information. More than 220 schools use one of two year-round school calendars. Different school calendars coupled with the varying methods of classification for employees, whether they are considered certificated (teaching) or classified/unclassified (non-teaching) or are assigned one of the 16 available bases, each contribute to an extremely complex pay structure for LAUSD. In addition, there are 13 bargaining units representing the employees, all of whom can potentially alter the pay structure. In spite of the challenges, LAUSD still manages to process a quality payroll for its many employees.

Project scope

LAUSD’s Office of Inspector General commissioned Andersen to perform a Payroll Best Practices Review for the purpose of comparing Best Practices to those practices used by LAUSD. The review involved three phases explained below.

**Phase I**
- Review & Document Current Procedures

**Phase II**
- Identify Alternatives & Conduct Feasibility Analysis

**Phase III**
- Payroll Best Practices & Benchmarking Analysis

Project Objectives

**Phase I**
- Survey and document existing LAUSD payroll procedures.
- Determine to what extent the existing payroll process supports LAUSD strategic goals.

**Phase II**
- Provide at least three third party payroll systems that are considered “Best Practices.”
  Performance benchmarks considered in assessing “Best Practices” include cost, productivity, process quality, head count, technology and structure.
• Determine the feasibility of implementing the payroll systems that are considered “Best Practices” within LAUSD, and define the organizational and process changes required for implementation.
• Determine the estimated costs of implementing the various payroll systems that are considered “Best Practices.”
• Assess the potential appropriateness and potential cost savings associated with outsourcing any portion of the LAUSD payroll operations to an outside vendor.

Phase III
• Document the payroll procedures and practices of several other school districts, including New York, Chicago, and San Diego.
• Provide data on the correlation between cost performance and identified “Best Practices.”
Report Organization and Format

The report is organized to be consistent with the above three phases. It is organized so that the main findings, issues, and recommendations are located within the main body of the report, and detailed observations and support are located in the appendices. The appendix section is also consistently organized with the above phases. References will be made throughout the report when appendices offer a more detailed discussion to a specific topic.

Phase I - Content

The main components of Phase I are as follows:
- Issue matrix for all major LAUSD payroll processes
- Discussion on main factors that add complexity to the LAUSD payroll
- Key statistics on payroll exceptions, adjustments, and reasons

Appendices associated with this section include:
- Appendix A: Current Environment Process Map and Best Practices Process Map
- Appendix B: LAUSD List of Individuals Interviewed
- Appendix C: Departmental Details
- Appendix D: LAUSD Pay Structure

Phase II - Content

The main components of Phase II are as follows:
- Payroll systems vendor analysis and associated costs
- Time and Attendance vendor analysis and associated costs
- Outsourcing vendor analysis and associated costs
- Return on investment analysis

Appendices associated with this section include:
- Appendix E: Time and Attendance Vendor Comparison Matrix
- Appendix F: Time and Attendance Vendor Cost Summaries and Scoring
- Appendix G: Payroll Vendor Comparison Matrix
- Appendix H: Payroll Vendor Cost Summaries and Scoring
- Appendix I: Outsourcing Vendor Cost Summaries and Scoring
- Appendix J: Outsourcing Vendor Comparison Matrix

NOTE: Appendices F, H, and I have been removed from the main report in order to protect proprietary information provided by the vendors. The appendices will be provided to LAUSD under separate cover.

Phase III - Content

The main components of Phase III are as follows:
- Methodology for Best Practices and Benchmarking
- Best Practices results
- Benchmarking results (LAUSD against other School Districts)
- Benchmarking results (LAUSD against other large private companies)

Appendices associated with this section include:
- Appendix K: Benchmarking Report (LAUSD against other School Districts)
- Appendix L: Benchmarking Report (LAUSD against Private Companies)
- Appendix M: Actual Global Time and Attendance Best Practices Cases
Appendix N: Actual Global Payroll Best Practices Cases
Appendix O: Actual Global Outsourcing Best Practices Cases
Appendix P: Best Practices School District Case Studies
Appendix Q: Diagnostic Tool
Appendix R: Additional School District Benchmarking Data
Appendix S: Organizational Change Management
Phase I Methodology: Review and Document Current LAUSD Payroll Procedures

As part of Phase I, Andersen surveyed and documented existing LAUSD payroll procedures. The documentation process includes a summary as to what extent the existing payroll process supports LAUSD strategic goals.

Key Methodologies and Procedures

The Andersen Universal Process Classification Scheme was utilized to identify and select specific payroll procedures for this review. The payroll procedures to be reviewed were assigned a process number. These process numbers were used to identify issues and findings associated with each process. This classification technique significantly improves the re-engineering process by identifying and highlighting issues associated with each process.

Once the necessary payroll procedures were determined, relevant information was gathered. Andersen utilized existing reports documenting the current LAUSD processes and procedures. In addition, interviews were conducted throughout the district in order to gain a better understanding of the process. Interviews were conducted in the following locations:

- Payroll Branch
- Business Accounting Branch
- Personnel Commission
- Human Resource Division
- Office of Inspector General
- Information Technology Division
- Various time reporting locations

The information was organized according to the assigned process numbers and analyzed according to the Best Practices review. The information was translated to a high-level process map to provide a general overview of data flow. The data flow map provides a good measure of the complexity of the entire payroll system.

Phase II Methodology: Identify Payroll Time and Attendance and Processing Systems Alternatives and Conduct Feasibility Analysis

Ten “Best Practices” payroll vendors and five time and attendance vendors were considered as potential solutions to LAUSD’s existing system. The performance benchmarks considered in assessing Best Practices include cost, productivity, process quality, head count, technology, and structure.

Key Methodologies and Procedures

A high level Request for Information (“RFI”) was developed and sent out to the leading vendors in the industry. In addition to general functional requirements that were not specifically tailored to LAUSD, the RFI contained company information, product information, technology information, public sector credentials, and references. The vendors responded to each of the functional requirements with either a “yes” (requirement can be met by product as delivered), “no” (requirement can not be met by product as delivered), or “partial” (requirement can be met partially by product as delivered).
The vendors’ RFI responses were then consolidated and analyzed. Each vendor received a score, by module, based on the numbers of yes, no, and partial answers provided in response to the functional requirements. Phase II includes a feasibility analysis of implementing the payroll systems that are considered “Best Practices” within LAUSD and definitions of the organizational and process changes required for implementation. The costs of implementation and related changes necessary to enable a new system were also estimated. All costs throughout the report are estimates only and are subject to change. Better estimates can only be obtained with further specific analysis of the processes and a review of union contracts. Details regarding the costs for each vendor are included as Appendices F and H.

Phase III Methodology: Payroll Best Practices and Benchmarking Analysis

As part of this Phase, Andersen gathered actual Global Payroll Best Practices from leading organizations and compared them against the current processes at LAUSD. The results of this exercise provide the management with key areas to focus and target for improvement.

For each Global Payroll Best Practices, LAUSD was rated as follows:

• Opportunity for Improvement
• Currently Done Well

Andersen Global Best Practices® benchmarking tools provide a means to systematically measure organization performance against an outside group, for example, other business organizations in the Andersen KnowledgeSpace® or by developing a customized industry and process specific database. Benchmarking allows an organization an opportunity to uncover weaknesses in its performance and lead to areas to target for improvement.

Key methodologies and procedures

A knowledge base consisting of experiences from other companies and school districts is a valuable resource in capturing qualitative and quantitative information. A Diagnostic Payroll Tool was used to identify areas for improvement and enabled Andersen to assess the organization’s performance. This tool also allowed Andersen to benchmark LAUSD’s performance against other companies and school districts. The Diagnostic Payroll Tool was used to measure LAUSD’s performance relative to two groups on various cost, time, and quality measures. This initial assessment, together with our understanding of the payroll process and the Best Practices, will help focus on the most effective approach to process improvement.

The Diagnostic Payroll Tool was delivered to various large school districts as selected by LAUSD, and a comparison group was created from the responses. LAUSD performance measures were compared against both the school district comparison group and a multi-industry comparison group from the database of previous respondents within the Global Best Practices knowledge base. A comprehensive analysis was created from both comparisons. A chart of LAUSD’s benchmarked scoring is attached to this summary report.
Key Observations and Findings

Phase I: Current Payroll Procedures Observations

Through the Best Practices review, Andersen was able to conclude three general observation statements regarding the LAUSD payroll process. Below are the general observations followed by specific observations and discussion points as support. The specific observations do not encompass all observations by Andersen but are the most significant. Please refer to Phase I of the report for a complete listing of observations and key issues by payroll process complied by Andersen.

General Observations

1. The overall pay structure of LAUSD is complex, contributing to inefficiencies in calculating payroll and errors in employee’s pay.
2. There are technological limitations used to support the payroll process resulting in inefficiencies in the payroll processes.
3. The payroll process is affected by several departments, locations, and functions within LAUSD including the Human Resource Division, the Personnel Commission, and time reporters.

Specific Observations and Discussion

1. The overall pay structure of LAUSD is complex, contributing to inefficiencies in calculating payroll and errors in employee’s pay.

LAUSD pays seven major types of employees; full time classified, part time classified, substitute classified, full time certificated, part time certificated, substitute certificated, and part time unclassified. These seven categories can be paid on varying payment schedules. Classified and unclassified employees can be paid as worked or can be paid Earned Salary Allowances (“ESA”). Certificated employees can be paid as worked, 12 or 13 equal payments, or 13thly. Each of the above possibilities adds complexity to the payroll processing. In addition, there are approximately 80 earning codes that are processed differently. Some codes are for normal payment, some codes earn benefits with no payment, some codes earn payment with no benefits, some payment codes are paid at half pay, some payment codes are paid at time and half, and some payment codes, depending on payment type, (12 or 13 equal payments, or 13thly) must be calculated distinctly.

Due to union contracts, teachers are permitted to submit salary credits at any time during the year, rather than by a specific due date consistent to most other school districts. This policy creates additional work for the payroll branch, who must provide the teacher retroactive pay for the salary credit. This creates a problem if the teacher submits the credits very late in the year, thereby requiring several months of manual retroactive calculations to be made. The large number of certificated employees in the district, approximately 48,000, amplifies the problem.

There are exponential ways in which to pay the certificated and classified/unclassified employees of LAUSD. First, the certificated employees can be placed on up to 16 different assignments, 3 calendars, 5 tracks, 4 bases, and 9 different salary tables. The classified/unclassified employees can be placed on 14 different assignments and can have 3 shift differentials. Both groups of employees have 4 options of salary payment. There are also a multitude of status codes and time reporting codes. This variety creates time reporting difficulties and potentially increases the amount of errors. The complexity is a significant issue after a contract negotiation where the changes
cannot typically be applied across the board due to the complexity. In this instance, manual calculations must be made and significantly increases the payroll workload due to the large volume of employees.

There are over 13 bargaining agreements to which the LAUSD pay scale must conform. The large number of agreements imposes difficulties on the payroll application, which must be adaptable to all agreements. The time reporters and payroll branch staff must also be aware of the agreement terms. The multitude of policies under the bargaining agreements potentially creates by those not familiar with the agreements and further cause inefficiencies in technological support.

At least 9 payrolls must be processed each pay cycle, which is approximately a one-month period, in order to support the complexities of the pay structure. There are currently five supplemental payrolls per pay cycle where the primary purpose of the supplemental payroll is to capture corrected errors for payment to employees. One supplemental has recently been added to meet statutory payment deadlines and prevent interest penalties for certificated employees.

Those teachers who are on calendars and tracks that allow off-track time are permitted to annualize their salary for the year so that they may receive a paycheck even in the off-track time. The annualization is based on the amount of off-track time, and the annualization calculation can vary due to many calendar and track combinations. The annualization poses a problem when a teacher either leaves the district or changes calendars or tracks mid-year. This occurs frequently and always results in the teacher being overpaid or underpaid. This requires the payroll branch to perform either a manual retroactive calculation pay or to perform an overpayment collection process.

ITD is required to run various processes and interfaces to accommodate the cancellation, redraw, emergency payment, and cash receipts.

2. There are technological limitations used to support the payroll process resulting in inefficiencies in the payroll processes.

There is a delay of relevant information between the Human Resource System ("HRS") and the Payroll Time Reporting System ("PTRS") due to the lack of integration between the two systems. Currently there is a batch process that occurs nightly for all updates. This is significant since employee assignment information must pass from HRS to PTRS before a new employee’s reported time can be paid. This limitation creates situations, especially at the beginning of the year, in which new employees do not receive paychecks. Also, any changes in employee information including assignment and salary information, which must be entered through HRS, can be delayed in passing into PTRS resulting in a possible incorrect pay to the employee.

Duplicate entries of employee information occur during the payroll process. Both the Human Resource Division and the Personnel Commission have stand-alone systems, such as the Teacher Assignment System ("TAS") used by Human Resources, that store basic employee information. The system is not integrated with the current HRS, which both divisions use to input employee assignments once hired by the district. If integrated, basic employee information, such as name, address, and social security number, could transfer from the stand-alone systems to HRS, reducing the amount of time and potential errors associated with the double entry of information.

The Information Technology Division spends a large amount of time processing requested application changes. The division receives over 500 requests per year. The requests are due to the complicated pay structure that is ever changing and requires
constant application edits. The requests are also due to the outdated processing systems. These application changes exhaust valuable labor time, which could be allocated on a more proactive level, such as installing new technology throughout the district.

Limited online availability of information in HRS and PTRS by the payroll technicians restricts their ability to efficiently resolve errors. First, the technicians have only limited online access to view time reporting data in PTRS as well as employee information in HRS. The technicians must be able to view this information in order to resolve some kinds of errors. Limited viewing capabilities inhibits their error resolution time. Error resolution time is also delayed because some errors require the completion of cards that must be manually inputted by ITD to correct the error. This process slows the correction process and potentially causes more errors in the card completion and data entry process.

In addition, due to a lack of systems integration and to manual time and attendance procedures, large amounts of adjustments occur. The payroll branch verifies approximately 15,000 adjustments per pay cycle or 195,000 annually.

3. The payroll process is affected by several departments, locations, and functions within LAUSD: the Human Resource Division, the Personnel Commission, and time reporters.

Human Resource Division and Personnel Commission

The Human Resource Division and Personnel Commission are responsible for entering employee assignment information into HRS. This information is then passed to PTRS so that the time reporter may report time for the new employee. Due to staff limitations or missing information at the Human Resource or Personnel level, delays in assignment data entry can prevent new employees from receiving paychecks during the first few weeks of their employment. The manual process of hiring can also contribute to the delay of assignment delegation. In addition, the double entry of basic employee information for the assignment also stalls the process due to the lack of integration between the stand-alone systems, such as TAS, and HRS.

Newly certificated employees may receive lower pay for a period when first hired by the district. Currently, there is a backlog in the salary evaluation group of up to five months. The salary evaluation process is a manual process partly due to the convoluted pay structure of LAUSD. Teacher’s credentials must be evaluated, and the pay structure allows varying ways in which to pay the employees. Recently the Human Resource Division installed a document management system to streamline the salary evaluation process. As the staff’s proficiency grows, district officials estimate that the backlog could be resolved by June 2001.

Time and Attendance Reporters

Since time is tracked manually, the time reporters must physically look through all sign in/out cards for the certificated employees and classified/unclassified employees before determining which employees were late. It is time consuming for a time reporter to monitor the arrival times of every employee. Some time reporters estimate that they spend approximately 40 hours per month monitoring and processing time data. Also, employee tardiness cannot be easily tracked for a supervisor to readily view the number of instances where an employee was late. Some schools attempt to track the tardiness in an Excel spreadsheet, which is time consuming.
It is possible that with the current system of manually signing in and out for classified employees, a second employee could sign in and out for two individuals. In time reporting areas with large numbers of employees, it could be more difficult to closely monitor sign in/out practices.

The time reporters are subject to variables within the reporting location. The time reporters have no influence over the completion or correctness of the time information from the variables. These variables include areas such as the cafeteria, where the employee’s time is collected by the cafeteria supervisor and submitted to the time reporter. Another variable is extra work performed by teachers. Typically, the extra work requires special assignment slips with an authorized signature allowing the teacher to be paid for the extra work. Examples of extra work are off-site meetings and tutoring. Occasionally the teacher never receives these slips, or they are received by the teacher but are not immediately given to the time reporter. These variables cannot be controlled by the time reporter but will cause errors in payroll entry.

Time reporters, occasionally, must apply overtime rules since there is no automated system to capture an employee’s time and calculate applicable overtime. Even though the time reporters have access to the Payroll Concepts Manual, the intricacy of overtime rules can create potential errors in reporting since these rules are subject to interpretation by a multitude of time reporters. This can result in inconsistent application of the overtime laws.

Manual processes also contribute to possible duplicate payments to an employee. This situation can occur when a manual payment is made to the employee, which is not yet posted and then an adjustment is made by the time reporter, therefore paying the employee twice. It can also occur when an employee leaves one location for a new location and both locations report the time for the whole pay period. Another reason includes the possible oversight by the payroll technicians. Due to the extremely large number of exceptions that the payroll branch must resolve, it is possible for some errors to be missed.

Summary of Annualized Exceptions and Adjustments

The need for change in the current system is best exemplified by a review of the current error rates associated with payroll processing. As noted above, these errors have multiple sources and are a result of processes within different departments of LAUSD including the payroll department. The correction of these errors involves many people, including all the sections of the payroll branch, ITD, and time and attendance locations.

Although most errors are not created within the payroll branch, the branch is mainly responsible for the correction of errors. The payment section processes most payment exceptions that are errors rejected by pay process. The section also handles telephone and in-person inquiries from time reporters, employees and outside agencies. The exceptions usually require an adjustment to the employee’s pay. Exceptions affecting deductions or retirement contributions are typically processed by the deduction control section. The training and customer service section handles regular employee inquiries. The accounting and communication section handles any substitute employee inquiries and corrects the exceptions from the File Update System. Those inquiries that cannot be answered within the respective section will be logged and delegated to either the payment section or deduction control section depending on the type of error.
Another large area of work for the payroll branch is adjustments, which are time and attendance changes entered by the time reporters after the payroll has been processed and paid. These adjustments are usually to correct time and attendance entries.

The summary on the following page depicts the allocation of adjustments verified by the payroll branch and exceptions researched and worked. The payroll branch addresses adjustments and exceptions by conducting additional payroll runs immediately following a major payroll run. Approximately 195,000 adjustments and 48,000 exceptions occur per year, requiring a majority of time from the 135 employees of the payroll branch. A conservative estimate of man-hours spent per year for adjustments would be 48,750 hours, assuming 15 minutes was required per adjustment. An estimate for man-hours spent on exceptions would total 24,000 hours, assuming 30 minutes per adjustment was required. Clearly, a significant saving of man-hours is possible if overall payroll exceptions and adjustments are reduced.
<table>
<thead>
<tr>
<th>Annualized Totals for Adjustments and Exceptions per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Employees Requiring Adjustments per Year</strong></td>
</tr>
<tr>
<td>Adjustments</td>
</tr>
<tr>
<td>Total Adjustments per Year</td>
</tr>
<tr>
<td>(approximate paychecks issued per year: 871,000)</td>
</tr>
<tr>
<td><strong>Exceptions per Year</strong></td>
</tr>
<tr>
<td><strong>Major Payroll – Certificated</strong></td>
</tr>
<tr>
<td>Exception Type</td>
</tr>
<tr>
<td>Overpayment</td>
</tr>
<tr>
<td>Separated Employee</td>
</tr>
<tr>
<td>Termination Date</td>
</tr>
<tr>
<td>Jury Duty</td>
</tr>
<tr>
<td>No Assignment</td>
</tr>
<tr>
<td>Filler Time</td>
</tr>
<tr>
<td>Zero or Negative</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Major Payroll – Classified</strong></td>
</tr>
<tr>
<td>Exception Type</td>
</tr>
<tr>
<td>No Assignment</td>
</tr>
<tr>
<td>Zero or Negative Amount</td>
</tr>
<tr>
<td>Termination Date</td>
</tr>
<tr>
<td>Separated</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Supplemental Payrolls</strong></td>
</tr>
<tr>
<td>Exception Type</td>
</tr>
<tr>
<td>Overpayment</td>
</tr>
<tr>
<td>Rejection</td>
</tr>
<tr>
<td>No Assignment</td>
</tr>
<tr>
<td>Negative</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>GRAND TOTAL: All Payroll Exceptions per Year</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Phase II – Payroll and Time and Attendance Processing Systems Solutions

The following vendors were selected as Best Practices solutions in alphabetical order:

<table>
<thead>
<tr>
<th>Time and Attendance Payroll Systems Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADP Lawson ADP</td>
</tr>
<tr>
<td>Konetix Oracle ProBusiness</td>
</tr>
<tr>
<td>Kronos PeopleSoft</td>
</tr>
<tr>
<td>Simplex SAP AG</td>
</tr>
</tbody>
</table>

The estimated costs of a payroll ERP system, time and attendance devices, and outsourcing are summarized in the following table:

<table>
<thead>
<tr>
<th>Time and Attendance</th>
<th>Payroll Systems</th>
<th>Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.8 – $24.5 million</td>
<td>$3.3 – $8.9 million</td>
<td>$4.3 – $9 million</td>
</tr>
<tr>
<td>Estimated Implementation Time 12-24 months</td>
<td>Estimated Implementation Time 24 to 36 months</td>
<td>Estimated Implementation Time 15 to 18 months</td>
</tr>
</tbody>
</table>

NOTE: Specific vendor prices will be given to LAUSD separately upon request due to competitive pricing and confidentiality issues.

The Time and Attendance costs listed above include the following:

- Variety of devices (PC Time Clock, Badge readers, Bio-metric)
- Software
- Installation
- Training
- Interfaces
- Annual maintenance and licenses
- Implementation
- Project management consulting
- Ongoing software and hardware maintenance

The Payroll Systems costs listed above include the following:

- Payroll module
- Human Resources module
- Benefits Administration module
- Employee Self-Service
- Other (tool kit, training product, and development tools)
- Annual maintenance and licenses
- Implementation consulting
- Training

In addition, in order for an implementation of this size and complexity to be successful, outside project management and implementation consulting will be required. Andersen, based on its prior experiences, has estimated implementation costs for the payroll systems to be approximately $10 to $14 million and the estimated cost of implementation for time and attendance devices to be approximately $1.5 to $2 million.
The costs for the Outsourcing solution above assumes that LAUSD will outsource the following processes:

- Payroll processing
- Production of paychecks and direct deposits
- Tax compliance
- Production of annual returns (W-2’s)
- Interface to LAUSD accounting system
- Interface to LAUSD time and attendance system
- Interface to LAUSD HRMS
- Self Service
- Miscellaneous Government Reporting

The costs for the Outsourcing solution include the following:

- Implementation transition
- Training
- Interface and customization
- One time cost for Employee Self Service Module
- Licenses
- Maintenance
- Processing recurring fees for Outsourcing services

NOTE: The costs represent retail value and the vendors did not apply discounts. LAUSD should be able to obtain better prices due to its size and visibility as a potential client for the vendors.

In summary, the following page represents the estimated savings that can be obtained by implementing an automated time and attendance solution:
What can Automated Timekeeping Save your Company?

Complete this form by entering information in the blank boxes.

<table>
<thead>
<tr>
<th>Company</th>
<th>LAUSD</th>
</tr>
</thead>
</table>

**SOFT SAVINGS**

**Auditing Savings**

<table>
<thead>
<tr>
<th>Number of Hourly Employees</th>
<th>48,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minutes Saved Per Card</td>
<td>5</td>
</tr>
<tr>
<td>Total Pay Period Minutes Saved</td>
<td>240,000</td>
</tr>
<tr>
<td>Total Pay Period Hours Saved</td>
<td>4,000</td>
</tr>
<tr>
<td>Hourly Rate of School Administrative Assistant (SAA)</td>
<td>$18.70</td>
</tr>
</tbody>
</table>

**Annual SAA Labor Savings** $3,889,600.00

**HARD SAVINGS**

**Lost Time Savings**

<table>
<thead>
<tr>
<th>Lost Productivity Per Day</th>
<th>minutes: 12 0.2 hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Employee Hourly Rate</td>
<td>$7.50</td>
</tr>
<tr>
<td>Average Wages Overpaid Daily/Employee</td>
<td>$1.50</td>
</tr>
<tr>
<td>Average Wages Overpaid Weekly/Employee</td>
<td>$8</td>
</tr>
<tr>
<td>Total Number of Hourly Employees</td>
<td>48,000</td>
</tr>
</tbody>
</table>

**Annual Wages Overpaid** $18,720,000

**Human Error Factor Savings**

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>48,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Hourly Rate</td>
<td>$5</td>
</tr>
<tr>
<td>Average Pay Period Hours Worked</td>
<td>40</td>
</tr>
<tr>
<td>Total Weekly Payroll (Gross Estimate)</td>
<td>$9,600,000</td>
</tr>
<tr>
<td>Human Error Factor</td>
<td>0.01</td>
</tr>
</tbody>
</table>

**Annual Human Error Savings** $4,992,000

**Savings Summary**

**SOFT SAVINGS**

<table>
<thead>
<tr>
<th>Auditing Savings</th>
<th>$3,889,600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Soft Savings</td>
<td>$3,889,600</td>
</tr>
</tbody>
</table>

Manual time cards take approx. 7 min. per employee to prepare. Automated systems require 1 min. or less for verification of data. SAA’s are responsible for the initial auditing of time sheets.

An employee is overpaid an average of 3 hours each week. This example assumes 1 hour/week would be saved (12 min. day) (It could be higher). The human error rate for manual time card calculations range between 1% and 8%. This example assumes a rate at the low range, of only 1%. 

xvi
### HARD SAVINGS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost Time Savings</td>
<td>$18,720,000</td>
</tr>
<tr>
<td>Human Error Savings</td>
<td>$4,992,000</td>
</tr>
<tr>
<td><strong>Total Hard Savings</strong></td>
<td><strong>$23,712,000</strong></td>
</tr>
</tbody>
</table>

| Total Annual Savings      | **$27,601,600** |

LAUSD is losing $106,160 daily or $2,300,133 monthly

Following estimates are based on studies performed by the American Payroll Association and Robert Half, Int'l:
- Time to prepare manual time cards.
- Time taken by automated systems to prepare time sheets.
- Hours employees are overpaid on average.
- Human error rates.

NOTE: Although Konetix, Inc. developed this chart, the figures and information inputted was compiled by Andersen.
Phase III- Payroll Best Practices and Benchmarking Results

The process of benchmarking means to systematically measure organization performance against an outside group, for example, other business organizations in the Andersen KnowledgeSpace. Benchmarking allows an organization an opportunity to uncover weaknesses in its performance and lead to areas to target for improvement. Below is a summary of how LAUSD measures up to other School Districts, and other Industries in pertinent areas associated with a payroll review. It should be noted that the following benchmarking results do not consider the complexities of the pay structure of the other school districts nor the various bargaining agreements. A more detailed report with calculations is located in Appendices K and L. The Diagnostic Tool located in Appendix Q will provide information on the definition of items being measured in the comparison below.

### LAUSD and Other Unified School District Score Comparisons

#### Cost Statistics

<table>
<thead>
<tr>
<th></th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll cost as percent of revenue</td>
<td>0.129%</td>
<td>0.046%</td>
<td>0.129%</td>
<td>0.339%</td>
</tr>
<tr>
<td>Total payroll cost per paycheck ($)</td>
<td>6.51</td>
<td>0.99</td>
<td>3.27</td>
<td>15.78</td>
</tr>
<tr>
<td>Payroll systems cost per paycheck ($)</td>
<td>2.18</td>
<td>0.00</td>
<td>0.88</td>
<td>3.22</td>
</tr>
<tr>
<td>Payroll labor cost per paycheck (A/P or other process) ($)</td>
<td>4.09</td>
<td>0.84</td>
<td>1.61</td>
<td>6.89</td>
</tr>
</tbody>
</table>

#### Employee Statistics

<table>
<thead>
<tr>
<th></th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total annual payroll cost per employee ($)</td>
<td>87.94</td>
<td>49.27</td>
<td>72.46</td>
<td>189.37</td>
</tr>
<tr>
<td>Direct deposit percentage</td>
<td>63.00%</td>
<td>95.70%</td>
<td>63.90%</td>
<td>46.10%</td>
</tr>
</tbody>
</table>

#### General Statistics

<table>
<thead>
<tr>
<th></th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Span of control (Ratio)</td>
<td>3.55</td>
<td>18.00</td>
<td>8.10</td>
<td>2.50</td>
</tr>
<tr>
<td>Payroll personnel per thousand employees</td>
<td>1.3</td>
<td>0.6</td>
<td>1.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Payroll personnel (FTE's) per 100 million in revenue</td>
<td>1.9</td>
<td>0.9</td>
<td>3.5</td>
<td>13.2</td>
</tr>
</tbody>
</table>

#### Processing Statistics

<table>
<thead>
<tr>
<th></th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of paychecks processed per FTE</td>
<td>10,362</td>
<td>40,479</td>
<td>9,289</td>
<td>1,115</td>
</tr>
<tr>
<td>Average time to resolve errors (elapsed time)</td>
<td>48.0</td>
<td>0.8</td>
<td>8.0</td>
<td>48.0</td>
</tr>
<tr>
<td>Time card and data preparation error rate</td>
<td>17.708%</td>
<td>0.046%</td>
<td>0.449%</td>
<td>17.708%</td>
</tr>
<tr>
<td>Payroll processing error rate</td>
<td>5.458%</td>
<td>0.018%</td>
<td>0.074%</td>
<td>1.818%</td>
</tr>
<tr>
<td>Employee database and payroll change error rates</td>
<td>6.784%</td>
<td>0.150%</td>
<td>2.188%</td>
<td>20.513%</td>
</tr>
</tbody>
</table>

#### System Statistics

<table>
<thead>
<tr>
<th></th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of manually processed checks</td>
<td>0.532%</td>
<td>0.037%</td>
<td>0.455%</td>
<td>4.121%</td>
</tr>
</tbody>
</table>
## Cost Statistics

<table>
<thead>
<tr>
<th></th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll cost as percent of revenue</td>
<td>0.129%</td>
<td>0.001%</td>
<td>0.094%</td>
<td>0.988%</td>
</tr>
<tr>
<td>Total payroll cost per paycheck ($)</td>
<td>6.51</td>
<td>0.24</td>
<td>5.52</td>
<td>28.28</td>
</tr>
<tr>
<td>Payroll systems cost per paycheck ($)</td>
<td>2.18</td>
<td>0.00</td>
<td>0.47</td>
<td>4.57</td>
</tr>
<tr>
<td>Payroll labor cost per paycheck (A/P or other process)</td>
<td>4.09</td>
<td>0.16</td>
<td>3.63</td>
<td>18.60</td>
</tr>
</tbody>
</table>

## Employee Statistics

<table>
<thead>
<tr>
<th></th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total annual payroll cost per employee ($)</td>
<td>87.94</td>
<td>26.44</td>
<td>157.04</td>
<td>771.06</td>
</tr>
<tr>
<td>Direct deposit percentage</td>
<td>63.00%</td>
<td>100%</td>
<td>70.8%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

## General Statistics

<table>
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<td>18.3</td>
</tr>
<tr>
<td>Payroll personnel (FTEs) per 100 million in revenue</td>
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<td>0.0</td>
<td>1.5</td>
<td>23.6</td>
</tr>
</tbody>
</table>

## Processing Statistics

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Average number of paychecks processed per FTE</td>
<td>10,362</td>
<td>73,125</td>
<td>9,264</td>
<td>500</td>
</tr>
<tr>
<td>Average time to resolve errors (elapsed time)</td>
<td>48.0</td>
<td>0.0</td>
<td>4.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Time card and data preparation error rate</td>
<td>17.708%</td>
<td>0.014%</td>
<td>0.888%</td>
<td>30.000%</td>
</tr>
<tr>
<td>Payroll processing error rate</td>
<td>5.458%</td>
<td>0.008%</td>
<td>0.192%</td>
<td>5.000%</td>
</tr>
<tr>
<td>Employee database and payroll change error rates</td>
<td>6.784%</td>
<td>0.042%</td>
<td>2.500%</td>
<td>40.000%</td>
</tr>
</tbody>
</table>

## System Statistics

<table>
<thead>
<tr>
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<tbody>
<tr>
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<td>0.532%</td>
<td>0.000%</td>
<td>0.562%</td>
<td>8.696%</td>
</tr>
</tbody>
</table>
Global Payroll Best Practices Results

As a result of the benchmarking and review of LAUSD’s current system, the following Global Best Practices were evaluated for their current usage and opportunity for improvement.

<table>
<thead>
<tr>
<th>Global Best Practices</th>
<th>Currently Done</th>
<th>Opportunity for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time and Attendance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Use of electronic devices to capture time worked electronically.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>B. Require employees to submit their time and attendance electronically.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>C. Use exception time reporting for a majority of the employees.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>D. Link automated time and attendance reporting to organization’s payroll or human resources management system.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>E. Hold employees accountable for their time and attendance data.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Payroll</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Process non-pay affecting changes in off peak times.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>G. Investigate and clear non-system exceptions through the originating department.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>H. Use one central source for payroll and human resources related information needs.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>I. Use a payroll system that is easy to query, easy to change, and easy to access throughout the relevant departments within the organization.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>J. Reimburse employee expenses through the regular payroll, not as a separate accounts payable check.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>K. Strive to pay 100 percent of employees electronically.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>L. Use an Employee Self-Service vehicle to decentralize data entry and increase access to information.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>M. Use the number and length of payroll cycles that minimize payments per month while meeting employee needs.</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Conclusion

LASUD Goals for 2000 – 2001

- Focus on improving student achievement, especially in reading at this time.

- Effectively allocate resources for more and better professional development for teachers, more and better materials for classroom instruction, and better support for and monitoring of instruction.

- Engage all parents in the mission of educating their children, and provide more local community control over the schools by restructuring the District into 11 Local Districts.

- Provide for better use of resources and faster, more cost effective construction of facilities.

Source: LAUSD

Discussion

Clearly, inefficiencies within the current cumbersome LAUSD payroll process hinder LAUSD’s ability to reach its goals and achieve effective allocation and use of district resources. These inefficiencies are caused mainly from a complex pay structure, weak technological support, multiple departments’ influence, other than the payroll branch, over the payroll process, and a manual pay process. The significant inefficiencies include multiple errors to the payroll which require much labor to correct, a delay in relevant information due to the nonintegrated systems, and financial resources spent on interest payments for errors not corrected timely. Please refer to the full report for additional details related to the current LAUSD payroll. These inefficiencies deplete labor and financial resources from the district that could otherwise be used by the district to meet their strategic goals. A reengineering of the payroll process would free valuable labor and financial resources that could be used to facilitate LAUSD’s ability to achieve its goals.

Although a great deal of work is performed prior to paycheck release to ensure that employees receive the correct pay, incorrect or missing paychecks still occur every pay cycle. In addition, due to the work performed prior to paycheck release, some employees are not aware of the errors made to their paychecks; however, the occurrence of errors still creates labor and resource inefficiencies within the district. The district averages approximately 195,000 adjustments and 48,000 worked exceptions per year, requiring both labor and financial resources that could otherwise be used for more proactive activities to align the district with their strategic goals.

The payroll branch addresses adjustments and exceptions by conducting additional payroll runs immediately following a major payroll run. The adjustments and exceptions require a majority of time from the 135 employees of the payroll branch. A conservative estimate of man-hours spent per year for adjustments is 48,750 hours, assuming 15 minutes is required per adjustment. An estimate for man-hours spent on exceptions is 24,000 hours, assuming 30 minutes per adjustment is required. Clearly, a significant saving of man-hours is possible if overall payroll exceptions and adjustments are reduced. In addition to man-hour savings, the district could save approximately $27 million per year due to a reduction of time spent preparing and verifying time data and to a reduction of overpaid time.
Recommendations and Action Items

Changing the way a company performs a business process generally requires both human and financial resources dedicated to the task over a period of time. Few companies are willing to invest the time and effort unless the investment produces a significant, worthwhile result. The first step on the way to progress is to perform a benchmarking study. Benchmarking provides an effective method of measuring the performance of key processes. The measures of success listed in Phase III of this report can help LAUSD demonstrate the results of applying these in practice. Selecting one or more of these measures can help in setting a realistic yet ambitious benchmark for success. It is recommended to start measuring the company’s performance before implementing a Best Practices plan of action. This allows the companies to set their progress from the start. As the company continues to measure its level of performance at regular intervals, the initial measurement provides a baseline for charting the company’s progress toward its targets.

LAUSD has already achieved the first step towards improvement of the payroll process by engaging Andersen to perform the benchmarking study and Best Practices review. The following recommendations and action items are based on observations during the Best Practices review of the current LAUSD policies and procedures, the review of the payroll and time and attendance vendor analysis, and the benchmarking surveys.

**Recommendations**

A. *Take measures to reduce the complexity of the pay structure*

Estimated time to implement: Ongoing

Dependencies: Ability to negotiate with employee unions

**Action Items**

1. Form a committee to determine the most complex pieces of the pay structure
2. Develop a strategy in regards to union negotiations with the purpose to reduce the complexity
3. Follow through on strategy action steps in union negotiations

B. *Take measures to improve certain payroll processes in order to reduce the error rate and number of employee inquiries*

Estimated time to implement: 6 months - 1 year

Dependencies: Ability to manage change in regards to staff within LAUSD and the ability to streamline the pay structure.
**Action Items**

1. Develop a process reengineering strategy
   - Enhance the workflow between departments to reduce duplicate entries
   - Determine the most troublesome error issues from those provided in the Phase I section of this report
   - Set a realistic goal to reduce the agreed upon error issues by say X percent
   - Develop a strategy to reduce the error rate, which can include holding time reporters more accountable and instilling a proactive initiative in employees
   - Develop better documentation for the key functions of time and attendance
   - Develop payroll process maps to aid in the implementation of Phase II

2. Reduce the amount of errors
   - Implement procedures to hold time reporters and principals more accountable for the correctness of the payroll submitted
   - Develop a method of tracking the number of exceptions and adjustments by reporting location
   - Establish a grading scale to determine the performance of locations
   - Establish consequences for reporting locations that perform poorly
   - Establish a supervisory role to continuously monitor the performance of reporting locations
   - Ensure that established consequences are carried through
   - Implement procedures to instill a proactive initiative amongst employees regarding the correctness of their pay
   - Create a proactive troubleshooting communication documenting the causes for common errors, with the intent to create a means of allowing employees the ability to determine the cause and resolution of errors in their paychecks
   - Distribute the communication as an attachment to employee’s paychecks

4. Implement procedures to ease employee inquiry
   - The above two steps will help ease employee inquiry as the number of exceptions should drop.
   - Create a central location whereby time reporters and employees can obtain answers to fairly common and simple questions, such as a website.
   - Install better communication with employees on how to resolve errors. The troubleshooting communication should help in this area.

**C. Implement a Best Practices Time and Attendance solution**

Estimated time to implement: 18-24 months

Dependencies: Can be initiated in conjunction with A above.

**Action Items**

1. Communicate the project purpose and value throughout the organization. Ensure the buy-in of key stakeholders including:
   - Senior Management
   - Teachers
• Unions
• Other employees

2. Develop a budget and obtain the buy-in to support the implementation of the initiative, which includes, but is not limited to:
• Software license costs
• Hardware costs
• Implementation costs
• Support and maintenance costs

3. Gather the detailed requirements specific to LAUSD’s time & attendance needs. This would include the development of the following:
• Detailed functional requirements
• Detailed hardware requirements (i.e. analysis of device options, optimal configuration, etc.)

4. Select a professional services firm to provide project oversight for the implementation of the time & attendance solution. The benefits of the project oversight will include but are not limited to:
• Experience in managing and implementing large and complex systems in order to deliver the implementation on time and within budget
• Experience in working with and managing third-party vendors and contractors
• Experience in managing change in organizational culture

5. Develop a detailed Request for Proposal (RFP) to be submitted to the four time & attendance vendors. The RFP will include the following:
• Project Purpose and Objectives
• Project Guidelines
• Detailed Requirements and Responses

6. Select a time and attendance vendor

7. Develop an implementation plan detailing the tasks, major milestones, timeline, and responsible resources

8. Perform a system ‘Proof of Concept’ early in the design phase to test the system’s effectiveness and feasibility. This should include a representative sample of the district’s employees located at:
• Schools
• Offices
• Maintenance facilities
• Transportation facilities
• Training facilities

9. Assess the success of the Pilot by taking note of lessons learned. Assessment should focus on:
• Technical issues
• Process issues
• User feedback
D. Develop a strategy to integrate payroll, benefits, and human resources data in one central information system

Estimated time to implement: 24 – 36 months

Dependencies: Dependent on strategy resulting from C.

Action Items
1. Develop the approach, scope, objectives, and critical success factors for the initiative, taking into consideration the following:
   • Integration with Time and Attendance
   • Integration with Employee Self-Service
   • Integration with Student Information System

2. Develop an information technology plan to support the strategy, which includes, but is not limited to:
   • IT vision and objectives
   • Infrastructure design and strategy
   • Support and maintenance objectives

3. Educate senior management to ensure their ongoing sponsorship of the initiative

4. Develop a budget and obtain the buy-in to support the implementation of the initiative, which includes, but is not limited to:
   • Software license costs
   • Hardware costs
   • Implementation costs
   • Support and maintenance costs

5. Conduct a detailed system selection of the four Best Practices solutions, which includes, but is not limited to:
   • Detailed requirement gathering (specific to LAUSD)
   • Detailed Request for Information
   • Detailed demonstration scripts
   • Detailed gap analysis
   • Detailed vendor scorecard

   It is critical during the requirement gathering phase to determine which requirements are dictated by union contract agreements. This would be the time to consider business process changes to streamline processes prior to the implementation of the system. Negotiations for union contract agreements should be completed prior to the start of the implementation.

6. Select a Best Practice solution to implement and define the scope and objectives of the implementation

7. Select an Implementation Partner to jointly manage and implement the selected Best Practices solution. The benefits of an implementation partner include:
   • Experience in managing and implementing a large and complex systems to deliver the implementation on time and on budget
• Experience in recognizing and enabling change management and organization impact, on the human side of change
• Experienced consultants to assist with implementation planning, design, and build to start the project in the right direction and to minimize the learning curve

8. Issue a Request for Proposal as necessary

E. Implement an Employee Self-Service vehicle to decentralize data entry and increase access to information

Estimated time to implement: 6 months

Dependencies: At least 6 months after the implementation of D.

Action Items should be determined and assessed upon successful implementation of D.

F. Consider outsourcing selected payroll activities to an outside payroll services provider

Estimated time to implement: 1-2 months

Dependencies: Planning efforts can be concurrent with A and B.

Action Items
1. Determine the underlying mission of the Payroll Branch. Analyze the current activities to distinguish between core and non-core activities.

2. Determine the feasibility of outsourcing non-core activities given the restrictions by internal staffing requirements, human resources policies, and agreements with labor representatives. Services that may potentially be outsourced given these restrictions include:
   • Direct Deposits (if permitted by County Treasury)
   • Check Processing
   • Warrants drawn on County Treasury
   • Distribution of W-2’s
   • Miscellaneous government reporting and taxes
   • Employee Self-Service

Due to the nature of outsourcing, the District’s outsourcing strategy must be determined prior to developing a comprehensive strategy for an integrated payroll solution.
Summary of Recommendations

In order to better prioritize the necessary steps for LAUSD, the following table represents a summary of the previous recommendations and details the level of difficulty to implement the steps and the level of benefits of implementation.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Difficulty to Implement</th>
<th>Level of Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take measures to reduce the complexity of the pay structure</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
<tr>
<td>Take measures to improve certain processes within payroll in order to reduce the error rate and number of employee inquiries</td>
<td>LOW</td>
<td>HIGH</td>
</tr>
<tr>
<td>Implement Best Practices Time and Attendance solution</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
<tr>
<td>Develop a strategy to integrate payroll, benefits and human resources data in one central information system</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>Implement an Employee Self-Service vehicle to decentralize data entry and increase access to information</td>
<td>LOW</td>
<td>HIGH</td>
</tr>
<tr>
<td>Consider outsourcing selected payroll activities to an outside payroll services provider.</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
</tbody>
</table>

Benefits of Implementing Recommendations:

The reduction in the complexity of the pay structure would result in:

- The reduction of errors caused by issues such as annualized pay and multiple assignment, basis, track, and salary payment choices.
- A decrease in time spent by the payroll branch calculating retroactives and collecting overpayments due to the complexities.
- A decrease in the manual interest calculations saving both labor hours and money for the district.
- A decrease in time spent by the payroll branch adjusting for the changes brought on by new bargaining agreements.
- A decrease in ITD time spent processing changes to the program code to accommodate the ever-changing pay structure.

Installing time and attendance devices would:

- Eliminate large portions of the current manual process, thereby reducing errors in the collection and data entry of time, which typically result in no payment or incorrect payments to employees.
- Reduce the potential for employee abuse.
- Reduce the payroll processing time allowing ITD staff to perform other district projects.
• Increase the accuracy of data, reducing errors and increasing the number of correct paychecks.
• Lower payroll labor costs.
• Allow for a more productive use of time and attendance and payroll branch personnel.

Installing an integrated payroll, benefits, and human resource systems would:
• Reduce errors caused by the delay of information between HRS and PTRS such as missing assignments.
• Provide clean and current data between the previously stand-alone systems by allowing information to pass freely between the systems, therefore significantly reducing the possibility of incorrect or late information and reducing paycheck errors.
• Reduce the error resolution time by allowing the payroll branch to view more information regarding paychecks. This would allow errors to be resolved more quickly and would allow the payroll branch to make some corrections themselves.
• Eliminate duplicate data entry by allowing information to be updated between systems, reducing errors and labor hours.

An employee self-service would:
• Reduce the amount of employee inquiries, thereby allowing payroll branch staff the ability to perform proactive payroll duties
• Allow employees to view certain information on-line, reducing the amount of inquiries made by employees
• Allow employees to make changes to information such as name and address. This will ensure accuracy and speed of important employee data by displacing the responsibility from Human Resource or Personnel to the employee.

Outsourcing selected payroll activities would:
• Lower the payroll costs due to the high volume efficiencies of the outsourcing vendor.
• Allow staff to spend less time preparing payroll, enabling them to perform proactive duties.
• Decrease the number of errors.

Implementation Considerations and Challenges

Significant changes within an organization require considerations on many levels. Change management, technology support, and funding are examples of issues that must be discussed. In the case of LAUSD, specific challenges include the following:

Challenges

1. Unions

In order to achieve the goal of simplifying the pay structure, the 13 unions for LAUSD employees must be dealt with. Negotiations will need to tackle the issue of a complex pay structure, and LAUSD should be prepared for opposition. In addition, LAUSD must be prepared to handle change management issues with the employees of LAUSD, which can affect the union negotiations.
2. Technology

The suggested technology will require large amounts of funding and planning. It is suggested that LAUSD answer a few questions before tackling a wide scale implementation. These questions include:

- What business needs does the new system satisfy?
- What is the strategic direction of the organization?
- What are the existing organizational needs or the potential deficiencies in the existing system?
- Are there alternative ways of accomplishing the same goal?
- What technical, environmental, and economic considerations must be taken into account for the project to be considered successful?

In addition to the questions, LAUSD must consider the possibility of opposition for funding the implementation. The district will also face the task of ensuring that during the implementation, the existing systems will agree with the new system. During the implementation, special caution should also be placed on ensuring that there is minimal disruption to the distribution of pay to the LAUSD employees.

3. Change Management

LAUSD must be prepared to handle opposition from employees. Time and attendance devices most likely will receive the most opposition since it affects all employees. Therefore, the implementation of the process changes discussed in the recommendations should not be overlooked as a potential negative issue for employees. Please refer to Appendix S for more information regarding this issue.

4. Funding

The project from every angle will require funding. LAUSD will be faced with the task of convincing influential individuals to fund the implementation of action steps from this review.

**Risks**

LAUSD should ensure that the following steps are taken before implementing technology solutions:

1. Expand the previously developed technology plan for payroll processes.

   A technology plan provides a built-in roadmap that an organization can use to guide technology initiatives. The technology plan should include the following:

   a) IT vision and objectives

   b) Infrastructure design and strategy
      - Hardware
      - Platform
• Network
• Security

c) Support and maintenance objectives
• Necessary skills
• Number of resources

2. Educate the IT steering committee to ensure their ongoing sponsorship of the initiative.

An executive team that does not champion a new application can undermine the efforts of the entire organization by withholding critical resources and funding and delaying significant decision-making. It is crucial that the Chief Information Officer play the role of advocate, working closely with the Chief Executive Officer to achieve support at the highest level. Senior Executives must provide ongoing leadership and commitment to technology, fully recognizing its role as a powerful enabler of operational improvement.

There are many risks associated with implementing a new payroll system, particularly one as large in scope and complex in requirements as that of the LAUSD.

**IT and Project Management Risks**

An experienced project management and project team is critical to the overall success of the implementation. Key areas for consideration for LAUSD should include:

• LAUSD’s relative experience with large scale implementations
• The difficulty of finding a proven solution that meets the requirements and needs of the organization
• Clearly defined and documented scope and objectives of the project
• Clearly defined requirements, gap analysis, and level of customization required for the system
• The need for process changes versus the need for customization
• The level of support needed post implementation
• Overall IT strategy, infrastructure plan, and detailed applications architecture

**Business Risks**

• Cost of implementation versus savings
• Experience and knowledge of the implementation team
• Relationships with labor unions
• Upsetting the employment structure
• Views of the public
• Possible political implications

**Reputation Risks**

Reputation risk is minimal but exists in the risk of a failed implementation.
Phase I: Review and Document Current Procedures

The current assessment consisted of first identifying the procedures to be reviewed using the Andersen Universal Process Classification Scheme. Once identified, current documents provided by LAUSD were analyzed to provide insight into the LAUSD payroll processes.

In addition, many LAUSD personnel were interviewed from various locations and divisions. These individuals provided an overall picture of the outside functions that affect the payroll process.

The documentation gathered was consolidated and analyzed into an issue matrix to provide support for recommendations. Statistics were also calculated to provide further support.

Appendices associated with this section include:

Appendix A: Current Environment Process Maps and Best Practices Process Map
Appendix B: LAUSD List of Individuals Interviewed
Appendix C: Departmental Details
Appendix D: LAUSD Pay Structure
Phase I: Current Environment Assessment

The Payroll Process

The payroll process includes all activities required to pay employees’ salaries and wages in accordance with organization policies and government regulations. These activities include monitoring employee time and attendance, calculating gross and net pay, distributing net pay, calculating and reporting employee retirement service credit, collecting salary overpayments, calculating employee vacation and illness benefits, and disbursing withholdings. When calculating net pay, organizations comply with applicable government regulations, withholding taxes and premiums for government programs, and remitting them to the appropriate agencies. Additional withholdings might include premiums for organization benefit programs and tax-deferred savings options, as well as garnishments and other deductions.

In most organizations, the payroll process is the responsibility of the payroll department. In addition to ensuring that employees are paid, the payroll department typically maintains and updates all payroll-related data. It also processes payroll accounting entries and resolves payroll inquiries.

Phase I of the project consisted of a review of LAUSD’s current payroll procedures. In order to determine the necessary procedures under payroll to be examined, Andersen utilized its proven Universal Process Classification Scheme, which has been endorsed by the International Benchmarking Clearinghouse as an industry standard scheme. The Classification Scheme facilitates a Best Practices map of certain business processes and was used to identify and select the following payroll procedures under this review:
The payroll procedures were adapted to the LAUSD payroll process and each procedure was assigned a process number. These process numbers will be used throughout the document to identify issues and findings associated with each process. A guide to the LAUSD process numbers can be found later in this document.

Phase I consisted of data gathering to determine the current state of LAUSD’s payroll process. Information was gathered using existing payroll procedure documentation and interviews with key personnel. The interviews consisted of several meetings with the head of the payroll branch and the section heads with the payroll branch. In addition, Andersen worked with LAUSD to determine the best source for collecting time and attendance information.

First, Andersen began the review within the payroll branch. The sections offered guidance as to the processing of LAUSD’s payroll. The following is a brief list of the sections explored within the payroll branch and their major responsibilities. A more complete discussion regarding the payroll branch can be found in Appendix C.

<table>
<thead>
<tr>
<th>Payroll Section Name</th>
<th>Major Tasks/Responsibilities</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and Communication Section</td>
<td>• Facilitating delivery of payroll checks and automatic payroll deposits and the processing of lost checks&lt;br&gt;• Issuance of School Board Member paychecks, W-2’s and tax returns, and payroll balancing&lt;br&gt;• Handling of all inquiries from district substitute employees&lt;br&gt;• Handling of garnishments and overpayments to employees&lt;br&gt;• Correcting all exceptions reported in the file update system and payroll system</td>
<td>37</td>
</tr>
<tr>
<td>Payments Section</td>
<td>• Research and correction of most payment related exceptions&lt;br&gt;• Verification and processing of all manual adjustments&lt;br&gt;• Handling of special projects, such as retroactive salary increases and non-routine payments&lt;br&gt;• Handling of other tasks such as correspondence with outside agencies and workers compensation&lt;br&gt;• Handling of telephone inquiries from time reporters, employees and outside agencies</td>
<td>57</td>
</tr>
</tbody>
</table>
Next, Andersen determined other LAUSD divisions and departments that also affected the payroll process. Those included in the interviews were:

- The Business Accounting Branch: handles employees whose salaries are allocated to a certain job / budget; typically referred to as job costing.
- The Personnel Commission ("Personnel"); handles the hiring and employee data entering of all classified/unclassified (non-teaching) employees.
- The Human Resource Division ("Human Resources"); handles the hiring, salary determination, and data entry of new certificated (teaching) employees.
- The Office of Inspector General; performs the district’s internal audits.
- The Information Technology Division ("ITD"); is responsible for the technological support and maintenance of the technology used to perform the payroll process. This division plays an integral part in the payroll process in that it also is responsible for the data entry of any corrections needed by the payroll branch, the report processing for all divisions, the upgrade of system code due to constant changes, and controls the system processing of at least 9 payrolls a month.
- Time and attendance locations: The district has 1,388 of these locations, which are responsible for entering employee’s time and attendance information. Three locations were visited during the review, including Granada Hills High School, a traditional calendar school; Bell High School, a year round calendar school; and Maintenance Facility District C. In addition, the time reporter within the Office of Inspector General was also interviewed.

A further discussion regarding each location interviewed can be found in Appendix C as well as the names of individuals interviewed in Appendix B.
The information was gathered and analyzed using the adapted LAUSD payroll process model. The processes examined under the Best Practices review included the following:

1. **Process 1.0 - Recruit, Select, and Hire Employees**
2. **Process 2.0 - Record Employee Data**
3. **Process 3.0 - Monitor Time and Attendance**
4. **Process 4.0 - Calculate Gross and Net Pay**
5. **Process 5.0 - Remit Deductions, Review Payroll, and Correct**
6. **Process 6.0 - Disburse Pay**
7. **Process 7.0 - Handle Employee Inquiry and Correct**
8. **Process 8.0 - Update Employee Records**

It should be noted that Process 1.0 and parts of Process 4.0 were reviewed only to the extent that they affected the payroll. The following explains the significant activities performed and observations under each process heading by LAUSD.
Process 1.0 – Recruit, Select, and Hire Employees

- The hiring process was only reviewed to the extent of data gathering completed by Human Resources and Personnel to be later used in the payroll process. Examples of data gathered include employee name, address, social security number, etc.
- Employee hiring is facilitated by Personnel for classified/unclassified employees and by Human Resources for certificated employees.
- During and after hiring, necessary employee information is gathered through the completion of various paperwork.
- Applicants are tracked through stand-alone systems. Personnel uses CIGNA and Human Resources use APCon. Neither system is integrated with the Human Resource System (“HRS”). For a complete map of LAUSD systems and their relationships please see Appendix A.
- After hiring, the employee is given an assignment, work location and level, salary rate, track, etc. Please see Appendix D for further explanation regarding these terms.

Process 2.0 – Record Employee Data

- Personnel and Human Resources are responsible for inputting employee data into HRS once the employee is approved for hiring.
- Data entered includes assignment, salary/pay rate, work location, personnel action code, social security number, etc.
- The information is entered into HRS and is updated through a File Update System (“FUD”) to the Payroll Time Reporting System (“PTRS”), which captures the employee’s time. Further information regarding the data flow and system relationships can be found in Appendix A.
- The entry of an employee assignment is necessary before time can be reported for an employee.

Process 3.0 – Monitor Time and Attendance

- Time reporting locations include schools, maintenance facilities, administration offices, centers, and others.
- Employee time is captured through sign in/out cards.
- Classified/unclassified employees sign in their arrival and departure times, while certificated employees initial to indicate their presence, but are not required to indicate arrival and departure times.
- Extra assignment time is collected through approval forms turned into the time reporter.
- Time for itinerate employees, such as substitutes, psychologists, and special education assistants, is collected through sign in/out sheets.
- Each location has at least one time reporter who collects all time and inputs the information manually into PTRS. Large locations may have more than one time reporter.
- The time reporter accesses records every pay period and saves the record for all employees to create a new record for the pay period. Time is created essentially the same for both classified/unclassified employees and certificated employees. For the majority of employees, only negative or exception time needs to be entered as the hours associated for the employee’s assignment populate the record once the time reporter has saved it.
• The ability to report time for an employee depends on the time reporter’s receipt of an employee’s assignment. The assignment information can be retrieved through PTRS or can be found on a notice of personnel action form (“NPA”) sent from either Human Resources or Personnel.
• If the time reporter discovers a mistake in the payroll after it is processed or if he/she receives a call from the payroll branch, the time reporter can correct some mistakes by entering the correction as an adjustment into PTRS.
• Five staff in the Business Accounting Branch record time for the job-costed employees, which are those employees whose time must be allocated to different jobs’ budget funds.
• Twelve time reporters input daily the time of all district bus drivers, maintenance drivers, and contract drivers.
• The pay structure of LAUSD is very complex and imposes a significant burden on the payroll division and time reporters. For further discussion on the complexities of the pay structure, please see Appendix D.

Process 4.0 – Calculate Gross and Net Pay

• This process includes the managing of the tax function as shown in the Best Practices payroll procedures; however, in the LAUSD model, it was only examined to the extent of how it affected the payroll run.
• Most tax calculations are performed by the payroll system, except for garnishments, which is calculated through a separate stand-alone system used by the payroll branch. The payroll is calculated through the Payroll Pay Process System.
• There are 9 payrolls run in a one-month cycle. Please see Appendix C for a table of the monthly payroll runs.
• ITD is responsible for running each payroll.
• ITD also maintains the system hardware, processes requested program code changes, and performs data entry of all information requested by the payroll branch including deduction changes.

Process 5.0 – Remit Deductions, Review, and Correct

• Deductions are handled through the payroll system, and the deduction control unit within the payroll branch handles all exceptions related to deductions.
• After each payroll run, an exception by type report is printed by ITD and given to various units within the payroll branch.
• Some ITD reports can take up to 2 days to receive.
• A pre-edit report containing exceptions is run bimonthly. It is run immediately after the collection of time from the locations but before the payroll pay process.
• The payment section within the Payroll Branch receives some exceptions throughout the monthly cycle and is responsible for researching and correcting the exceptions.
• All other exceptions not related to a payment of any kind are researched and corrected through the deduction control section within the payroll branch. Some exceptions are cleared through FUD.
• Corrections can be handled through a variety of means; a time reporter adjustment, a payroll technician’s correction in their system, or a request for ITD data entry through a manual card. All sections within the payroll branch are involved in resolving exceptions.
Process 6.0 – Disburse Pay

- Payments are disbursed through a physical paycheck or through an automatic direct deposit.
- Physical checks are printed in ITD and sent to the Accounting and Communication Section (“ACS”) within the Payroll Branch.
- The ACS is responsible for processing the checks for garnishment requirements, signing the checks, and sending the checks to the proper location. Please see Appendix C for more information regarding the responsibilities and findings of the ACS.
- Checks are packaged to be sent via interoffice mail to 1,100 LAUSD locations monthly. The checks are sent via interoffice mail during the peak school season and are mailed via U.S. Mail during off peak school seasons such as summer break.

Process 7.0 – Handle Employee Inquiry and Correct

- Various employees of the payroll branch handle employee inquiries.
- Inquiries requiring research are delegated to the appropriate section within the payroll branch for error correction.
- Exceptions can be corrected through a time reporter adjustment, a payroll technician correction, or ITD data entry.
- Corrections that effect the pay in excess of 3 or more hours are submitted for resolution in the next supplemental payroll, and those less than 3 hours are processed for the next major payroll.
- Exceptions discovered to produce an overpayment to the employee will be deducted from the next paycheck if the amount is less than $100. If the overpayment totals to more than $100, a letter is sent to the employee notifying them of the overpayment and requesting repayment.

Process 8.0 – Update Employee Records

- Employee assignment data from HRS is passed on to PTRS through nightly interfaces between the two systems.
- Employee records, such as addresses and social security numbers, are stored in HRS. Any changes must be performed by either Human Resources or Personnel depending on the employee’s classification.
- The employee initiates changes by completing change forms to be sent to either Human Resources or Personnel.
- Various cards such as the greenie, P card, and B card also clear changes and are completed by the payroll branch to request the change to be processed by ITD.
- There are four online HRS processes that are used by the employees of the payroll branch to update employee records:
  - Changes to employees Social Security Number
  - Electronic Fund Transfer
  - Garnishment set-up for location override
  - Regular payroll location override
Key Issues by Payroll Process

Through the process review, many issues were observed that could potentially be improved. The observations were documented and consolidated into the following issue matrix. The matrix is organized according to processes listed above. Appendix C should be referred to for further detail regarding the responsibilities of each division and location involved in the payroll process.

<table>
<thead>
<tr>
<th>ISSUES</th>
<th>OBSERVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROCESS 1.01 Teachers may not receive full pay when they are first hired or promoted</td>
<td>Human Resources evaluates all incoming certificated employee’s degrees, transcripts, awards, etc. for the proper salary. The salary evaluation unit is currently backlogged for 5 months. During the evaluation time, teachers only receive the base teacher salary. Once evaluated, retroactive pay must be calculated and paid, requiring additional work by the payroll branch. NOTE: Human Resources recently implemented a document management system (“DMS”) to aid in the salary evaluation process. The implementation has dramatically increased the efficiency by streamlining workflow processes. With the staff growing more proficient in the use of DMS, district officials’ estimate that it will be able to eliminate the backlog by June 2001.</td>
</tr>
</tbody>
</table>
An employee may not receive a paycheck

A time reporter cannot enter time for a newly hired employee if their assignment is not in PTRS or if the time reporter has not received a NPA from Personnel or Human Resources in a timely manner. The necessary information, once inputted into HRS, is transferred nightly from HRS to PTRS. The NPA contains the same employee information as HRS; however, it is sent to the time reporter after the employee has been set up in HRS. The time reporter is required to set up the employee’s roster before submitting time for the employee using the information located in PTRS or the NPA. There are three reasons why an employee assignment may not be in PTRS or the time reporter has not received the NPA on the day payroll must be certified:

1. Personnel or Human Resources did not input the employee’s assignment into HRS in a timely manner. This can occur because the department is short staffed, or if the employee’s file is missing documents that are necessary for assignment approval.

2. The assignment has not been updated from HRS to PTRS.

3. The time reporter does not receive the NPA in a timely manner, which is caused by the same reasons listed in 1 above.

A technician in Personnel or Human Resources types the employee’s assignment information into HRS. The information the technician enters into HRS originates from a card that is manually filled out by another group in the department. Both processes have the potential for data entry error.

All special education employee assignments have a preset number of hours that populate in the PTRS roster for that type of assignment. For example, all special education employees working at a year round school are paid for 6.6 hours a day. When Special Education employees must adjust their hours to meet the needs of the students, PTRS does not allow the additional hours to be entered. Paper work must be processed through the Special Education division, which will change the number of hours associated with the employee’s assignment. However, this process takes longer than one pay period; subsequently, the employee will work hours but will not be paid for them for some time.
<table>
<thead>
<tr>
<th>ISSUES</th>
<th>OBSERVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROCESS 2.04 Duplicate entry occurs of employee information</td>
<td>Human Resources and Personnel both have applicant-tracking systems that include basic employee information such as name and social security number. These systems are not integrated with HRS. When the applicant is hired, the basic information already stored in the applicant tracking system has to be re-entered into HRS. Duplicate entries increase the potential for data entry errors. In addition, Human Resources use the APCon system to run reports, which is more efficient than requesting the reports from ITD.</td>
</tr>
</tbody>
</table>
## Process 3.0 - Monitor Time and Attendance

### Issues

<table>
<thead>
<tr>
<th>PROCESS 3.01</th>
<th>An employee may not receive a paycheck due to lack of roster information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Observations</strong></td>
<td>A NPA is required to set up an employee roster, which is necessary in PTRS to enter time for the employee. The NPA contains all necessary information for the time reporter to set up the roster. This information may also be found in a special screen in PTRS but requires the time reporter to check every day to see if the information has been updated from HRS. This process can be time consuming for the time reporter, especially at the beginning of the school year when new employees are the highest. The NPA can take from a few days to two weeks after an assignment has been set up to be delivered to the school. This process increases the chance of error and increases the amount of time spent by the time reporter when setting up a new employee.</td>
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</table>

<table>
<thead>
<tr>
<th>PROCESS 3.02</th>
<th>An employee does not get paid for additional assignments when warranted</th>
</tr>
</thead>
</table>
| **Observations** | Observation 1: A list has been created that details which extra assignments can be paired with regular assignments. If a time reporter attempts to input an extra assignment that does not match with the regular assignments, it will produce an error and the system will not pay the employee. However, the time reporter is not aware of the pairing of assignments and cannot verify whether the assignment is correct prior to submitting the time report.  
Observation 2: Every employee receives a base number of hours and pay rate for their regular assignment. Any additional assignments and pay must be set up in the system and hours manually entered each pay period. The extra assignments are tracked manually through slips or sign-in sheets controlled through the school. Occasionally employees will forget to sign the sheet or forget to deliver the slip to the time reporter before certification, causing the time to be unreported. |

<table>
<thead>
<tr>
<th>PROCESS 3.03</th>
<th>There may be potential for incorrect sign in/out times for employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Observations</strong></td>
<td>Employee time is kept manually in a log and is usually in a central location. Certificated employees typically initial when they arrive and classified/unclassified employees usually sign the time of arrival and departure. There is only manual monitoring of employees signing in or out, and it allows for misrepresentation of the sign in/out times. The time reporting requirements are mandated by the bargaining agreements.</td>
</tr>
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<table>
<thead>
<tr>
<th>PROCESS 3.04</th>
<th>Employee tardiness may be overlooked</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Observations</strong></td>
<td>Since time is kept manually, the time reporters must physically look through all sign in/out cards for the certificated employees and classified/unclassified employees before determining which employees were late. It is time consuming for a time reporter to monitor the arrival times of every employee. Also, employee tardiness cannot be tracked in a way in which a supervisor can easily view the number of instances where an employee was tardy such as in a report. Some schools attempt to track the tardiness in an Excel spreadsheet, which is also time consuming.</td>
</tr>
<tr>
<td>ISSUES</td>
<td>OBSERVATIONS</td>
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<tr>
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<td>--------------</td>
</tr>
<tr>
<td>PROCESS 3.05  Substitute for absent employees may not be found in a timely manner</td>
<td>Though most substitute requests are handled through an automated system, occasionally an employee fails to find a substitute or the district runs out of substitutes. To counterbalance this situation, a time reporter will typically call the automated system to determine whether there is any teacher who called the system but did not receive a substitute. The time reporter usually attempts to call the system prior to most teachers’ arrivals. Occasionally, a teacher will call the system after the time reporter has already checked for absences, thereby creating a situation where a time reporter does not know of a teacher’s absence until searching through the time cards. Each time card is separate, i.e., not all teachers’ names are kept on one sheet of paper, and only a search of all timecards reveals an absent employee. If a school has 300 employees, this procedure can take a considerable amount of time, and delays the act of securing a substitute.</td>
</tr>
<tr>
<td>PROCESS 3.06  An employee is paid for a vacation or illness day and no deduction is made from their available vacation/illness balance</td>
<td>Time reporting is done on an exception basis. All employees receive their standard time unless the time reporter changes the time paid to vacation or illness. Time reporters that wait until the last day of the pay period to process payroll will typically send the payroll without making any adjustments for vacation or illness. The time reporters then make adjustments for vacation and illness the following day. Since the tracking of time and attendance is a manual process, it is possible that time reporters neglect to return to make the adjustments. Therefore, the employee’s vacation/illness balance may be overstated and the employee is paid for time not worked.</td>
</tr>
<tr>
<td>PROCESS 3.07  There is potential for an absent employee to be signed in by another employee</td>
<td>The current system of manually signing in and out for classified/unclassified employees provides an opportunity for a second employee to sign in and out for two individuals. In time reporting areas with large numbers of employees, it could be more difficult to closely monitor the sign in/out practices.</td>
</tr>
<tr>
<td>PROCESS 3.08  An employee may receive an incorrect pay amount</td>
<td>The time reporter must track and enter manually all time for the pay period, including manually tracking vacation time, illnesses, time off for doctor visits, and any other time spent away from the office. The time reporter will usually track time on paper or through an electronic spreadsheet, which creates a greater chance of human error and inefficiencies in time and attendance reporting.</td>
</tr>
<tr>
<td>PRICESS 3.09  Itinerate employees do not receive complete pay</td>
<td>Itinerate employees, such as psychologists, are required to sign in their time at all schools visited. It is common for one employee to have several locations for which he must report his daily time. Itinerate employees may not find the sign-in sheet at each school or may forget at one of the locations. Even if the employee does sign his time, and particularly in the case of psychologists, some principals certifying the time will not approve the time if the principal did not see the employee actually working at the school.</td>
</tr>
<tr>
<td>ISSUES</td>
<td>OBSERVATIONS</td>
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</tr>
<tr>
<td>PROCESS 3.10 Failure to pay a substitute or incorrect substitute pay may occur</td>
<td>Substitute time can be captured through a credit card time reporting device, which creates a printed record for the time reporter to use to enter information into PTRS. Substitute time can also be captured through a manual log or Excel spreadsheet which records substitute teachers’ hours. Substitutes that come from outside the school must know where to sign in and those from within the school must rely on the time reporter to correctly log them as having been a substitute. This labor-intensive process gives rise to inefficiencies and a greater potential for error in substitute processing.</td>
</tr>
<tr>
<td>PROCESS 3.11 Duplicate entry of time and attendance information occurs at maintenance facilities</td>
<td>The maintenance facilities utilize a stand-alone system referred to as AIM to schedule employees to necessary jobs. The system tracks employee’s schedules and qualifications and matches them to outstanding jobs. The AIM system prints job time cards, instead of force account cards as used by transportation employees, each day for each employee’s work for the day. At the location interviewed during the review, approximately 140 job cards were printed per day. This number could vary by reporting location. Job cards are then returned at the end of the day to input the employee's time into both PTRS for payment and to AIM for scheduling. Approximately 1.25 FTE’s are spent for this process at each reporting location for maintenance facilities.</td>
</tr>
<tr>
<td>PROCESS 3.12 Duplicate maintenance of employee information occurs at maintenance facilities</td>
<td>AIM and PTRS are not integrated, and there is not a batch update program between the two systems. Certain employee information necessary to the scheduling requirements, such as promotions, pay rates, and status codes, are not updated to AIM if changed. The changes are made through HRS and updated to PTRS. The time reporter only learns of the change when submitting the employee's time into PTRS and will either make the update in AIM immediately or must call the administrative offices downtown to determine the change.</td>
</tr>
<tr>
<td>PROCESS 3.13 Excessive adjustment processing occurs</td>
<td>It is not uncommon for time reporters to send in a certified payroll without any adjustments. Often the adjustments are entered the day following the day payroll is certified. These adjustments usually occur when a time reporter has delayed entering time until the last day of the pay period. The time reporter must then process the adjustments to the payroll the following day. The payroll branch must verify each adjustment to make sure that it was not paid in the regular payroll. Payroll verifies approximately 15,000 adjustments each pay cycle. This adjustment process requires significant resources from the payroll branch.</td>
</tr>
<tr>
<td>PROCESS 3.14 Incorrect time is submitted from other departments within a school location</td>
<td>In some schools, separate departments, such as the cafeteria, maintain their own timecards in which the cafeteria supervisor will monitor and verify time. The supervisor then submits the time cards to the time reporter who does not verify the hours on the cards. Errors can occur if the supervisor is not trained in time reporting or does not thoroughly check the time cards before submission to the time reporter.</td>
</tr>
<tr>
<td>ISSUES</td>
<td>OBSERVATIONS</td>
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<tr>
<td>PROCESS 3.15  Pay for special assignments is delayed</td>
<td>Schools often request teachers with a specific area of expertise to coordinate certain training seminars for other teachers. These assignments require a special pay for both the pre-work and the conducting of the seminar(s). To receive the special pay, an assignment must be set up in HRS through Human Resources by filing paperwork. The processing by Human Resources is often delayed, which prolongs the period before the employee is paid for the additional work. In addition, delays may result due to the school location’s unfamiliarity with the credentials required for the extra assignments.</td>
</tr>
<tr>
<td>PROCESS 3.16  An employee may receive the same payment twice</td>
<td>This situation can occur when a manual payment is made to the employee, which is not yet posted, and then an adjustment is made by the time reporter, thereby paying the employee twice. Another possible reason for an employee to receive a payment twice would include a situation where the employee left one location and relocated to a new location, and both locations report the time for the whole pay period. Another reason includes possible oversight by the payroll technicians. Due to the extremely large number of exceptions that the payroll branch has to resolve, it is possible that some exceptions are overlooked.</td>
</tr>
<tr>
<td>PROCESS 3.17  A bus driver or mechanic receives the wrong pay or no pay due to an error in data entry of time</td>
<td>The time of bus drivers and mechanics is kept manually on time reports called a daily bus report and a forced account record, respectively. The reports show the individuals start and stop time, the job number, miles driven, and other information. These time reports are submitted daily to be approved by a supervisor and are sent to the job cost data entry unit. Approximately 12 people within the data entry unit input daily all time reports into PTRS. The process can produce exceptions due to data entry or a delay in pay if a time report was lost.</td>
</tr>
<tr>
<td>PROCESS 3.18  The manual time and attendance process requires numerous staff</td>
<td>Since the time and attendance process is labor-intensive, numerous staff is necessary to handle the workload. For example, one time reporter is required for each reporting location. In smaller locations, the time reporters only perform time reporting duties part-time. In larger locations, Andersen observed two full time reporters with one additional individual performing limited part-time supervisory duties. Also, bus drivers, maintenance drivers, and contract drivers require twelve full-time staff to enter their time daily. Multiple staff can also be found in administration offices such as the payroll and business accounting branches as necessary to input time for those employees.</td>
</tr>
<tr>
<td>PROCESS 3.19  An employee may receive overtime when not warranted</td>
<td>The bargaining unit rules governing the employee and the rules of FLSA determine whether an employee receives overtime. The rules are complicated and allow the time reporter the decision on how to pay the employee overtime. This practice poses a problem because the district has to rely on multiple time reporters to make decisions on overtime and can result in inconsistent treatment of overtime. The payroll concepts manual refers the time reporters to FLSA and bargaining agreements which are subject to different interpretation.</td>
</tr>
<tr>
<td>ISSUES</td>
<td>OBSERVATIONS</td>
</tr>
<tr>
<td>--------</td>
<td>--------------</td>
</tr>
<tr>
<td>PROCESS 3.20 The attendance incentive program may have delayed or missing information</td>
<td>The attendance incentive plan process is handled within the payroll branch. The administrator of the program calculation is required to request necessary payroll data from ITD. Since the entire process is manual, it takes a considerable amount of time to prepare reports and analyze the information to calculate the effect on employees’ pay.</td>
</tr>
<tr>
<td>ISSUES</td>
<td>OBSERVATIONS</td>
</tr>
<tr>
<td>--------</td>
<td>--------------</td>
</tr>
<tr>
<td>PROCESS 4.01</td>
<td>Teachers who have off-track time during the school year are allowed to annualize their salary, which provides them with the opportunity to receive paychecks during the off-track time. When an employee either changes an assignment or track or leaves the district mid-year, the employee is always either overpaid or underpaid. This result requires the payroll branch to either perform a retroactive manual calculation or perform the overpayment collection process.</td>
</tr>
<tr>
<td>PROCESS 4.02</td>
<td>Most reports must be requested from ITD. Although the reports are generally created quickly, various departments do not have instant access to information, which would prevent unnecessary delay.</td>
</tr>
<tr>
<td>PROCESS 4.03</td>
<td>Board Members paychecks must be manually calculated and issued by the payroll branch. This requirement is due to the fact that the Board Members are paid monthly while all other LAUSD employees are paid every fourth week. The payroll system is not capable of processing the two payroll cycles.</td>
</tr>
<tr>
<td>PROCESS 4.04</td>
<td>The deduction control unit within the payroll branch collects all deduction-related information for employees of LAUSD. Once collected, cover sheets are completed and sent with the corresponding deductions to ITD for entry. Due to technological limitations, this process is inefficient since the deduction control unit could enter the deductions themselves. In addition, there is potential for errors to be made by the data entry group in ITD.</td>
</tr>
<tr>
<td>PROCESS 4.05</td>
<td>ITD processes approximately 500 program code edits to over 350 programs per year. The high volume may be due to the complex and ever-changing pay structure. These changes can result from, but are not limited to, retroactive changes due to a union negotiation or may result from changes to the pay structure in general.</td>
</tr>
<tr>
<td>PROCESS 4.06</td>
<td>ITD has significant responsibility. In addition to the technological support, it provides processing reports, mainframing systems, various interfaces, and running batch programs. ITD is also responsible for the nine monthly payroll runs and for providing data entry for corrections and deductions. In a typical organization, the IT department only provides system and technology support.</td>
</tr>
<tr>
<td>ISSUE</td>
<td>OBSERVATION</td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>PROCESS 4.07 Union contract negotiations create excess work for the payroll branch</td>
<td>Union contract negotiations require retroactive adjustments. Some retroactive adjustments are processed via the retroactive program, and some are manually processed due to system limitations. The salary adjustments from union negotiations affect employee benefits, salary steps, etc., which demands a large amount of ITD and payroll resources. Since these issues are very time sensitive, payroll staff is forced to work long hours to process these changes.</td>
</tr>
<tr>
<td>PROCESS 4.08 Late salary credit submissions require additional work and possible errors from the payroll branch</td>
<td>Union contracts require LAUSD to pay teachers for the salary credits that are submitted by the teachers late in the year, which requires the payroll branch to process adjustments and additional paychecks.</td>
</tr>
<tr>
<td>PROCESS 4.09 Technology limitations result in inefficient time and attendance data entry</td>
<td>The district has 1,388 reporting locations for time and attendance. Time for classified/unclassified and certificated employees is due once a month on every other alternating Fridays. The system significantly slows as it approaches the due date for time and attendance data entry. This delay results in lost time by the time reporter as they wait for the system to process the entries.</td>
</tr>
<tr>
<td>PROCESS 4.10 Valuable resources must be used to run supplemental payrolls</td>
<td>ITD must run five supplemental payrolls per month in addition to the two major payrolls. The purpose of the supplemental payrolls is to capture and to correct exceptions, and allow payment to be issued to the employee. Due to the large volume of exceptions, multiple payrolls must be performed by ITD resulting in inefficient use of valuable resources.</td>
</tr>
<tr>
<td>PROCESS 4.11 Technological limitations prevent corrected exceptions to be included in the employee’s paycheck</td>
<td>Due to the timing of the payroll runs, paychecks are printed before any error correction can be made to them. This practice results in either the employee receiving one paycheck for the original time entered and then a subsequent paycheck for the corrected error, or the payroll branch must pull the incorrect check and reissue a new check, depending on the timing of the correction. This process causes inefficiencies.</td>
</tr>
<tr>
<td>PROCESS 5.01</td>
<td>The payroll branch cannot make some corrections into the necessary systems themselves</td>
</tr>
<tr>
<td>PROCESS 5.02</td>
<td>Corrections to retirement contributions for the Public Employee Retirement System, the Public Alternative Retirement System and the State Teachers Retirement System require a significant amount of time</td>
</tr>
<tr>
<td>PROCESS 5.03</td>
<td>Andersen documented at least four stand-alone programs important to the payroll process. Information between the programs is updated through a batch process. This lag results in possible missing or delayed information and requires additional work to keep current the stand-alone programs.</td>
</tr>
<tr>
<td>PROCESS 5.04</td>
<td>The current technology limits the availability and amount of information that may be viewed by payroll technicians. Limited access to information and relying on ITD to run multiple reports causes inefficiencies and delays in the process of error correction.</td>
</tr>
<tr>
<td>PROCESS 5.05</td>
<td>Inefficient error resolution may cause additional interest to be paid to the employee</td>
</tr>
</tbody>
</table>

Some corrections are written on cards by the payroll branch and delivered to ITD for manual entry. The payroll branch is dependent on the ITD for some data entry. If information is entered incorrectly, the payroll branch must resubmit the entry card, delaying the correction process further. If the payroll branch had the ability to correct the problem through the system, any errors could be discovered immediately and would minimize delay in the correction process.

The payroll system does not recognize earnings in addition to the originally reported earnings in the instances of retroactive pay, promotions, etc. and will not calculate retirement contributions based on those earnings. The subsequent manual reconciliation and correction requires 22 full time employees per year.

Andersen documented at least four stand-alone programs important to the payroll process. Information between the programs is updated through a batch process. This lag results in possible missing or delayed information and requires additional work to keep current the stand-alone programs.

Recently a law was enacted requiring exceptions affecting pay to be resolved within a specified amount of time for certificated employees. An error correction that does not meet the deadline must have interest paid on the amount of error. Due to the large volume of exceptions and manual resolution process, some error corrections do not meet the deadline and accrue interest. The interest is a manual calculation and draws on additional monetary resources from the district.
An employee takes more illness or vacation days than currently allotted, resulting in no pay for the employee.

The time reporter is unable to view the available vacation balance for employees before entering time taken as vacation. It is possible for vacation to be submitted but not paid due to a lack of vacation balance. Also, Andersen documented several comments on the complexity of employees’ paychecks, and some employees have difficulty accessing the vacation balance. Since some employees cannot determine the number of vacation or illness days they currently have, they estimate the amount of vacation or illness days. Occasionally, the employee is incorrect and takes more vacation or illness days than are available, therefore resulting in no pay for the days taken in excess of their vacation or illness balance. These instances result in an employee inquiry requiring additional work for the payroll branch.
**ISSUES**

<table>
<thead>
<tr>
<th>PROCESS 8.01</th>
<th>OBSERVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Untimely updates to employee records create inaccuracies</td>
<td>Basic employee information such as address changes must be processed by the administration offices. This process creates a paperwork backlog and increases the amount of time before the employee’s information is correct. A lack of system integration creates delays in communicating employee changes and may create exceptions in the payroll process. Some employee updates are processed via FUD, which is run weekly. This process requires significant resources and causes potential delays in providing current payroll information to the payroll branch.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROCESS 8.02</th>
<th>OBSERVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a delay of relevant information between the Human Resource System and the Payroll Time Reporting System</td>
<td>The systems are not fully integrated. In general, updates run nightly from HRS to PTRS, but changes are not seen in PTRS until the following day. Changes made in HRS may not be current in PTRS.</td>
</tr>
</tbody>
</table>
LAUSD Payroll Complexities

The unique payroll issues of LAUSD impose a significant burden on the payroll branch and time and attendance reporting locations. The factors especially cause the time and attendance reporting locations difficulties as these personnel are often required to input the different payroll, fund, and program codes manually. Due to the complex calculations of regular payrolls and particularly the rules by unions from contract negotiations, the payroll processing system is unable to fully process and calculate all the retroactive salary adjustments. This often results in manual calculations and adjustments. All these factors contribute to the current inefficiencies in payroll processing.

Based on Andersen’s review, the following is a summary list of key payroll-related items that particularly add complexity to the LAUSD payroll processing and potentially contribute to large amounts of errors/exceptions. They also place a significant burden on the payroll branch.

Assignments

The assignments dictate the pay and benefits employees receive. Certain assignments are used only during summer sessions and are restricted to employees who are assigned a particular assignment basis. Per UTLA and AALA agreements, employees are paid for certain holidays based on the type of calendar track the school follows. Several assignments require the time reporters to report teacher’s time using special class codes.

The following is a brief list of some of the current LAUSD assignments and key differentiating factors:

- **Certificated Assignment:** an appointment assigned to a certificated employee, a position that requires certificates or credentials.
- **Classified Assignment:** an appointment assigned to a classified employee, a position that does not require certification qualifications.
- **Unclassified Assignment:** an appointment to an employee identified as performing either classified or certificated service.
- **“X” Basis Assignment:** a temporary appointment used when an employee is not performing regular ongoing duties. The “X” basis employees do not receive holiday and illness benefits.
- **“Z” Basis Assignment:** used for assignments occurring during the summer session, and is an appointment restricted to employees having regular status in other than “A” basis positions.
- **Auxiliary Assignment:** used for secondary school teacher and requires the time reporter to report a teacher’s time using special class codes.
- **Relief Assignment:** an appointment to a limited term position and requires special coding by the time reporter.
- **Substitute Assignments:** an appointment in a regular position to provide temporary replacement for an absent regular employee. There are separate time reporting rules for certificated substitutes and classified/unclassified substitutes.
Assignment Basis

LAUSD currently has A-Z assignment bases. All employees are assigned an assignment basis, which determines the number of paid days. The number of assigned hours per day also varies based on the assignment basis. In addition, the assignment basis is appointed based on the type of calendar the school follows.

Salary Payment Plans

LAUSD currently has the following salary payment plans:

- Twelve equal Salary Payment Plan
- Thirteen Equal Salary Payment plan
- Thirteenthly Salary Payment Plan
- Paid-As-Worked (Tenthly) Salary Payment Plan

These salary payment plans are applicable to employees based on various school calendar tracks and the type of assignment basis. For example, the thirteenthly salary payment plan is applicable only to “R”, “S”, “T”, and “W” assignment basis employees who are assigned to a multi-track year-round school. Due to a large number of assignment bases and multiple calendar tracks, the salary payment plans add to the complexity of salary calculations.

Salary Tables

LAUSD currently has 9 salary tables for certificated employees. The tables are based on salary point credits, earned/training completed, and years of experience. The assigned salary table dictates the assignment basis employee will be assigned to. In addition, differential salary rates may also be paid to employees for additional assignments or responsibilities per semester, season, or pay period.

The salary schedule for classified/unclassified employees is a schedule of payment rates applicable to a four-week pay-period for a full-time assignment of eight hours a day. In addition, classified/unclassified employees who work their assigned hours after 5:00 p.m., receive shift differentials.

Differentials

The differentials apply to employees based on their assigned salary table. The employees also receive career increment differentials based on their collective bargaining agreements. Certain differentials are paid to school principals based on the enrollment. LAUSD currently has the following differentials for certificated employees:

- Degree Differential
- Career Increment Differential
- Assignment Differential
- Bilingual Classroom Teacher Program Differential
- Urban Classroom Teacher Program Differential
- Mentor Teacher Program Differential
- Responsibility Differential
- Location Differential
Time Reporting Codes

The time reporters at LAUSD utilize the following codes to report an employee’s time. There are different rules that apply to the time reporting codes. In addition, the time reporters have the responsibility to apply the district’s rules related to overtime and workers compensation reporting, etc. The burden of time reported to update changes for assignments and other employee roster updates also create the potential for time reporting exceptions.

In general, due to the lack of technology and functions within PTRS, the time reporters are required to comprehend and apply a large amount of special rules for each time reporting code as discussed below.

The following is a list of the most commonly used time reporting codes and specific rules associated with each code. These codes can result in incorrect reporting by the time reporters.

- **Regular Time (RG):** used to report actual time worked.
- **Replacement Time (RP):** used to report the type of service rendered by a teacher for replacing another classroom teacher. The number of salary hours depends on the level of teacher (elementary, secondary, etc.) and number of pupil hours of replacement service. Time reporters enter these hours based on information obtained from school principals or assistant principals.
- **Illness Time (IL):** used to report the absence of an employee due to illness.
- **Personal Necessity (PN):** used to report the absence of an employee due to personal reasons.
- **Bereavement Time (BV):** used to report an approved absence due to the death of any member in the immediate family.
- **Miscellaneous Time (MS):** used to report the absence of an employee due to the attendance of meetings, military leave, a court appearance, an emergency, etc.
- **Filler Time (FL):** used to report off-track hours for all annualized certificated employees paid on an annualized basis. Filler time is not reported for employees who are assigned certain assignment basis, such as A, B, C, K, and M bases.
- **Overtime (OT):** used to pay a classified/unclassified employee for time worked in excess of 8 hours per day or 40 hours per week. Certain bargaining unit agreements may provide for exceptions where employees may receive time-off in lieu of overtime pay. The workweek for an employee may vary depending on the average number of hours worked each day. For example, an employee who works less than four hours must be paid overtime for work performed on the 7th day. Time reporters are expected to apply these rules and are expected to refer to FLSA or the appropriate bargaining unit agreement.
Key Statistics: Exceptions and Adjustments

Although most exceptions are not created within the payroll branch, the branch is primarily responsible for the correction of exceptions. Outside locations influence the occurrence of exceptions, which are proportionately large in volume. All sections within the payroll branch are involved in error correction to a certain extent. The payment section processes most payment exceptions, which are errors rejected by the pay process. Technicians in the payment section receive inquiries by phone through the location time reporters and/or directly from employees. These exceptions usually require an adjustment to the employee’s pay. Exceptions affecting deductions or retirement contributions are typically processed by the deduction control section. The training and customer service section handles regular employee inquiries, while the accounting and communication section handles any substitute employee inquiries in addition to correcting the exceptions from FUD. In general, all technicians within the payroll branch are involved in addressing payroll exceptions. Those inquiries that cannot be answered within the respective section will be logged and delegated to either the payment section or deduction control section depending on the type of error.

Another large area of work for the payroll branch is adjustments, which are changes to time and attendance entered by the time reporter after the payroll has been processed and paid. These adjustments are usually to correct entries made in the normal payroll run. Each adjustment must be verified by the payment section to ensure that it was not paid during the normal payroll run. After verification, the adjustment is reviewed by the supervisor and processed through one of the supplemental payroll runs. The adjustment will be held for the next major payroll if it involves either the collection of an overpayment or if there is no additional payment to be made.

The payroll branch makes both adjustments and exceptions throughout the payroll cycle with larger volumes immediately after a major payroll run. The following charts are graphical depictions of the allocation of exceptions researched and worked and of the adjustments verified by the payroll branch. These graphs are sorted by payroll run and exception type. Please refer to Appendix C for further detail regarding the payroll branch.

Annualized Summary Totals of Exceptions and Adjustments

The method of assessing exception totals by type varied by payroll run. Totals for the major payrolls of classified/unclassified and certificated employees were gathered from a “total exceptions by type” report received by ITD and represented one pay cycle for the major payrolls. Data collection involved the gathering of over 70 types of exceptions from two voluminous reports. These totals were then analyzed for materiality. LAUSD assigns numerical coding to the exceptions, which required the decoding of what each number represented, the source of the number, and the solution. In addition, the payroll branch assisted with the determination that the graphical depictions were limited to the exceptions that required work by the payroll. Furthermore, it was determined that one certificated payroll “exception by type” report was not entirely accurate since some exceptions are higher in certain periods of the year and misstates the percentage of exception occurrence. To counterbalance this effect, two non-consecutive certificated payroll “exceptions by type” reports were used to determine the totals in each run, and the average was taken.
Totals for the supplemental payroll runs were not available in an “exception by type” report. These were collected by counting the total exceptions worked in one pay cycle by a payroll technician. Since workloads varied among individuals, the average of two sets of monthly exceptions was used from different payroll technicians. The average was multiplied by the number of payroll technicians assigned to perform exception correction, which were 28. Due to the nature of the data, actual exceptions worked by each technician were not available by type total. Stacks of exception reports were inspected for an indication that an exception had been worked. Those exceptions worked were collected into a central spreadsheet, assigned definitions to each numerical exception code, and analyzed for materiality.

Total adjustment per pay cycle was assessed through the accounting and communication section, which provided the total adjustments number.
The following table provides totals for all exceptions occurring in one pay cycle that are worked by the payroll branch and have been annualized for yearly totals.

## Annualized Totals for Adjustments and Exceptions per Year

### Average Employees Requiring Adjustments per Year

<table>
<thead>
<tr>
<th>Adjustments</th>
<th>Estimated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Adjustments per Year</td>
<td>195,000</td>
</tr>
<tr>
<td>(approximate paychecks issued per year: 871,000)</td>
<td></td>
</tr>
</tbody>
</table>

### Exceptions per Year

#### Major Payroll – Certificated

<table>
<thead>
<tr>
<th>Exception Type</th>
<th>Estimated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpayment</td>
<td>7,137</td>
</tr>
<tr>
<td>Separated Employee</td>
<td>5,857</td>
</tr>
<tr>
<td>Termination Date</td>
<td>2,691</td>
</tr>
<tr>
<td>Jury Duty</td>
<td>2,093</td>
</tr>
<tr>
<td>No Assignment</td>
<td>1,469</td>
</tr>
<tr>
<td>Filler Time</td>
<td>1,421</td>
</tr>
<tr>
<td>Zero or Negative</td>
<td>1,209</td>
</tr>
<tr>
<td>Other</td>
<td>598</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,475</strong></td>
</tr>
</tbody>
</table>

#### Major Payroll – Classified

<table>
<thead>
<tr>
<th>Exception Type</th>
<th>Estimated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Assignment</td>
<td>767</td>
</tr>
<tr>
<td>Zero or Negative Amount</td>
<td>455</td>
</tr>
<tr>
<td>Termination Date</td>
<td>403</td>
</tr>
<tr>
<td>Separated</td>
<td>390</td>
</tr>
<tr>
<td>Other</td>
<td>767</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,782</strong></td>
</tr>
</tbody>
</table>

#### Supplemental Payrolls

<table>
<thead>
<tr>
<th>Exception Type</th>
<th>Estimated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpayment</td>
<td>9,724</td>
</tr>
<tr>
<td>Rejection</td>
<td>5,624</td>
</tr>
<tr>
<td>No Assignment</td>
<td>2,184</td>
</tr>
<tr>
<td>Negative</td>
<td>1,456</td>
</tr>
<tr>
<td>Other</td>
<td>4,186</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23,174</strong></td>
</tr>
</tbody>
</table>

**GRAND TOTAL:**

| All Payroll Exceptions per Year | 48,431 |
Adjustments per Pay Cycle for all Employees

Average employees requiring adjustments per pay cycle

- 18% Employees Requiring Adjustments
- 82% Employees Not Requiring Adjustments

SOURCE: LAUSD Payroll Branch. Percentages were based on approximate adjustments verified through the payroll branch and the approximate number of employees, both certificated and classified/unclassified, receiving paychecks per month.
Exceptions per Pay Cycle

Exceptions for Major Payroll - Certificated

- Overpayment: 32%
- Separated Employee: 26%
- Termination Date: 12%
- No Assignment: 7%
- Jury Duty: 9%
- Filler Time: 6%
- Zero or Negative: 5%
- Other: 3%

SOURCE: LAUSD Payroll Branch. Percentages are based on total exceptions by type worked by the payment and accounting and communications sections. Exceptions requiring no research or work were not included. Totals were derived from a two pay cycle average and annualized for thirteen cycles.
Exceptions per Pay Cycle

Exceptions for Major Payroll - Classified

- **No assignment**: 28%
- **Other**: 28%
- **Separated**: 14%
- **Termination date**: 14%
- **Zero or negative amount**: 16%

**SOURCE:** LAUSD Payroll Branch. Percentages are based on total exceptions by type worked by the payment and accounting and communications sections. Exceptions requiring no research or work were not included. Totals were annualized for thirteen cycles.
Exceptions per Pay Cycle

Exceptions for Supplemental Payrolls

- Overpayment: 43%
- Rejection: 24%
- No assignment: 9%
- Negative: 6%
- Other: 18%

SOURCE: LAUSD Payroll Branch. Percentages are based on total exceptions by type worked by the payment and accounting and communications sections. Exceptions requiring no research or work were not included. Totals were derived by determining the exceptions worked in one pay cycle by two payroll technicians in the payment section. Their totals were averaged and annualized for thirteen cycles. In addition, file update exceptions were derived from the payroll "exception by type" reports for one pay cycle and annualized for thirteen cycles.
## Reasons Exceptions Occur

The following chart defines the previous exceptions and provides explanations for the occurrence.

<table>
<thead>
<tr>
<th>Exception Type</th>
<th>Occurs when</th>
<th>Reason for occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filler Time</td>
<td>An employee receives filler time for periods not worked but paid due to the annualization of their salary.</td>
<td>Occurs when an employee changes from the annualization method to a non-annualization method or to a different annualization method, and the employee's time continues to be reported by the location under the old annualization method.</td>
</tr>
<tr>
<td>Separated</td>
<td>An employee has left the district, the system recognizes a closed W-2 date, and time is still reported for the employee.</td>
<td>It is due to the exception time reporting used in the pay process. When an employee leaves, the time reporter is required to enter an ending date for the assignment in their time reporting screen so that the employee is no longer paid. All assignments that have separation date are rejected from the system, which allows the payroll branch to research and resolve.</td>
</tr>
<tr>
<td>Termination Date</td>
<td>A termination date is older than four pay periods.</td>
<td>It is a mistype for the assignment ending date by Personnel, Human Resources, or the time reporter. The occurrence may also stem from a closed assignment where the new assignment has not been entered into the system, and the time was reported under the old assignment.</td>
</tr>
<tr>
<td>Jury Duty</td>
<td>An employee has performed jury duty, and it is a notification exception only.</td>
<td>For notification purposes only.</td>
</tr>
<tr>
<td>No Assignment</td>
<td>The assignment used to report time does not match the correct status and class code delegated to that assignment.</td>
<td>An assignment is missing in the system, and a time reporting error is caused due to an incorrect class codes. For example, a time reporter assumes that a new substitute teacher has the same class code as the other substitute teachers.</td>
</tr>
<tr>
<td>Exception Type</td>
<td>Occurs when</td>
<td>Reason for occurrence</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Zero or Negative Time</td>
<td>The system recognizes a mandatory deduction; however, there is insufficient time to fulfill the deduction.</td>
<td>Occurs when a supplemental check is issued for additional pay and the system attempts to collect the deduction previously taken in the major payroll.</td>
</tr>
<tr>
<td>Earned Salary Allowance</td>
<td>The balance in the ESA field prevents the ESA from being drawn.</td>
<td>Occurs when an employee does not incur a full pay status due to the time reported as half illness time or unpaid time. The system will not pay ESA unless the employee received the full pay status.</td>
</tr>
<tr>
<td>Anniversary Date</td>
<td>The employee has reached the pay period prior to his anniversary date.</td>
<td>For notification purposes only.</td>
</tr>
<tr>
<td></td>
<td>It is a notification exception only, requiring the technician to ensure that the employee will be receiving the correct pay increase associated with the anniversary date.</td>
<td></td>
</tr>
<tr>
<td>No Matching Assignment</td>
<td>The class code and status on an employee's time report do not match.</td>
<td>It is due to a delayed assignment entry or data entry error by Personnel, Human Resources, or the time reporter.</td>
</tr>
<tr>
<td></td>
<td>This exception will become a no assignment exception in the major payroll.</td>
<td></td>
</tr>
<tr>
<td>Rejection Exception</td>
<td>An exception requiring resubmission to the payroll branch.</td>
<td>Several exceptions can be included in this group. Examples include workers comp and incorrect use of a class code. These require work even though the employee is still paid, and is somewhat like a notification exception.</td>
</tr>
<tr>
<td>Overpayment</td>
<td>An employee’s time is reported for more than the assigned hours.</td>
<td>Occurs when the change of assignment is not posted in the system or when the time reporter is reporting hours for multiple locations. Examples include:</td>
</tr>
<tr>
<td></td>
<td>• When a location reports time based on an assignment, and the employee actually worked less hours, such as a 71 hour assignment that was completed in 20 hours.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• When the employee is reported for more overtime than actually worked, such as working 2 hours of overtime and reporting 20 hours.</td>
<td></td>
</tr>
</tbody>
</table>
Exception Resolutions

Exception resolutions require a substantial amount of employee effort from the payroll branch. Exceptions can require some of the following procedures:

- On-line correction by the payroll branch.
- A telephone call to the time reporter to correct the exception in PTRS. This correction creates an adjustment that must be verified and approved by the payment section.
- A telephone call to other central offices to determine the source of the exception or to request correction.
- Perform manual calculations through worksheets.
- Complete adjustment cards to be sent to ITD for data entry.
- Request reports from ITD.
- Perform an interest calculation.
- Search HRS or PTRS to discover the source or reason for the exception.
- Perform reconciliation for certain notification exceptions, such as jury duty.

General Findings

The current assessment analysis revealed the following findings regarding the LAUSD payroll processes:

- The pay structure is extremely complex due to the union negotiations and bargaining agreements. The complexity is further burdened by the possibility of constant change to the pay structure. This complexity contributes to errors, technological difficulties, and additional labor hours needed to comply with every nuance of the pay structure.
- Support by technology is weak for the entire payroll process. Current systems are not integrated resulting in the delay of information. The systems also contain limitations in regards to the functions it can perform, which requires additional manual work to be performed by the payroll branch.
- The limited technology also contributes to the occurrence of some types of exceptions and slows the error resolution process.
- The time and attendance collection process is manual resulting in potential abuse by employees and inefficiencies regarding labor hours and other resources.
- The manual time collection process contributes to many exceptions committed within LAUSD.

General recommendations are provided to help eliminate the above issues. These can be found as an attachment to the Executive Summary of this report. The following Phase II will discuss possible technological solutions to aid LAUSD in the achievement of the recommended action items.
Phase II: Best Practices Solutions and Business Case

“Best Practices” payroll and time and attendance systems were considered and selected as potential improvements to LAUSD’s existing system. The performance benchmarks considered in assessing “Best Practices” include cost, productivity, process quality, head count, technology and structure.

Included within Phase II is a vendor analysis of each payroll system and time and attendance system that is considered “Best Practice,” as well as definitions of the organizational and process changes required for implementation. The costs of implementation and related changes necessary to enable a new system were estimated as well.

As an additional option, the possibility of outsourcing a portion of the LAUSD payroll and general Human Resources (HR) operations to an outside vendor was assessed in light of the potential appropriateness and potential cost savings associated with such an arrangement.

Appendices associated with the section include:

Appendix E: Time and Attendance Vendor Comparison Matrix
Appendix F: Time and Attendance Vendor Cost Summaries and Scoring
Appendix G: Payroll Vendor Comparison Matrix
Appendix H: Payroll Vendor Cost Summaries and Scoring
Appendix I: Outsourcing Vendor Cost Summaries and Scoring
Appendix J: Outsourcing Vendor Comparison Matrix

NOTE: To protect proprietary information provided by the vendors, Appendices F, H, and I have been removed and will be provided to LAUSD under separate cover.
Phase II: Best Practices Solutions and Vendor Review

Phase II consisted of a review of Best Practice payroll processes and the scoring of LAUSD to the Best Practices. The phase performed a vendor analysis review for vendors of time and attendance devices, payroll systems and outsourcing. Each vendor was scored and the results are included in the phase. Estimated costs are also included, however it should be noted that all costs are estimates only. Better estimates can be obtained only after a more thorough review of LAUSD's structure and needs is performed.

The section is organized by vendor type: time and attendance, payroll system and outsourcing. References will be made throughout the section to appendices containing further detail.

Time and Attendance

Tracking and managing time and attendance data is the first step in an organization's overall payroll process. A competent system will minimize labor and payroll preparation costs.

LAUSD currently collects and reports time and attendance data using manual processes. Employee time is captured through sign-in and sign-out cards. Classified/unclassified employees and itinerate employees sign-in their arrival and departure times, while certificated employees initial to indicate their presence without indicating arrival or departure times. Each location has at least one time reporter who collects all time and inputs the information manually into the Payroll Time Reporting System (“PTRS”).

How Time and Attendance Devices Will Benefit LAUSD

- Reduce the payroll processing time
- Increase the accuracy of data
- Lower payroll labor costs
- Allow more productive use of payroll personnel

Accuracy

- The time saving factor of using a time and attendance device will provide school clerks with the ability to verify and validate information since there are no manual inputs, and attendance would be recorded automatically.
- Employee details such as actual time working versus assigned schedules, accruals, and accumulated totals for the current pay period would be available on-line.
- Manual processes will be replaced with cross punching functionality. This process could significantly improve the accuracy of recorded worked time versus actual worked time of employees, such as substitutes and psychologists, who continuously move around to different schools.
- Audit activities would be significantly streamlined because of the efficient monitoring of attendance, tardiness, job cost, etc.
• Employees would benefit because of efficient monitoring of benefit days, vacation hours, sick leave, holidays, personal business, emergencies and other time off.

Other Potential Benefits

Job Cost
• Time and attendance devices could enable tradesmen and foremen to submit accurate time spent on jobs.
• The current system was not set up so that school principals can determine the amount of time spent on maintenance and repair on the individual buildings. The handheld or swiping devices would be able to provide real time updates to the Job Cost system.

Buses
• The use of a device will automatically record the arrival time of the school buses. Bus drivers would utilize the chosen device that could track the departure and arrival of the buses at their ultimate destination.
• A device would also be able to measure bus performance and manage bus services based on collecting additional data via a time and attendance device.

Device Comparison

A detailed study would have to be conducted to determine the appropriate device or combination of devices that LAUSD can implement. Some of the options are noted in the table below. Further information regarding time and attendance devices can be found in Appendix E.

<table>
<thead>
<tr>
<th>Device</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC Time Clock</td>
<td>• Cost-effective&lt;br&gt;• Easily scalable: requires an Internet browser on the desktop</td>
<td>• Security: risk of errors if password is compromised</td>
</tr>
<tr>
<td>Bio-metric</td>
<td>• Little to no risk of fraud&lt;br&gt;• No need to replace lost cards</td>
<td>• Hardware is expensive&lt;br&gt;• Cultural resistance</td>
</tr>
<tr>
<td>Handheld</td>
<td>• Mobile</td>
<td>• Hardware is expensive&lt;br&gt;• Hardware is prone to loss or damage</td>
</tr>
<tr>
<td>Badge Reader</td>
<td>• Less expensive solution than Handpunch or Handheld&lt;br&gt;• Proven technology: hardware is durable, proven in various industries</td>
<td>• Risk of “buddy punching”&lt;br&gt;• Badges can be lost</td>
</tr>
</tbody>
</table>
Time and Attendance Vendor Review

Key methodologies and procedures

Unlike the market for payroll solutions, the time and attendance industry is highly fragmented, with one vendor holding a 50% market share. In spite of this characteristic, the Andersen team was able to identify other leading vendors to include in the process.

A high level Request for Information (RFI) for time and attendance was developed and sent out to the leading vendors in the industry. The RFI contained company information, product information, technology information, public sector credentials and references, in addition to general functional requirements that were not specifically tailored to LAUSD. The vendors responded to each of the functional requirements with either a “yes” (requirement can be met by product as delivered), “no” (requirement cannot be met by product as delivered), or “partial” (requirement can be met partially by product as delivered).

The following vendors received the time and attendance RFI and had approximately two weeks to complete their responses:

- **ADP**
- **Ceridian**
- **Konetix**
- **Kronos**
- **Simplex**

The vendors’ RFI responses were then consolidated and analyzed. Each vendor received a score, by module, based on the numbers of yes, no, and partial answers provided in response to the functional requirements.

**Summary of Findings**

Four “Best Practices” time and attendance solutions were selected. The performance benchmarks considered in assessing “Best Practices” include cost, productivity, process quality, head count, technology and structure. The four vendors selected were (in alphabetical order):

- **ADP**
- **Konetix**
- **Kronos**
- **Simplex**

The Andersen team considered the following criteria to be of particular importance in the selection process:

- Overall functional requirements met by the solution (based on the RFI)
- Overall company reputation and public sector/education credentials
- Overall scalability, supportability and maintainability of the solution
• Proven solution and technology

The following are brief synopses regarding the “Best Practices” vendors. Further detail regarding each vendor’s product and specific costs can be found in Appendices E and F.

Vendor Synopses

The following section provides a summary of key data regarding each time and attendance vendor. Included in each synopsis is a detailed breakdown of the vendors’ estimated costs, which provide LAUSD with a time and attendance solution.
Konetix, Incorporated

Company Background

Founded in 1985, Konetix, Incorporated (Konetix) is a relatively small but growing company, which focuses solely on providing time and attendance and workforce management solutions. Konetix has repeatedly been an innovative force in the industry – it claims to be the first company (as Simplex does) to provide a Windows based solution in December of 1993 and among the first to develop a web-based timekeeping solution.

From its Boulder, Colorado office, Konetix has a staff of 33 employees and serves a client base of more than 5,000. Konetix’s revenues last year were roughly $3.5 million a 30% increase over the prior year.

Product Offerings

Konetix’s TimeCentre 2000E is a web-based time and attendance tracking solution. Like other web-based solutions, the application is easily accessible from any desktop via a standard Internet browser. This capability, coupled with the ease of adding additional time capturing devices, provides a fully scaleable solution that can grow along with the organization.

TimeCentre 2000E provides the following key functionality:

- Business Rule Management
- Edit, Exception and Time Sheet Reporting
- Employee Setup
- Scheduling
- Customizable Navigation

Proven Solution

TimeCentre was first released in 1993 as the first Windows based time and attendance solution. TimeCentre 2000E was released in 2000 and is the sixth release.

Representative Public Sector Clients

- South Eastern Louisiana University – 4,000 employees, 1 location

Other Clients

- McDonald’s Corporation – 80,000 employees, 2,000 locations (worldwide)
- Spherion – 12,500 employees, 250 sites
Largest Install

Konetix has yet to install at a K-12 client. Its largest public sector installation was at South Eastern Louisiana University, with 4,000 employees at one campus. McDonald’s Corporation is Konetix’s largest installation overall with over 80,000 employees at 2,000 locations.

Technology

Platform
TimeCentre 2000E runs on NT platforms.

Development Languages
TimeCentre 2000E was developed using Visual Interdev, Visual Basic 6, Visual Basic Script, JavaScript, and HTML.

Supporting Databases
MS SQL 2000

Level of Client/Server Processing (Tier)
3-tier

Summary of Responses

Based on their responses to the LAUSD Payroll Best Practices time and attendance RFI, vendors were scored for their ability to provide the desired functionality.

Konetix’s overall score is presented below.

Overall Score

The overall score can be found in Appendix F, which has been removed in order to protect the proprietary information provided by Konetix. The appendix will be provided to LAUSD under separate cover.

Key Differentiating Factors

Andersen asked Konetix to identify its key differentiating factors that set Konetix and its solution apart from its competitors. Konetix provided the following factors:

- *Focus on Innovation:* One of the first companies to introduce a Windows-based system to the market in 1993 (Simplex also makes this claim), Konetix’s solution is already on its sixth release of the system. Konetix also considers itself the first to come out with a web-based time and attendance solution.
• **Scalability:** The 3-tier client-server architecture of 2000E provides the organization with the flexibility to easily grow the system as the organization grows. Expanding the system is as simple as connecting more time-keeping devices to the network and adding desktops with a standard Internet browser.

• **Readily Customizable:** Konetix’s solution can be easily customized by the company or by the customer’s internal resources. Konetix will provide the source code for the reporting functionality, making creation of new reports much more straightforward.

• **Implementation Approach:** Konetix is willing to offer both a turnkey solution and a train-the-trainer solution. Konetix prides itself on quick and straightforward implementations.
Kronos, Incorporated

Company Background

Founded in 1977, Kronos, Incorporated (Kronos) is the world’s leading provider of solutions for frontline labor management. It is a publicly traded company with over 1,800 employees and over 44 locations worldwide. Headquartered in Chelmsford, Massachusetts, Kronos has provided time and attendance solutions to over 30,000 clients across various industries. Last year Kronos posted $270 million in revenues from its products and services.

Product Offerings

Kronos offers a suite of integrated solutions for frontline labor management. Kronos’ product suite provides solutions for:

- Time and Attendance
- Leave Management
- Employee Scheduling
- Labor Activities
- Labor Analytics

Kronos’ time and attendance solution, Workforce Timekeeper, is a total hardware and software solution for automating time and attendance. Workforce Timekeeper facilitates the efficient collection of labor data, compiles the data and applies pay rules, allows for supervisor review and sign off and provides extensive reporting abilities.

Proven Solution

Kronos’ Timekeeper solution first hit the market as a DOS product in the spring of 1985. Workforce Timekeeper is now on its third version and Kronos continues to dominate the industry with more than 50 percent of the market share. Kronos’ roster of 30,000 clients include many of the world’s Fortune 1000 companies as well as large public sector organizations.

Focus on Public Sector Clients

Kronos approaches the market through industry-specific teams. Markets served by Kronos include Manufacturing, Healthcare, Retail, Hospitality, Government, Education and Services. Kronos’ Government and Education team has successfully implemented labor management solutions at many major public sector organizations nationwide.

Representative Public Sector Clients

- Chicago Public Schools – 66,000 employees, 600 locations
- University of Utah – 12,500 employees, 280 locations
• State of Ohio – 30,000 employees, 60 locations

Other Clients

• Rogers Communications – 14,000 employees, 200 locations
• Intermountain Healthcare – 30,000 employees, 20 locations
• Bergen Brunswig – 19,000 employees, 32 locations

Largest Install

Kronos’ largest install for a K-12 client was for the Chicago Public Schools, with over 66,000 employees in 600 locations. Its largest overall install was for Kroger Stores, with over 90,000 employees nationwide.

Technology

Platform
Workforce Timekeeper runs on UNIX and NT platforms.

Development Languages
Workforce Timekeeper and Workforce Accruals are written in Smalltalk. Workforce Web's middle tier and Workforce Activities are written in Java. Workforce Web's client is written in HTML and JavaScript.

Supporting Databases
MS SQL 7.0+, Oracle 8.0.4+ or 8.1.5+ (8i)

Level of Client/Server Processing (Tier)
Workforce Web: 3-tier, Workforce Timekeeper: 2-tier, Workforce 4.0 will be 3-tier.

Summary of Responses

Based on their responses to the LAUSD Payroll Best Practices time and attendance RFI, vendors were scored for their ability to provide the desired functionality.

Kronos’ overall score is presented below.

Overall Score

The overall score can be found in Appendix F, which has been removed in order to protect the proprietary information provided by Kronos. The appendix will be provided to LAUSD under separate cover.
Key Differentiating Factors

Andersen asked Kronos to identify its key differentiating factor things that distinguishes Kronos and its solution from its competitors. Kronos provided the following factors:

• *Focus of Business:* Kronos focuses solely on the time and attendance business and is the undisputed market leader with over 50% of the market share.

• *Health of Business:* Kronos has been in the time and attendance business for over 23 years and has consistently grown about 19% annually. For fiscal year 2000 Kronos posted revenues of $270 million.

• *Experience:* As the provider of time and attendance solutions to many Fortune 1000 companies, Kronos has gained deep experience with large implementations. It has demonstrated the ability to support large clients such as LAUSD.

• *Implementation Process:* For LAUSD, Kronos will bring in its Enterprise Services team, a national team focused on large enterprise-class organizations. Professionals from Kronos’ local offices will also participate in the implementation, bringing together the best resources Kronos has to offer.

• *Service:* Kronos has deep resources in both training and support. Kronos offers LAUSD a wide variety of options that can accommodate LAUSD’s desired service level and financial considerations.
Simplex Time Recorder Company

Company Background

Founded in 1894, Simplex Time Recorder Company (Simplex) is a subsidiary of Tyco International (Tyco), a $33 billion publicly traded diversified manufacturing and services company and a worldwide leader in fire and security systems. Tyco also focuses on disposable medical products, flow control products, packaging materials, electrical components and underwater telecommunications devices.

With over 7,000 employees and 150 domestic branch offices, Simplex services roughly 18,000 active customers. Headquartered in Westminster, Massachusetts, Simplex provides a variety of products and services, focused mainly of fire and security services and workplace management. Last year Simplex posted $300 million in revenues from its products and services.

Product Offerings

Simplex’s eForce workforce management system is comprised of the following modules:

- Time and Attendance
- Scheduling
- Forecasting

The three modules work effectively as an integrated solution or can be used as stand-alone applications.

Product Background

Simplex’s eForce solution was first introduced in May of 2000. Version 2.0 was released in December of 2000. Simplex’s install base includes many large companies in various industries.

Representative Public Sector Clients

- Carrolton Farmer’s Branch School District – 5,000 employees, 80 locations
- Louisville Independent School District – 5,000 employees, 68 locations
- Alameda-Contra Costa Authority – 4,000 employees, 6 locations
- Tualatin Parks & Recreation District – 2,000 employees, 25 locations
- Texas Tech University – 2,000 employees, 22 locations

Other Clients

- TJ Maxx Company – 100,000 employees, 1,100 locations
- BFI (Browning Ferris Industries) – 20,000 employees, 500 locations
- ABM (American Building Maintenance) – 15,000 employees, 400 locations
• Exel Logistics – 10,000 employees, 150 locations

_Largest Install_

Simplex’s largest install for a K-12 client was for the Carrolton Farmer’s Branch School District, with over 5,000 employees at 80 locations. Its largest overall install was for American Building Maintenance, with over 15,000 employees at 400 locations.

_Technology_

_Platform_
eForce runs on NT platforms.

_Development Languages_
eForce was developed in Visual C++

_Supporting Databases_
MS SQL 7.0+

_Level of Client/Server Processing (Tier)_
3-tier

_Summary of Responses_

Based on their responses to the LAUSD Payroll Best Practices time and attendance RFI, vendors were scored for their ability to provide the desired functionality.

Simplex’s overall score is presented below.

_Overall Score_

The overall score can be found in Appendix F, which has been removed in order to protect the proprietary information provided by Simplex. The appendix will be provided to LAUSD under separate cover.

_Key Differentiating Factors_

Andersen asked Simplex to identify its key differentiating factors that set Simplex and its solution apart from its competitors. Simplex provided the following factors:

_Experience:_ Over 100 years of time and attendance experience.

_Innovation:_ Simplex claims to have introduced the first time clock, first Windows based time and attendance product, as well as the first Labor Forecasting/ Scheduling package.
**Service:** Simplex's strengths include local sales and service covering the U.S. with 170 company owned offices, lending better control over training and service delivery consistency and a large organization, which can support large, multi-location, multi-national customers.

**Stability:** A subsidiary of $33 billion Tyco, Simplex can count on its parent company's deep financial resources and commitment to the development and growth of Simplex Workforce Solutions.

**Customization:** Simplex's Custom Software Group is dedicated to the special needs of customers.
Automatic Data Processing (ADP)

Company Background

Better known as the leader in outsourced payroll services, Automatic Data Processing (ADP) is also the second largest implementer of Kronos’ time and attendance solutions. Through its strategic alliance with Kronos, ADP offers its version of Kronos’ time and attendance software and hardware.

In fiscal year 2000 ADP had revenues in excess of $6.2 billion. Founded in 1948, ADP employs 35,000 professionals throughout its 46 offices worldwide. Its client base of over 370,000 companies includes 40% of the Fortune 500. More information on ADP’s Outsourcing solution can be found in the Outsourcing section of this document.

Product Offerings

ADP offers a comprehensive range of outsourcing services that help manage an employee’s Payroll, HR, and Benefits Administration from the moment the employee is hired to the time when he retires. These services include:

- Payroll
- Tax & Compliance Management
- HRIS
- Benefits Administration
- Recruitment Services
- Retirement Services
- Time and Labor Management
- Professional Employer Organization (PEO)

Proven Solution

As previously mentioned, ADP’s strategic alliance with Kronos gives it access to the market leading software and hardware solutions. The second largest seller and implementer of Kronos’ solutions, ADP’s time and attendance Division has had significant success in the marketplace.

ADP’s Enterprise eTime 3.2 time and attendance was released in 2000.

Representative Public Sector Clients

- Cobb County – 5,000 employees, 100 locations
- Webster Grove School District – 600 employees, 1 location
Other Clients

- Sittel Corporation – 13,000 employees, 1 location
- Essilor Laboraties – 3,500 employees, 1 location
- Presbyterian Manor – 2,500 employees, 18 locations

Largest Install

ADP’s largest cited install for a K-12 client was for the Webster Grove School District, with 600 employees at 1 location. Its largest overall install was for Sittel Corporation, with over 13,000 employees.

Technology

Platform
Enterprise eTime runs on NT platforms.

Development Languages
Enterprise eTime was developed in Visual Interdev, VB6, VBScript, and Java.

Supporting Databases
MS SQL 2000.

Level of Client/Server Processing (Tier)
3-tier

Summary of Responses

Based on their responses to the LAUSD Payroll Best Practices time and attendance RFI, vendors were scored for their ability to provide the desired functionality.

ADP’s overall score is presented below.

Overall Score

The overall score can be found in Appendix F, which has been removed in order to protect the proprietary information provided by ADP. The appendix will be provided to LAUSD under separate cover.

Key Differentiating Factors

Andersen asked ADP to identify its key differentiating factors that set ADP and its solution apart from its competitors. ADP provided the following factors:
• Experience: As the second largest provider of Kronos’ time and attendance software and hardware, ADP has extensive experience in this market.

• Pricing Structure: In addition to the traditional purchase model, ADP also rents its hardware on a monthly basis. At any time the client can choose to swap out the hardware device and substitute it for another. This capability gives the client incredible flexibility while reducing the outlay of capital expenses.

Summary of Time and Attendance Vendor Cost Estimates

The time and attendance costs range from $2.8 - $24.5 million and include the following:

• Variety of devices (PC Time Clock, Badge readers, Bio-metric)
• Software
• Installation
• Training
• Interfaces
• Annual maintenance and licenses
• Project management consulting
• Ongoing software and hardware maintenance

Please refer to Appendix F for a summary of vendor cost estimates. Appendix F has been removed from the main report in order to protect proprietary information and has been given to LAUSD under separate cover.
Estimated Implementation Timeline and Cost

Implementation Timeline

The figure below provides a high-level implementation timeline outlining the major components of a time and attendance implementation. The length of the implementation is estimated to be 18 – 24 months.

* The above data represents an estimate. More realistic results can be developed once LAUSD’s needs and current environment can be assessed in greater detail.

<table>
<thead>
<tr>
<th>Major Tasks</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilot Set-up/Kickoff</td>
<td>1-3</td>
</tr>
<tr>
<td>Pilot</td>
<td>4-6</td>
</tr>
<tr>
<td>Project Set-Up/Kickoff</td>
<td>7</td>
</tr>
<tr>
<td>Requirements Definition</td>
<td>8</td>
</tr>
<tr>
<td>Hardware Configuration</td>
<td>9-15</td>
</tr>
<tr>
<td>Interface Development</td>
<td>16</td>
</tr>
<tr>
<td>System Testing</td>
<td>17</td>
</tr>
<tr>
<td>Hardware/Software Installation</td>
<td>18</td>
</tr>
<tr>
<td>Training</td>
<td></td>
</tr>
<tr>
<td>Go-live</td>
<td></td>
</tr>
</tbody>
</table>

Project Management Costs

Andersen recommends that in addition to each vendor’s implementation management that consultants should be contracted to provide project management services. The consultants, in conjunction with LAUSD, would oversee the implementation efforts related to the time and attendance solution. The team would facilitate communication between LAUSD and the chosen vendor, ensure that project timelines are being met, and serve as advisors to LAUSD. The Project Management team would be dedicated to this project full-time throughout the duration of the implementation, which is estimated to be 18 – 24 months at this point. Based on Andersen’s previous experiences with projects of this nature, it is estimated that these services would cost roughly $1.5 to $2 million.
Payback and Return on Investment (ROI) Analysis

Time and Attendance

Return on Investment (ROI) is an estimate of the financial benefit (the “return”) on money spent (the “investment”) on a particular alternative. The analysis on the following page draws on statistics from the American Payroll Association (APA) to calculate roughly how much LAUSD can expect to save through the implementation of an automated time and attendance solution. These savings fall into three categories: reduction in time spent by payroll staff auditing, reduction in wages overpaid to employees and reduction in human error.

This high-level model estimates that the implementation of a time and attendance solution at LAUSD will save it roughly $27 million a year. Of this amount, $3.8 million dollars are attributed to “soft savings” through cost avoidance. The balance, $23.7 million, is “hard savings” resulting from decreases in overpaid wages and human error. With the vendors quoting prices as low as $3 million and as high as $24 million, LAUSD’s investment can easily pay for itself within one year.

It is important to note that the total savings presented are actually on the conservative side, as the model uses the more conservative figures from the APA in its calculations. In addition, the model does not account for headcount reductions within the payroll line staff, only increased productivity, and only takes into account savings from reduction in errors for hourly employees. Also, time overpaid has been conservatively estimated at 12 minutes a day, but could be as high as 49 minutes a day. Finally, the model uses an hourly wage of $7.50, which is lower than the overall average for all hourly workers at LAUSD. According to the District $9.00 is the lowest hourly wage paid to its hourly workers. The potential for savings is even greater for LAUSD than this conservative model would suggest.

The model also does not account for the following:

- It does not take into account savings from printing customized paper timesheets and cards, etc.
- It is considering only the classified employees and time associated with processing their time by the time and attendance clerk. The model does not take into account time spent by their supervisors in calculating hours, etc. on the time cards.
- It does not take into account the time spent by the time and attendance clerks in inputting exception reporting for certified employees and keeping manual records of holidays, attendance, time-off, etc.
- It also does not take into account time saved associated with processing time and attendance for facilities and reporting Job Costing as well as time for the Bus drivers.
- It also does not take into account time saved associated with supporting the PTRS system by the ITD personnel.

While LAUSD may choose not to reallocate payroll staff, the savings resulting from reductions in overpaid wages alone are a staggering $18.7 million. Furthermore, the
System will free up Payroll staff to perform higher value-added activities. School clerks, for example, will be able to spend less time on payroll and focus on other duties.

**Company**  
LAUSD

### SOFT SAVINGS

**Auditing Savings**

- **Number of Hourly Employees**: 48,000  
- **Minutes Saved Per Card**: 5  
- **Total Pay Period Minutes Saved**: 240,000  
- **Total Pay Period Hours Saved**: 4,000

Manual time cards take approx. 7 min. per employee to prepare. Automated systems require 1 min. or less to verify the data. SAA’s are responsible for the initial auditing of time sheets.

#### Number of Hourly Employees

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Hourly Employees</td>
<td>48,000</td>
</tr>
<tr>
<td>Minutes Saved Per Card</td>
<td>5</td>
</tr>
<tr>
<td>Total Pay Period Minutes Saved</td>
<td>240,000</td>
</tr>
<tr>
<td>Total Pay Period Hours Saved</td>
<td>4,000</td>
</tr>
</tbody>
</table>

#### Hourly Rate of School Administrative Assistant (SAA)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAA's</td>
<td>$18.70</td>
</tr>
</tbody>
</table>

#### Annual SAA Labor Savings

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual SAA Labor Savings</td>
<td>$3,889,600.00</td>
</tr>
</tbody>
</table>

### HARD SAVINGS

**Lost Time Savings**

- **Lost Productivity Per Day minutes**: 12 0.2 hours  
- **Average Employee Hourly Rate**: $7.50  
- **Average Wages Overpaid Daily/Employee**: $1.50  
- **Average Wages Overpaid Weekly/Employee**: $8

An employee is overpaid an average of 3 hours each week. This example assumes 1 hour/week would be saved (12 min. day) (It could be higher).

#### Annual Wages Overpaid

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Wages Overpaid</td>
<td>$18,720,000</td>
</tr>
</tbody>
</table>

**Human Error Factor Savings**

- **Number of Employees**: 48,000  
- **Average Hourly Rate**: $5  
- **Average Pay Period Hours Worked**: 40

The human error rate for manual time card calculations range between 1% and 8%. This example assumes a low rate range of 1%.

#### Annual Human Error Savings

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Human Error Savings</td>
<td>$4,992,000</td>
</tr>
</tbody>
</table>

Total Weekly Payroll (Gross Estimate): $9,600,000  
Human Error Factor: 0.01
**Savings Summary**

**SOFT SAVINGS**
- Auditing Savings $3,889,600
- **Total Soft Savings** $3,889,600

**HARD SAVINGS**
- Lost Time Savings $18,720,000
- Human Error Savings $4,992,000
- **Total Hard Savings** $23,712,000

**Total Annual Savings** $27,601,600

LAUSD is losing $106,160 daily
or $2,300,133 monthly

*Estimates for the following were based on studies performed by the American Payroll Association and Robert Half, Int.*:

- Time to prepare manual time cards
- Time taken by automated systems to prepare time cards
- Number of hours employees are overpaid on average
- Human error rates

*NOTE: Although this chart was developed by Konetix, Inc., the figures and information inputted was compiled by Andersen.*
Payroll ERP System Solutions

Organizations that apply payroll best practices in processing payroll seek to minimize payroll costs and maximize service to employees within the constraints of an organization’s policy and government regulations. These organizations use technology that streamlines and automates payroll activities, while offering employees a more convenient and secure payment options and easier and faster access to payroll information.

How an Integrated HRMS Solution will benefit LAUSD

- Eliminates the need for costly maintenance of interfaces among various systems
- Eliminates double entry by using a shared database that can be accessed by multiple departments
- Reduces timing problems because data is available to all authorized users and locations
- Provides for consistent data because data is entered once and shared among all departments

The process map located in Appendix A illustrates a Best Practices integrated HRMS solution, which includes the following modules:

- Human Resources
- Benefits
- Payroll
- Time and Attendance
- Employee Self-Service

The diagram also illustrates the many processes and benefits that an advanced integrated HRMS solution offers:

Human Resources

- Applicant tracking
- Position control
- Central location to maintain contract specifications
- Employee data management
- Training administration

Benefits

- Health care benefits
- Life and disability
- Retirement benefits
- COBRA details
- Benefits billing
- Worker’s compensation information and management

Payroll

- Pay data collection
- Gross pay calculations
- Deduction calculations
• Tax calculations
• Check and payment
• Payroll scheduling
• Manual checks
• Year-end processing
Payroll Vendor Review

Key Methodologies and Procedures

A comprehensive list of payroll solutions considered to be “Best Practices” in the HR Management Systems arena as well as within the Public Sector and Education industries were researched and reviewed by the Andersen team.

A high level RFI for HR, Benefits and Payroll was then created and sent to each of the identified Payroll solution vendors (vendors).

The RFI contained organization information, product information, technology information, public sector credentials and references in addition to general HR, Benefits and Payroll functional requirements that were not tailored specifically to the LAUSD. The vendors responded to each of the functional requirements with either “yes” (requirement can be met by product as delivered), “no” (requirement can not be met by product as delivered) or “partial” (requirement can be met partially by product as delivered). In some cases, customization to the product is required.

The following vendors received the RFI for HR, Benefits and Payroll and had approximately two weeks to complete and return the responses:

- American Management Systems, Inc.
- Escape Technology, Inc.
- J.D. Edwards
- Lawson Software
- Munis
- Oracle Corporation
- PeopleSoft, Inc.
- SAP AG
- StarGarden Group
- SunGard Bi-Tech Inc.

The following vendors either chose not to respond to Andersen’s initial contact or not to participate in the RFI:

- Escape Technology, Inc.
- Geac Computer Corporation Limited
- J.D. Edwards

The vendors’ RFI responses were then consolidated and analyzed. In addition, each vendor received a score, by module, based on the number of yes, no and partial responses to the functional requirements.
Summary of findings

Four “Best Practices” payroll solutions were selected. The performance benchmarks considered in assessing “Best Practices” include cost, productivity, process quality, head count, technology and structure.

The Andersen team considered the following criteria to be of particular importance in the selection process:

- Overall functional requirements met by the solution (based on the RFI responses)
- Overall organization reputation and public sector/education credentials
- Overall scalability, supportability and maintainability of the solution
- Proven solution and technology

The following vendors met the above criteria and have been selected as the four “Best Practices” payroll solutions (in alphabetical order):

- Lawson Software
- Oracle Corporation
- PeopleSoft, Inc.
- SAP AG

Because LAUSD is currently running AMS Financials, American Management Systems, Inc. (AMS) was included in our final analysis, in addition to the four vendors above.

Vendor Synopses

The following vendor synopses provide organization and product detail on the four Best Practices payroll solutions: Lawson, Oracle, PeopleSoft, and SAP.
Lawson Software

Company Background

Lawson Software (Lawson) provides Web-addressable, role-based Self-Evident Applications® (SEAs), transaction engines and e-business extensions to power financial, human resources, procurement, distribution and enterprise relationship management solutions. Lawson’s founders, Richard Lawson, William Lawson, and John Cerullo, built the business by providing innovative software solutions to complex organizations worldwide. Headquartered in Saint Paul and London, Lawson serves more than 3,000 healthcare, retail, professional services, public sector, financial services and telecommunications customers worldwide. The privately held company recorded revenues of more than $313 million in fiscal year 2000, and has a staff of 2,000 employees worldwide.

Product Offering

Lawson’s HR Engine delivers the technology and capabilities needed to create a competitive advantage for e-business success.

The following is a breakdown of Lawson’s HR modules. In addition, several other Lawson applications are listed below.

Lawson HR Engines:
- Attendance Management
- Benefits Administration
- Event Management
- Health and Safety
- HR Analytics
- Payroll
- Pay-to-Bill
- Personnel
- Tips
- Training Administration

Additional Software Application Categories Include:
- Distribution
- Enterprise Relationship Management
- Financials
- Procurement
Proven Solution

Lawson Software is a full-service provider of Self-Evident applications, e-business transaction engines and solution extensions powering enterprises and e-services. Lawson’s systems assist organizations in the management of financial and capital resources, personnel-related information and materials distribution and inventory, incorporating leading-edge technologies to provide true open solutions.

Focus on Public Sector Clients

Lawson recognizes that in order to operate more efficiently and cost effectively, public sector customers need a total solution to automate information access and retrieval. This solution must fit the structure and core processes of the organization. Lawson offers a solution that is easily implemented within the organization’s infrastructure, yet has the flexibility to work with new technology innovations to meet future needs.

Representative Clients

• Fairfax County Public Schools
• Montgomery County Public Schools
• Denver Public Schools
• Hartford County Public Schools

Largest Install

Lawson’s largest install for a Public Sector K-12 client was for Fairfax County Schools with over 30,000 employees and 150 concurrent users

Technology

Platform
Lawson applications run on AS400, HP9000, RS6000, NT, SUN, and DEC.

Development Languages
Lawson client interfaces are written using C++, VB, JAVA, & JavaScript. The actual Lawson server environment is written in C & C++. All of Lawson’s application business logic is written in Lawson 4GL, Cobol & JAVA.

Supporting Databases
Lawson products run on Oracle (8.0.6, 8.1.6, 8.1.7), Informix (7.30, 7.31), Sybase (11.9.2, 11.9.2.3, 12.0), MS SQL Server (7.0, 2000), DB2 Universal Enterprise (6.1, 7.1), DB2/UDB (V.61).
Level of Client/Server Processing (Tier)
N-tier

Summary of Responses

Based on the vendors’ RFI responses, the vendors were scored on their compliance with the Payroll, HR, and Benefits module requirements for the LAUSD Best Practices Review. Below are Lawson’s individual module scores, overall score, and overall vendor ranking.

Overall Score

The overall score can be found in Appendix H, which has been removed in order to protect proprietary information provided by Lawson. The appendix will be provided to LAUSD under separate cover.

Key Differentiating Factors

- Lawson solutions have the lowest total cost of ownership of any ERP vendors.
- Lawson has a specific K-12 Practice.
- Lawson software has complete integration between modules and suites.
- Lawson solutions are hardware and database neutral to protect investments.
Oracle Corporation

Company Background

Founded in 1977, Oracle Corporation is the world's leading supplier of software for information management, and the world's second largest independent software company. With annual revenues of more than $10.1 billion, the company offers its database, tools and application products, along with related consulting, education, and support services, in more than 145 countries around the world. Headquartered in Redwood Shores, California, Oracle is the first software company to develop and deploy 100 percent internet-enabled enterprise software across its entire product line: database, server, enterprise business applications, and application development and decision support tools.

Product Offerings

Oracle Human Resources Management System (HRMS) delivers the technology and capabilities needed to create a competitive advantage for e-business success.

The following is a breakdown of Oracle’s HRMS modules. In addition, several other Oracle applications are listed below.

Oracle HRMS:
- Human Resources
- Self-Service HR
- Payroll
- Time Management
- HR Intelligence
- Training Administration

Additional Software Application Categories include:
- B2B
- Customer Relationship Management
- Financials
- Intelligence & Analytics
- Project Management
- Hosted Applications

Proven Solution

Oracle Applications provide the only integrated e-business suite of CRM and ERP solutions for the enterprise. Oracle's award-winning applications are architected to take advantage of the internet and shift the complexity of application management, maintenance and upgrading from users' desktops onto centralized, professionally managed servers, thereby dramatically reducing the cost of deploying and administering software. By minimizing network traffic, this approach also makes it economical to deploy the applications over Wide
Area Networks (WANs) to hundreds or thousands of users, making it possible to distribute critical business information much more broadly than is feasible in the client/server model.

Focus on Public Sector Clients

Oracle provides a 100% pure internet solution tailor-made for public services that assists governments and governmental agencies in moving to efficient e-government operations.

Representative Clients

- New Orleans Public Schools
- Wake County Public School System
- Kent School District
- Chicago Public Schools

Largest Install

Oracle's largest install for a Public Sector K-12 client was for New Orleans Public Schools, with over 11,000 employees.

Technology

Platform
Oracle applications run on all major platforms and operating systems.

Development Languages
Oracle's development tool is a 4GL called Oracle Developer 2000 using C++, JAVA, XML, and HTML.

Supporting Databases
Oracle products must be run on an Oracle 8i Database.

Level of Client/Server Processing (Tier)
N-tier Web native application

Summary of Responses

Based on the vendors' RFI responses, the vendors were scored on their compliance with the Payroll, Human Resources, and Benefits module requirements for the LAUSD Best Practices Review. Below are Oracle's individual module scores, overall score, and overall vendor ranking.
Overall Score

The overall score can be found in Appendix H, which has been removed in order to protect proprietary information provided by Oracle. The appendix will be provided to LAUSD under separate cover.

Key Differentiating Factors

- Oracle is the first software organization to develop and deploy 100 percent internet-enabled enterprise software across its entire product line.
- The scalability of the Oracle Payroll system allows for mass calculations to be pushed through at the same time and gives multiple opportunities for review during processing.
- Position Control and budgeting functionality designed solely for the Public Sector.
PeopleSoft, Inc.

Company Background

Founded in 1987, PeopleSoft is a publicly traded company with over 7,000 employees worldwide and a world leader in enterprise application software. Headquartered in Pleasanton, California, PeopleSoft, Inc. designs, develops, markets, and supports a family of enterprise client/server and Internet based application software products for use throughout large and medium sized companies.

Product Offerings

PeopleSoft’s applications deliver robust functionality to meet Public Sector requirements, including K-12 specific features. PeopleSoft offers the most flexible and easy to use tool set called PeopleTools, for customizations and development where agency specific functionality is required. This means that customers are able to build the components necessary to differentiate their organization.

PeopleSoft 8 is the largest technological advance in enterprise business software in more than a decade. PeopleSoft 8 applications are delivered over a standard Internet browser for comprehensive business management -- making PeopleSoft the only software organization to provide eBusiness solutions in a pure Internet environment. Innovation of this magnitude has made PeopleSoft a leader in customer relationship, financial, human resources, and supply chain management software since 1987.

The following is a breakdown of PeopleSoft’s HRMS modules. In addition, several other PeopleSoft applications are listed below.

PeopleSoft HRMS:
- Benefits products
- Payroll and Compensation products
- Training and Development products
- Flexible Spending Account Administration
- Human Resources
- Applicant Tracking
- Recruiting products
- Pension products
- Pension Administration
- Stock Administration products
- Time & Labor
Additional Software Product Offerings include:

- eProcurement
- Budget Planning for Education and Government
- Enterprise Performance Management
- Business Analytics for Government
- Customer Relationship Management for Public Sector
- Education and Government Applications
- Supply Chain Management
- Financials

Proven Solution

PeopleSoft’s HRMS products have been available since 1989 and have maintained North American domination with approximately 50% of the HR market. It currently has over 3,000 customers using the HRMS product with up to 800,000 employees paid through PeopleSoft Payroll as the largest implementation.

Focus on Public Sector Clients

PeopleSoft’s solutions help Education and Government customers achieve organizational goals by improving service levels. By providing quick access to clear information, PeopleSoft’s eGovernment and Internet solutions for Higher Education, Public Sector and Federal Government organizations enable their customers to manage resources effectively, make well-informed decisions and respond swiftly to evolving needs.

Representative Clients

- Milwaukee Public Schools
- Jefferson County Schools
- Saint Paul Public Schools
- Colorado Springs School District No 11
- Adams Twelve Five Start Schools

Largest Install

PeopleSoft’s largest install for a Public Sector K-12 payroll client was for the Jefferson County School District, with over 18,500 employees.

Technology

Platform
PeopleSoft runs on UNIX and NT platforms.
Development Languages
PeopleSoft utilized PeopleTools, PeopleSoft's proprietary tools, for developing the application. PeopleTools was developed in C++ and XML.

Supporting Databases
PeopleSoft supports all current versions of the following RDMS vendors: Oracle, DB2, MS SQL Server, Informix and Sybase.

Level of Client/Server Processing (Tier)
Internet Architecture – zero code on the client!

Summary of Responses

Based on the vendors’ RFI responses, the vendors were scored on their compliance with the Payroll, HR and Benefits module requirements for the LAUSD Best Practices Review. Below are PeopleSoft’s individual module scores, overall score and overall vendor ranking.

Overall Score

The overall score can be found in Appendix H, which has been removed in order to protect proprietary information provided by PeopleSoft. The appendix will be provided to LAUSD under separate cover.

Key Differentiating Factors

• Robust functionality to meet California K-12 specific requirements
• Flexible and scalable to handle size of LAUSD
• Internet architecture allows for rapid implementation and low total cost of ownership to support
• Proven HRMS/Payroll solution for the past 13 years
• Strong reference customer base in K-12
• Highest customer service ratings in ERP industry
SAP AG

Company Background

Founded in 1972, SAP AG (SAP) is the recognized leader in providing collaborative e-business solutions for all industries and every major market. Headquartered in Walldorf, Germany, SAP is the world's largest inter-enterprise software company, and the world's third-largest independent software supplier overall. SAP employs over 21,700 people in more than 50 countries and all employees are dedicated to providing high-level customer support and services.

Product Offerings

mySAP.com™ delivers a comprehensive e-business platform designed to help organizations collaborate and succeed, regardless of their industry or network environment. mySAP™ Human Resources (mySAP HR) is a comprehensive HR solution.

The following is a breakdown of SAP’s HR modules. In addition, several other SAP applications are listed below.

mySAP HR:
• Administration
• Payroll
• Organizational Management
• Time Management
• Legal Reporting
• Organizational Development
• Recruitment
• Learning and Development
• Knowledge Management
• Benchmarking and Reporting
• HR Professional Portals
• Manager Portals
• Employee Portals
• Applicant Portals

Additional Software Application Categories Include:
• Workplace
• Supply Chain Management
• Customer Relationship Management
• E-Procurement
• Product Lifecycle Management
• Business Intelligence
• Financials
• Mobile Business
mySAP.com™ delivers a comprehensive e-business platform designed to help organizations collaborate and succeed, regardless of their industry or network environment. From employee portals to mobile business solutions, the mySAP.com e-business platform provides all the solutions and services organizations need to eliminate enterprise boundaries.

**Focus on Public Sector Clients**

Best-of-class functionality and state-of-the-art technology make mySAP.com™ for Public Sector an exceptional strategic solution for forward-looking management of public administrations and institutions. Characterized by high flexibility, its applications ensure the ability to continually adjust to changes arising from the increasingly dynamic modernization processes underway in the public sector.

**Representative Clients**

- Duvall County Public Schools
- Houston Independent School District
- School Board of Broward County
- Orange County Public Schools
- Seattle Public Schools

**Largest Install**

SAP’s largest install for a Public Sector K-12 client was for Duvall County Public Schools, with over 11,500 employees.

**Technology**

**Platform**

SAP applications run on Windows NT (2500), IBM OS/390 (200), IBM OS/400 (200) and Unix (3100).

**Development Languages**

SAP’s development tool is ABAP/4, which is a Business Application Programming Interface (BAPI) with support for JAVA, Visual Basic and C++.

**Supporting Databases**

SAP products can be run on Oracle (7.0+), DB2, MS SQL Server (7.0+), SAP DB (1.0+) and Informix.
**Level of Client/Server Processing (Tier)**
R/3: 3-tier, mySAP.com: 5-tier

**Summary of Responses**

Based on the vendors’ RFI responses, the vendors were scored on their compliance with the Payroll, HR and Benefits module requirements for the LAUSD Best Practices Review. Below are SAP’s individual module scores, overall score and overall vendor ranking.

**Overall Score**

The overall score can be found in Appendix H, which has been removed in order to protect proprietary information provided by SAP. The appendix will be provided to LAUSD under separate cover.

**Key Differentiating Factors**

- SAP technologies are installed in over 500 public services organizations worldwide
- Savings of $3.5 million a year or a 15% reduction in transactions with SAP’s employee self-service for institutions with 45,000 or more employees
- Savings of $100,000 to $150,000 per year by automating benefits administration transactions for institutions with an annual budget of $1.5 to $5 billion or 10,000 or more employees
American Management Systems, Inc. (AMS)

Company Background

Founded in 1970, AMS is an international business and information technology consulting firm - one of the 20 largest such firms worldwide. The firm has approximately 8,750 employees in 51 offices worldwide. AMS combines technological innovation, forward-looking eBusiness strategies, and management services with the market-leading systems of their strategic partners to create high-value business solutions. While the company provides a broad range of strategy, management, and technology services to leading private and public enterprises and organizations, it is regarded as the premier provider of “Industrial Strength IT” – solutions to large complex, and demanding IT and systems integration challenges.

Product Offerings

AMS competes within the growing IT services, systems integration, and eBusiness market. They leverages deep industry expertise to manage complex IT, eBusiness and systems integration projects for clients including 43 state governments, most federal agencies and hundreds of companies in the FORTUNE 500(TM). AMS helps large organizations to see their businesses differently and to take the steps they need to make their vision a reality, addressing the technical, management and human challenges that are part of the process of change.

The following is a breakdown of AMS’s Human Resource modules. In addition, several other AMS applications are listed below.

Human Resource Management:
- Personnel management and Payroll processing
- Employee benefits
- Position control
- Applicant tracking
- Employee relations
- Employee self-service

Additional Software Product Offerings include:
- Financial Management
- Revenue/Taxation
- eCommerce
- Transportation, Public Safety, Motor Vehicle Agencies
- Environmental Management System
- Human Services
Proven Solution

ADVANTAGE HR is designed to help customers work smarter, not harder -- ensuring accuracy by eliminating redundant data entry points and centralizing the approval process. Personnel data is entered once and automatically made available to the people who need it, when they need it.

Focus on Public Sector Clients

AMS developed ADVANTAGE HR to help state and local governments more effectively manage enterprise-wide human resource and payroll functions. The only personnel and payroll management solution designed exclusively for the public sector, ADVANTAGE HR is the product of AMS's more than 10 years of success in supporting state and local governments, and school districts.

Representative Clients

- State of Missouri
- State of Nevada
- Philadelphia School District
- County of Orange, California

Largest Install

AMS's largest install for a Public Sector K-12 client was for the Philadelphia School District. AMS's largest ADVANTAGE HR install for a Public Sector client was the State of Missouri.

Technology

Platform
AMS supports IBM mainframe and RISC servers, Intel-based application servers and client workstations.

Development Languages
AMS utilizes COBOL, PowerBuilder, ASP, C, Java, and JavaScript.

Supporting Databases
AMS supports Oracle v8.1.x, DB2 v6.x and VSAM

Level of Client/Server Processing (Tier)
2-tier & 3-tier
Summary of Responses

Based on their Request for Information (RFI) responses, the vendors were scored on their compliance with the Payroll, Human Resources, and Benefits module requirements for the LAUSD Best Practices Review. Below are AMS’s individual module scores, overall score, and overall vendor ranking.

Overall Score

The overall score can be found in Appendix H, which has been removed in order to protect proprietary information provided by AMS. The appendix will be provided to LAUSD under separate cover.

Key Differentiating Factors

- Federal Government Agencies and State and Local Governments and Education clients make up 43.2% of AMS’s client base and over 50% of AMS’s total revenues.
- ADVANTAGE HR largest government installation processes payroll for 65,000 employees.
- In a recent customer survey conducted by an independent market research firm, 85% of AMS clients expressed their unqualified willingness to conduct repeat business with AMS based upon the quality of their work, their philosophy of customer care, and the professionalism of their staff. As a result, over 85% of AMS’s revenue has been generated from repeat business.

Based on the Best Practice of an integrated HRMS for payroll, benefits and human resources, we have included prices for each of these components for the four Best Practices vendors. This will enable the LAUSD to consider and compare the full HRMS products offered by each vendor. In addition to increased operational efficiencies, LAUSD will be able to save on the total licensing and implementation costs when the suite of HRMS products is purchased.

Summary of Payroll Vendor Cost Estimates

The Payroll Systems’ costs range from $3.3 - $8.9 million and include the following:

- Payroll module
- Human Resources module
- Benefits Administration module
- Employee Self-Service
- Other (tool kit, training product, and development tools)
- Annual maintenance and licenses
- Training
Please refer to Appendix H for a summary of vendor cost estimates. Appendix H has been removed from the main report in order to protect proprietary information and will be given to LAUSD under separate cover.

**Estimated Implementation Timeline and Cost**

Based on high-level assumptions and Andersen’s experience in implementing large and complex systems, Andersen estimates the high-level timeline to execute the selected payroll system to be over 24 months. The high-level breakdown of the various implementation tasks, based on a 24-month implementation, are as follows:

* The above data represents an estimate. More realistic results can be developed once LAUSD’s needs and current environment can be assessed in greater detail.

Based on the same assumptions, Andersen estimates the base fees to implement the selected payroll system to be between $10 to $14 million, plus out-of-pocket expenses estimated at 15-20% of project fees.

Based on the same assumptions, Andersen estimates the implementation team to consist of approximately 12 full-time consultants and managers for 24 months.

The above high-level implementation timeline and cost estimates are based on the following assumptions:

- LAUSD will participate on a joint basis with the implementation partner and will share the responsibility to complete project tasks.
- There will not be a significant re-engineering effort and that the LAUSD users will adopt the new system and associated processes.
- The project will implement a “Train the Trainer” approach. The project team will train a selected group of super-users. These super-users will then train all other LAUSD users.
- Modification of legacy systems to interface with the new payroll system is not in the scope of the project.
- The custom development effort of modifications, interfaces and reports will be minimal, with a low to medium level of complexity.
• There will be minimal data conversion. LAUSD’s personnel will be responsible for data clean up, conversion, validation and reconciliation.

Payroll ROI Analysis

ROI is an estimate of the financial benefit (the “return”) on money spent (the “investment”) on a particular alternative. Payroll modules should be able to reduce the resources required to maintain the payroll function and achieve 25th percentile results for their industry through more streamlined payroll functions.
Outsourcing

Key Methodologies and Procedures

Companies with payroll to process have several options: they can process all payroll activities in-house, they can outsource all payroll activities to a payroll service bureau or they can keep some payroll activities in-house and outsource the balance. Leading companies choose the option that minimizes payroll costs, capitalizes on internal and external competencies and meets the company’s payroll and organizational objectives. Thus, there is not a single solution that is optimal for all companies. The decision of which payroll activities to keep in-house and which to outsource is a complicated one, which requires careful consideration of costs, competencies and payroll and organizational objectives.

In the case of LAUSD, outsourcing will be a challenging initiative to undertake, mainly due to the incredible complexity of LAUSD’s payroll structure. Before pursuing any outsourcing solutions, LAUSD should streamline the payroll processes, automate time and attendance and negotiate with bargaining units to simplify the different ways employees are paid. Under the current environment, it may be easier to keep the payroll process in-house, where the employees would need minimal training. LAUSD would also have to take union contracts into consideration when deciding whether or not to outsource payroll activities. In addition, LAUSD should consider the amount of Federal funding that it currently receives and how this funding may be affected in the future if it chooses outsourcing. Another issue to examine is the number of employees hired annually, which may potentially be large in number and may cause friction for LAUSD. There are potential processes that may be outsourced. For instance, LAUSD could outsource the printing of payroll checks, direct deposits and W-2 forms. There are also HR processes that may be outsourced to independent contractors.

Benefits to LAUSD

- Lower payroll costs
- More efficient payroll process
- More productive use of payroll and IT personnel
Outsourcing Vendor Review

A high level RFI for Payroll Outsourcing was developed and sent out to the leading vendors in the industry.

The RFI contained company information, product information, technology information, public sector credentials and references in addition to general functional requirements that were not specifically tailored to LAUSD. The vendors responded to each of the functional requirements with either a “yes” (requirement can be met by product as delivered), “no” (requirement can not be met by product as delivered), or “partial” (requirement can be met partially by product as delivered).

The following vendors received the Payroll Outsourcing RFI and had approximately two weeks to complete their responses:

- ADP
- Ceridian
- ProBusiness
- Zurich

The remaining vendors’ RFI responses were then consolidated and analyzed. Each vendor received a score, by module, based on the numbers of yes, no, and partial responses answered to the functional requirements.

Summary of Findings

Two “Best Practices” outsourcing solutions were selected. The performance benchmarks considered in assessing “Best Practices” include cost, productivity, process quality, head count, technology and structure. The two vendors are (in order of preference):

- ADP
- ProBusiness

The Andersen team considered the following criteria to be of particular importance in the selection process:

- Overall functional requirements met by the solution (based on the RFI)
- Overall company reputation and public sector/education credentials
- Overall scalability, supportability and maintainability of the solution
- Proven solution and technology
Vendor Synopses

The following section provides a summary of key data regarding each time and attendance vendor. A detailed breakdown of the vendors estimated costs is included in each synopsis to provide LAUSD with a time and attendance solution.
Automatic Data Processing, Incorporated (ADP)

Company Background

With fiscal year 2000 revenues in excess of $6.2 billion, ADP is clearly the dominant provider of outsourced payroll services. Founded in 1948, ADP employs 35,000 professionals throughout its 46 offices worldwide. Its client base of over 370,000 companies includes 40% of the Fortune 500. ADP has processed payroll for over 29 million employees.

Product Offerings

ADP offers a comprehensive range of outsourcing services that help manage an employee’s Payroll, HR and Benefits Administration from the moment the employee is hired to the time when he retires. These services include:

- Payroll
- Tax and Compliance Management
- HRIS
- Benefits Administration
- Recruitment Services
- Retirement Services
- Time and Labor Management
- Professional Employer Organization (PEO)

Proven Solution

ADP is the most widely used payroll service in the world. Aside from processing 29 million paychecks each payday, ADP issues 38 million W-2’s nationwide – 12% of IRS volume. In 1999, ADP routed $350 billion in electronic transactions. ADP’s HRMS systems support over 5 million employees from 6,000 companies.

ADP’s payroll engine, Enterprise, is on its second release. This ISO 9001-certified service solution uses the latest in Internet-based processing technology. Organizations can choose to use ADP’s HRMS solution or to interface ADP’s payroll processing systems with another system.

Representative Public Sector Clients

- City of Seattle – 19,000 employees (Payroll, Tax, Garnishments, Banking)
- County of Tulare – 4,500 employees (Payroll, Tax, Garnishments, Banking)
Other Clients

- The Gap – 200,000 employees (Check Printing)
- GE – 150,000 employees (Tax, Check Printing)
- Southland Corporation (7-Eleven) – 130,000 employees (Payroll)
- Motorola – 75,000 employees (Payroll, Tax, Garnishments, Banking)

Largest Install

ADP’s largest public sector installation was for the City of Seattle, with 19,000 employees. The Gap is ADP’s largest installation overall with over 200,000 employees.

Technology

Platform
ADP hosts the application on its own servers. Customers need access to the Internet using a standard browser.

Development Languages
Java

Supporting Databases
SQL Server 7.0

Level of Client/Server Processing (Tier)
n-tier

Summary of Responses

Based on their responses to the LAUSD Payroll Best Practices time and attendance RFI, vendors were scored for their ability to provide the desired functionality.

ADP’s overall score and ranking are presented below.

Overall Score

The overall score can be found in Appendix I, which has been removed in order to protect proprietary information provided by ADP. The appendix will be provided to LAUSD under separate cover.

Key Differentiating Factors

Andersen asked ADP to identify its key differentiating factor that set ADP and its solution apart from its competitors. ADP provided the following factors:
• **Consistent Financial Stability**: ADP continues to operate from a solid financial position. Standard & Poor's includes ADP among only 10 companies to which it gives its highest AAA rating. ADP’s Board increased dividends for the 26th year and Cash and Marketable Securities balances for fiscal year 2000 were almost $2.5 billion.

• **Compliance Services**: Through ADP’s Banking Services, paychecks are drawn off of ADP’s bank account, shifting the burden of dealing with fraud to ADP. ADP provides all reconciliation and Positive Pay functions. Additionally, as the originating bank, ADP will manage all of the Direct Deposit functions. ADP’s Tax Filing Services eliminates the risk of late payments and erroneous Tax Filing, by shifting the burden to ADP.

• **Flexibility**: ADP’s Strategic Flexsourcing Model allows organizations to determine what level of outsourcing makes sense and how to strategically deploy different components to meet strategic and change management needs. An organization can therefore choose, for example, to outsource paycheck processing only and add different components at a later time.

• **Flexible Financial Model**: ADP Credit can finance all start-up costs associated with a software and outsourcing project, including hardware, software and implementation services.

• **Sole Source Provider**: ADP is the only outsourcing vendor that can deliver end-to-end solutions for product, implementation, on-going support, financing, banking, etc. as a sole source provider. ADP also has formal strategic relationships with many outside providers of services and software, including the leading ERP vendors.

• **Legacy of Service**: Since its inception in 1949, ADP has existed as a world class service organization. Efforts to improve customer service through its World Class Service initiatives have resulted in marked improvement over the last 3 years.

• **Industry Leader**: With over 50 years of experience in Outsourced Services and over 3,000 clients in National Accounts (including 40% of the Fortune 500), ADP is unquestionably the leader in acquired knowledge and best practices in the industry. This experience positions ADP to work effectively in the planning and implementation of complex solutions.
Company Background

Founded in 1984, ProBusiness, Incorporated (ProBusiness) is making strides in the outsourced payroll service market. ProBusiness expects its fiscal year 2001 revenues to increase 40% over its fiscal year 2000 revenues of $104 million. With 1,200 employees across 5 offices nationwide ProBusiness services roughly 625 organizations. ProBusiness focuses mainly on large enterprise-class customers that have more than 1,500 clients.

Product Offerings

ProBusiness offers a comprehensive range of outsourcing services including:

- Payroll
- Tax and Compliance Management
- HRIS
- Benefits Administration

Proven Solution

The ProBusiness application utilizes the most current technology and runs on a Windows NT Server with Windows 95, 98, NT or 2000 workstations.

Representative Public Sector/Education Clients

- Los Angeles MTA – 11,000 employees (Payroll, Tax)
- University of Redlands – 4,000 employees (Payroll, Tax)
- Washington Operational Efficiency – 20,000 employees (Payroll, Tax)
- Navy Exchange Command – 17,000 employees (Payroll, Tax)

Other Clients

- Kinko’s – 30,000 employees (Payroll, Tax)

Largest Install

ProBusiness’ largest public sector installation was for the Los Angeles MTA, with 11,000 employees. Kinko’s is Probusiness’ largest installation overall with over 30,000 employees.
Technology

Platform
Windows NT (server)/ Windows 95, 98, 2000, or NT (workstation)

Development Languages
Visual Basic, C++

Supporting Databases
SQL Server 7.0

Level of Client/Server Processing (Tier)
2-tier

Summary of Responses

Based on their responses to the LAUSD Payroll Best Practices time and attendance RFI, vendors were scored for their ability to provide the desired functionality.

ProBusiness’ overall score and ranking are presented below.

Overall Score

The overall score can be found in Appendix I, which has been removed in order to protect proprietary information provided by ProBusiness. The appendix will be provided to LAUSD under separate cover.

Key Differentiating Factors

Arthur Andersen asked ProBusiness to identify its key differentiating factor that set ProBusiness and its solution apart from its competitors. ProBusiness provided the following factors:

- **Dedicated Research and Development Staff**
- **Tax Database online and available for client requests and inquiries**
- **Industry leading Garnishment, Manual Check Processing and G/L Reporting**
- **Experience – Certified and Degreed Account Managers**
Summary of Outsourcing Vendor Cost Estimates

The costs for the Outsourcing solution range from $4.3 - $9 million and assumes that LAUSD will outsource the following processes:

- Payroll processing
- Production of paychecks and direct deposits
- Tax compliance
- Production of annual returns (W-2’s)
- Interface to LAUSD accounting system
- Interface to LAUSD time and attendance system
- Interface to LAUSD HRMS
- Self Service
- Miscellaneous Government Reporting

The costs for the Outsourcing solution include the following:

- Training
- Interface and customization
- One time cost for Employee Self Service Module
- Licenses
- Maintenance
- Processing recurring fees for Outsourcing services

NOTE: The costs represent retail value and the vendors did not apply discounts. LAUSD should be able to obtain better prices due to its size and visibility as a potential client for the vendors.

Please refer to Appendix I for a summary of vendor cost estimates. Appendix I has been removed from the main report in order to protect proprietary information and will be given to LAUSD under separate cover.

Payback and ROI Analysis

Please refer to Appendix I for the payback and ROI analysis.

Net Present Value (NPV) and Payback Analysis

Please refer to Appendix I for the net present value and payback analysis.
General Findings

It is important for an organization to understand its current state before embarking on a strategy for improvement. LAUSD should use the Best Practices results in conjunction with the benchmarking results located in the following Phase III to form an action plan to improve the payroll processes. Based on our review, LAUSD will benefit significantly by implementing a time and attendance solution. An integrated HRMS system will enhance the overall payroll process and will result in lower costs and better customer service to employees. Outsourcing of non-core payroll functions will further improve the payroll process and add value to LAUSD bottom lines. Implementation of these benefits will bring LAUSD in alignment with its overall organizational goals and objectives.
Phase III: Benchmarking and Best Practice Results

Phase III consisted of a Best Practice review and scoring of LAUSD against various Payroll Best Practices. Observation and opportunities are included to provided guidance to LAUSD for future improvement.

A Diagnostic Payroll Tool was used to benchmark LAUSD’s current payroll processes against other large school districts as selected by LAUSD, and against various private companies. The results provide a starting point for LAUSD.

Appendices associated with this section include:

- Appendix K: Benchmarking Report (LAUSD against other School Districts)
- Appendix L: Benchmarking Report (LAUSD against Private Companies)
- Appendix M: Actual Global Time & Attendance Best Practices Cases
- Appendix N: Actual Global Payroll Best Practices Cases
- Appendix O: Actual Global Outsourcing Best Practices Cases
- Appendix P: Best Practices School District Case Studies
- Appendix Q: Diagnostic Tool
- Appendix R: Additional School District Benchmarking Data
- Appendix S: Organizational Change Management
Phase III: Benchmarking and Best Practice Results

As part of this Phase, Andersen gathered actual Global Payroll Best Practices from leading organizations and compared them against the current processes at LAUSD. This exercise provides the management with key areas to focus and target for improvement.

For each Global Payroll Best Practices, LAUSD was rated as follows:

- Opportunity for Improvement
- Currently Done Well

Andersen Global Best Practices® benchmarking tools provide a means to systematically measure organization performance against an outside group, for example, other business organizations in the Andersen KnowledgeSpace® or by developing a customized industry and process specific database. Benchmarking allows an organization to uncover weaknesses in its performance and lead to areas to target for improvement.

The knowledge base is a valuable resource capturing qualitative and quantitative information through Diagnostic Tools to enable Andersen to assess the organization's performance internally and externally. Diagnostic Tools allowed Andersen to benchmark LAUSD's performance against other companies and school districts to identify areas for improvement. A Diagnostic Payroll Tool was used to measure LAUSD's performance relative to two groups on various cost, time, and quality measures. This initial assessment, together with our understanding of the payroll process and the Best Practices in the knowledge base, will focus on the most effective approach to process improvement.

The Diagnostic Payroll Tool was delivered to various large school districts throughout the nation, and a comparison group was created from the responses. LAUSD performance measures were compared against both the school district comparison group and a multi-industry comparison group from the database of previous respondents within the Global Best Practices knowledge base. A comprehensive analysis was created from both comparisons. The benchmarking exercise is designed to provide quantitative data for LAUSD to compare its payroll function to other companies inclusive in the Global Best Practices Knowledge Base. The benefits of benchmarking are as follows:

- Stimulates change
- Provides urgency for change
- Uncovers new ways of improving processes
- Motivates action by external example
- Ensures that the organization strives for excellence
- Promotes continuous improvement
Summary of Results

A benchmarking group was created for LAUSD consisting of the largest school districts in the nation. Benchmarking surveys were created regarding the payroll practices. These surveys were sent and completed by the selected school districts of which the answers created the database. LAUSD’s answers to the survey were then compared to the district database as well as to a private company database. LAUSD’s completed Diagnostic Payroll Tool can be found in Appendix Q. Also, Appendix R provides the results of additional questions answered by the school districts which were not considered part of the Diagnostic Payroll Tool.

The following is a list of schools included in the district database and a summary of results from the benchmarking exercise. Please see Appendices K and L for further detail regarding the benchmarking report.

- Clark County School District (Las Vegas)
- Dallas Independent School District
- Denver Public Schools
- Fairfax County Public Schools
- Fresno Unified School District
- Hawaii Department of Education
- Houston Independent School District
- Laguna Beach Unified School District
- Long Beach Unified School District
- Los Angeles Unified School District
- New York City Board of Education
- Palm Beach County School District
- School District of Philadelphia
- Seattle School District
- The School Board of Miami-Dade County

NOTE: Surveys were not returned by Chicago Public Schools or the San Diego Unified School District.

The following pages present a summary of key results from the benchmarking reports created from the school district database and the private company database. For further detail of these results, please see Appendices K and L. It should be noted that the following benchmarking results do not consider the complexities of the pay structure of the other school districts nor does it consider their various bargaining agreements. The bargaining agreements structure can have a significant impact on payroll statistics and measurements. However, the benchmarking results provide a starting point of measurement for LAUSD.

In addition, a summary of LAUSD’s scoring according to payroll Best Practices is included as well as a discussion regarding the Best Practices. Benefits and opportunities are
provided for LAUSD for further guidance in achieving the Best Practices. Further discussion regarding the Best Practices can be found in Appendices M, N, and O. Also, Appendix P provides case study examples of implemented Best Practice solutions.
### Summary of Key Results: LAUSD and Other School Districts

#### Benchmarking Score Comparisons

<table>
<thead>
<tr>
<th>Cost Statistics</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll cost as a percent of revenue</td>
<td>0.129%</td>
<td>0.046%</td>
<td>0.129%</td>
<td>0.339%</td>
</tr>
<tr>
<td>Total payroll cost per paycheck ($)</td>
<td>6.51</td>
<td>0.99</td>
<td>3.27</td>
<td>15.78</td>
</tr>
<tr>
<td>Payroll systems cost per paycheck ($)</td>
<td>2.18</td>
<td>0.00</td>
<td>0.88</td>
<td>3.22</td>
</tr>
<tr>
<td>Payroll labor cost per paycheck (A/P or other process) ($)</td>
<td>4.09</td>
<td>0.84</td>
<td>1.61</td>
<td>6.89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee Statistics</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total annual payroll cost per employee ($)</td>
<td>87.94</td>
<td>49.27</td>
<td>72.46</td>
<td>189.37</td>
</tr>
<tr>
<td>Direct deposit percentage</td>
<td>63.00%</td>
<td>95.70%</td>
<td>63.90%</td>
<td>46.10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Statistics</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Span of control (Ratio)</td>
<td>3.55</td>
<td>18.00</td>
<td>8.10</td>
<td>2.50</td>
</tr>
<tr>
<td>Payroll personnel per thousand employees</td>
<td>1.3</td>
<td>0.6</td>
<td>1.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Payroll personnel (FTE’s) per 100 million in revenue</td>
<td>1.9</td>
<td>0.9</td>
<td>3.5</td>
<td>13.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Processing Statistics</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of paychecks processed per FTE</td>
<td>10,362</td>
<td>40.479</td>
<td>9,289</td>
<td>1.115</td>
</tr>
<tr>
<td>Average time to resolve errors (elapsed time)</td>
<td>48.0</td>
<td>0.8</td>
<td>8.0</td>
<td>48.0</td>
</tr>
<tr>
<td>Time card and data preparation error rate</td>
<td>17.708%</td>
<td>0.046%</td>
<td>0.449%</td>
<td>17.708%</td>
</tr>
<tr>
<td>Payroll processing error rate</td>
<td>5.458%</td>
<td>0.018%</td>
<td>0.074%</td>
<td>1.818%</td>
</tr>
<tr>
<td>Employee database and payroll change error rates</td>
<td>6.784%</td>
<td>0.150%</td>
<td>2.188%</td>
<td>20.513%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>System Statistics</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of manually processed checks</td>
<td>0.532%</td>
<td>0.037%</td>
<td>0.455%</td>
<td>4.121%</td>
</tr>
</tbody>
</table>
## Summary of Key Results: LAUSD and Private Companies

### Benchmarking Score Comparisons

#### Cost Statistics

<table>
<thead>
<tr>
<th>Cost</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll cost as a percent of revenue</td>
<td>0.129%</td>
<td>0.001%</td>
<td>0.094%</td>
<td>0.988%</td>
</tr>
<tr>
<td>Total payroll cost per paycheck ($)</td>
<td>6.51</td>
<td>0.24</td>
<td>5.52</td>
<td>28.28</td>
</tr>
<tr>
<td>Payroll systems cost per paycheck ($)</td>
<td>2.18</td>
<td>0.00</td>
<td>0.47</td>
<td>4.57</td>
</tr>
<tr>
<td>Payroll labor cost per paycheck (A/P or other process)</td>
<td>4.09</td>
<td>0.16</td>
<td>3.63</td>
<td>18.60</td>
</tr>
</tbody>
</table>

#### Employee Statistics

<table>
<thead>
<tr>
<th>Emplyee</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total annual payroll cost per employee ($)</td>
<td>87.94</td>
<td>26.44</td>
<td>157.04</td>
<td>771.06</td>
</tr>
<tr>
<td>Direct deposit percentage</td>
<td>63.00%</td>
<td>100%</td>
<td>70.8%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

#### General Statistics

<table>
<thead>
<tr>
<th>General</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Span of control (Ratio)</td>
<td>3.55</td>
<td>25.00</td>
<td>3.77</td>
<td>0.00</td>
</tr>
<tr>
<td>Payroll personnel per thousand employees</td>
<td>1.3</td>
<td>0.2</td>
<td>2.8</td>
<td>18.3</td>
</tr>
<tr>
<td>Payroll personnel (FTE’s) per 100 million in revenue</td>
<td>1.9</td>
<td>0.0</td>
<td>1.5</td>
<td>23.6</td>
</tr>
</tbody>
</table>

#### Processing Statistics

<table>
<thead>
<tr>
<th>Processing</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Average number of paychecks processed per FTE</td>
<td>10,362</td>
<td>73,125</td>
<td>9,264</td>
<td>500</td>
</tr>
<tr>
<td>Average time to resolve errors (elapsed time)</td>
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<td>0.0</td>
<td>4.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Time card and data preparation error rate</td>
<td>17.708%</td>
<td>0.014%</td>
<td>0.888%</td>
<td>30.000%</td>
</tr>
<tr>
<td>Payroll processing error rate</td>
<td>5.458%</td>
<td>0.008%</td>
<td>0.192%</td>
<td>5.000%</td>
</tr>
<tr>
<td>Employee database and payroll change error rates</td>
<td>6.784%</td>
<td>0.042%</td>
<td>2.500%</td>
<td>40.000%</td>
</tr>
</tbody>
</table>

#### System Statistics

<table>
<thead>
<tr>
<th>System</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of manually processed checks</td>
<td>0.532%</td>
<td>0.000%</td>
<td>0.562%</td>
<td>8.696%</td>
</tr>
</tbody>
</table>
Summary of Key School District Benchmarking Results

The following represent graphical charts that could not be formatted into the previous table due to the nature of the graph. Details regarding all of the results from the benchmarking can be found in Appendices K and L.

Payroll Processing Cost Analysis

Type of Pay Frequency by Number of Employees Paid
Method of Employee Reimbursement
This chart shows how companies included in the benchmark group reimburse employee expenses.

![Pie chart showing method of reimbursement]

Your company: A/P check

Number of Payroll Locations
This chart shows how many payroll locations occur on average within the combined group of school districts.

![Bar chart showing number of payroll locations]
Payroll Processing Method by Number of Employees Paid
This graphic shows the breakdown, by company size, of the methods used by paid employees.

Service Bureau Utilization for Companies Who Outsource
This chart highlights the percentage of companies purchasing key payroll services for the subset of companies utilizing outside service bureaus for the benchmark group selected.
Responsibility for Payroll Activities
This chart shows where the responsibility for key payroll activities is located for companies in the benchmark group.

Payroll and HR Systems Integration
This chart depicts the percentage of payroll organizations in the benchmark group with integrated payroll and human resources systems.

Your company: Not integrated
Percentage of Companies With Employees Reporting Time on an Exception Only Basis
This graphic shows the percentage of companies that utilize exception time reporting.

Time Collection and Reporting Method by Number of Employees
This chart shows the breakdown, by company size, of the methods used to collect/report employees’ time.
Summary of Key Private Company Benchmarking Results

Payroll Processing Cost Analysis

![Bar chart showing payroll labor, DP operating expense, payroll operating expenses, licensing/maint cost, DP direct labor, and service bureau expenses for benchmark and your company.]

Type of Pay Frequency by Number of Employees Paid

![Bar chart showing the distribution of employees paid weekly, biweekly, semi-monthly, and monthly for different employee counts (e.g., <500 employees, 500-5,000 employees, >5,000 employees).]
Method of Employee Reimbursement
This chart shows how companies included in the benchmark group reimburse employee expenses.

Number of Payroll Locations
This chart shows how many payroll locations occur on average within the combined group of school districts.
Payroll Processing Method by Number of Employees Paid
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Payroll and HR Systems Integration
This chart depicts the percentage of payroll organizations in the benchmark group with integrated payroll and human resources systems.
Percentage of Companies With Employees Reporting Time on an Exception Only Basis
This graphic shows the percentage of companies that utilize exception time reporting.

Your company: All employees report each pay cycle

Time Collection and Reporting Method by Number of Employees
This chart shows the breakdown, by company size, of the methods used to collect/report employees' time.
Global Payroll Best Practices Results

LAUSD Best Practice Scoring

As a result of the benchmarking and review of LAUSD’s current system, the following Global Best Practices were evaluated for their current usage and opportunity for improvement.

<table>
<thead>
<tr>
<th>Global Best Practices</th>
<th>Currently Done Well</th>
<th>Opportunity for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time and Attendance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Use of electronic devices to capture time worked electronically.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>B. Require employees to submit their time and attendance electronically.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>C. Use exception time reporting for majority of the employees.</td>
<td>📌</td>
<td></td>
</tr>
<tr>
<td>D. Link automated time and attendance reporting to organization’s payroll or human resources management system.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>E. Hold employees accountable for their time and attendance data.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td><strong>Payroll</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Process non-pay affecting changes in off peak times.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>G. Investigate and clear non-system exceptions through the originating department.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>H. Use one central source for payroll and human resources related information needs.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>I. Use a payroll system that is easy to query, easy to change, and easy to access throughout the relevant departments within the organization.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>J. Reimburse employee expenses through the regular payroll, not as a separate accounts payable check.</td>
<td></td>
<td>📃</td>
</tr>
<tr>
<td>K. Strive to pay 100 percent of employees electronically.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>L. Use an Employee self-service vehicle to decentralize data entry and increase access to information.</td>
<td></td>
<td>📢</td>
</tr>
<tr>
<td>M. Use the number and length of payroll cycles that minimize payments per month while meeting employee needs.</td>
<td>📌</td>
<td></td>
</tr>
</tbody>
</table>
Global Best Practices Discussion

The Best Practices reviewed for LAUSD included the areas of time and attendance, payroll, and outsourcing. The following discussion provides details regarding specific Best Practices in each area and should be beneficial to LAUSD in their quest for improvement of the payroll processes.

Time and Attendance

Companies that apply Best Practices to this process seek to minimize costs and maximize the accuracy of time and attendance information. These companies eliminate paper from the time and attendance reporting process by using electronic badges, interactive voice recording (IVR) systems, and Internet technologies. Because there is no need for payroll staff to manually transfer and calculate handwritten data, paperless time and attendance reporting minimizes redundant data entry, shortens payroll processing time, and requires less labor to produce. The payroll staff has more time to concentrate on higher value-adding strategic activities related to employee recruitment, motivation, and retention. Both employees and management can be confident that paychecks accurately reflect the actual work being performed. Actual Global Best Practices cases can be found in Appendix M, and a Time and Attendance Best Practice Case Study can be found in Appendix P.

Payroll

Organizations that apply Best Practices in processing payroll seek to minimize payroll costs and maximize service to employees, within the constraints of organization policy and government regulations. These organizations use technologies that streamline and automate payroll activities, while offering employees more convenient and secure payment options and easier, faster access to payroll information. Actual Global Best Practices cases can be found in Appendix N, and a Payroll Best Practices Case Study can be found in Appendix P.

Outsourcing

Companies with payroll to process have several options: they can process all payroll activities in house, they can outsource all payroll activities to a payroll service bureau, or they can keep some payroll activities in house and outsource the rest. Leading companies choose the option that will minimize payroll costs, capitalize on internal and external competencies, and meet the company’s payroll and organizational objectives. Thus there is no single solution that is optimal for all companies; the decision of which payroll activities to keep in house and which to outsource is a complicated one, requiring careful consideration of costs, competencies, and payroll and organizational objectives.
When deciding which payroll activities to outsource and which to keep in house, leading companies define their payroll objectives, taking into account such factors as cost, quality, reliability, degree of control over payroll data, and level of service to internal customers. Distinguishing between core and non-core payroll activities helps companies determine which activities are strategically advantageous to keep in house and which can be outsourced. The characteristics of a company’s payroll function, such as cost, complexity, competency, and control, also help guide outsourcing decisions. Actual Global Best Practices cases can be found in Appendix O.
LAUSD Benefits of Using Global Best Practices

1. **Use electronic devices to capture time worked electronically**

*Benefits:*
- Increased accuracy of data
- Lower labor costs
- More productive use of payroll personnel
- Improved tardiness
- Eliminate need to monitor employee tardiness
- Eliminate buddy-punching etc.

*Client Observations:*
The current time collection process is manual. Classified/unclassified employees sign in/out their arrival and departure times, while certificated employees initial.

*Client Opportunities:*
Electronic devices would decrease the amount of errors received by the LAUSD payroll branch. It would also decrease the time spent inputting time data as well as decrease the time spent correcting errors through the payroll branch.

2. **Require employees to submit their time and attendance data electronically**

*Benefits:*
- Eliminates redundant data entry
- Reduces need for payroll staff

*Client Observations:*
The current time collection process is manual. Classified/unclassified employees sign in/out their arrival and departure times, while certificated employees initial.

*Client Opportunities:*
Electronic submission of time would help ensure accuracy of data sent and would result in overall savings for the district.

3. **Use exception time reporting for majority of the employees**

*Benefits:*
- Shortens payroll processing time
- Reduces payroll staff
Client Observations:
Currently, LAUSD uses exception time reporting for classified/unclassified and certificated employees

Client Opportunities:
None

4. **Link automated time and attendance reporting to organization's payroll or human resources management system**

Benefits:
- Increases processing efficiency
- Eliminates need to transfer time and attendance data manually to the company’s payroll system

Client Observations:
LAUSD does not have automated time and attendance reporting; the data is entered manually by time reporting clerks into PTRS where it is processed for payroll. Data is passed into PTRS via HRS utilizing batch processing.

Client Opportunities:
LAUSD should explore implementing time and attendance and an integrated HRMS solution with links between the two systems. An overall integrated solution will provide real on-line data to all users and will reduce costs and errors.

5. **Hold employees accountable for the accuracy of their time and attendance data**

Benefits:
- Reduces errors generated in the reporting of time and attendance data
- Reduces payroll reconciliation time
- Allows payroll staff to focus more on strategic activities

Client Observations:
There are no procedures in place to hold employees accountable for the accuracy of their time and attendance data.

Client Opportunities:
This practice would potentially reduce the amount of errors since employees would be more likely to ensure they receive the correct pay. Currently, the accountability lies with the time reporter.
6. **Process non-pay affecting changes in off peak times**

Several changes that affect the payroll master file are non-pay-affecting (i.e. they do not affect the calculation of the employees pay). Changes such as address and name changes may cause bottlenecks in the system if too many of these changes are being processed during peak periods. It is therefore more efficient and less disruptive to make these changes in off peak times.

**Benefits:**
- Lowers overtime per payroll employee
- Creates a more evenly scheduled workload for employees

**Client Observation:**
Changes are made continuously through the pay cycle and processed when received, regardless of the type of change.

**Client Opportunities:**
LAUSD may wish to consider evaluating the number and type of adjustments being made to payroll in peak processing times. Items that are strictly non-pay effecting, such as a change in the insurance number, address, etc. should be an item processed outside of the normal peak processing times. A formal listing of such changes can be integrated into payroll policy and procedures as to better communicate this practice to payroll employees.

7. **Investigate and clear non-system exceptions through the originating department**

Companies that implement this practice will have a centralized processing function, but the responsibility and accountability for error correction is decentralized. Errors such as unapproved time sheets, unauthorized overtime, or incorrect assignment code should be referred back to the originating sites or departments for resolution.

**Benefits:**
- Properly aligns accountability with responsibility
- Allows payroll to focus on processing, not chasing errors

**Client Observation:**
The payroll branch resolves most of the errors and exceptions. Some adjustments are cleared by time reporters but are verified by the payroll branch.

**Client Opportunities:**
- LAUSD may wish to more formally identify the types of errors that are occurring by time reporter and analyze them in terms of volume, amount, and nature of exception. This
will facilitate where the company should focus its efforts and serve as an objective mechanism for encouraging those time reporters to turn in correct, properly reviewed time reports.

- LAUSD should formally track late documentation being submitted by time and attendance and other locations and use the data as a performance measure to ensure compliance with a management supported policy of timely submission of all payroll data for new employees on the system. The measures should be monitored for non-compliance.

8. Use one central source for payroll and human resources related information needs

Companies that implement this practice effectively link personnel and payroll databases so that when common changes need to be made, duplication of efforts is eliminated.

Benefits:
- Creates one control point for employee information
- Reduces the amount of incorrect information
- Eliminates task redundancies

Client Observation:
LAUSD does not have an integrated personnel and payroll system.

Client Opportunities:
LAUSD should investigate opportunities to integrate the payroll and personnel databases. A session should be held between payroll, human resources, personnel, and ITD to determine the appropriate links and which information should be in a shared database.

9. Use a payroll system that is easy to query, easy to change, and easy to access throughout the relevant departments within the organization

Companies that execute this practice effectively allow employees and departments to access authorized payroll and personnel resources directly. Additionally, employee records are maintained on one integrated employee information source accessible throughout the company.

Benefits:
- Reduces the number of inquiries to the payroll branch
- Allows for on-line real time use of data
- Reduces unnecessary interdepartmental paper flow
Client Observations:
- Current LAUSD systems provide for very limited on-line access to payroll and personnel information for key personnel.
- The LAUSD system is not easy to change, query, or extract documentation from.

Client Opportunities:
A system that is easy to query and change is a Best Practice because it facilitates processing, especially in an environment of numerous payroll database changes and queries such as that of LAUSD.

10. Reimburse employee expenses through the regular payroll, not as a separate accounts payable check

Companies that implement this practice effectively reimburse and pay all employees in conjunction with payroll. In these instances, all expenses are reported on time sheets and paid through the normal payroll process. Employees are held accountable for properly reporting their expenses, and approval scopes are in place to minimize the number of reviews. Finally, post audits of expense reports are performed on a sample basis to ensure that all expenses for which payment was reimbursed, was a valid business expense.

Benefits:
- Reduces the frequency of voucher submissions
- Reduces the processing costs due to less checks and payments processed
- Reduces the opportunity for errors and irregularities as less checks will be cut and cash will not be given directly to employees

Client Observations:
LAUSD pays its employees expenses through a separate accounts payable check.

Client Opportunities:
LAUSD may wish to explore paying employees through the payroll since it would cut down on payroll costs.

11. Strive to pay 100 percent of the employees electronically

Benefits:
- Lowers processing costs
- Shortens the processing time
- Creates higher productivity
- Reduces the risk of lost stolen or fraudulent checks
Client Observations:
LAUSD pays approximately 63% of the employees through an automatic payroll deposit. Although this is a good percentage based on the total employee population, there is still significant room for improvement.

Client Opportunities:
LAUSD should explore ways to raise the percentage of automatic payroll deposits through incentives, employee education, and awareness programs.

12. Use an employee self-service vehicle to service employees and enhance payroll processing

Benefits:
• Allows for more productive use of payroll personnel
• Creates easier and faster access to information
• Increases the accuracy of basic payroll data

Client Observations:
LAUSD does not offer an employee self-service system. All changes to the employee database are handled by completing various forms or through employee inquiries.

Client Opportunities:
Once an integrated HMRS system is implemented, an employee self-service system would not be difficult to install. This system would reduce the number of employee inquiries and could potentially improve employee relations.

13. Use the least number and length of payroll cycles that minimize payments per month while meeting employee needs

Benefits:
• Minimizes payroll cost
• Reduces time spent processing payroll
• Allows payroll staff time to perform more productive duties

Client Observations:
LAUSD currently uses the least amount of pay cycles since they pay their employees every four weeks. However, they do have five supplemental payrolls that capture the error corrections.
Client Opportunities:
If LAUSD were able to significantly reduce the amount errors per pay cycle, they could realistically reduce the amount of supplemental payrolls ran each cycle.

Details are included in Appendix P regarding the time and attendance implementation at Chicago Public Schools and the payroll system implementation at Milwaukee Public Schools.
Best Practices Process Maps

A process flow map located in Appendix A illustrates the Best Practices steps to follow when processing payroll and the relationship between functions. It also shows the Best Practices for capturing and using time and attendance and potential processes to be outsourced.

Current Environment Process Maps

The current environment of LAUSD’s technological support for the payroll process is complex. The main system used to process payroll is the payroll system, which uses information from the Human Resource System along with time reporting data from the Payroll Time Reporting System to process the payroll. None of the systems are fully integrated with batch processes used to transfer data. These systems that support the payroll process require constant program code edits averaging approximately 500 per year. In addition to these systems, at least four other systems are used throughout the process, all of which are not integrated in any way. Information must be transferred through manual processes; coupled with complex LAUSD payroll methods, it allows for increased errors and delay of information. This network of systems create inefficiencies and errors in the payroll processing.

Conceptual Best Practices Map

The implemented solution would include a fully integrated Human Resource Management System that would include human resource, benefits, and payroll modules. The modules would accommodate various tasks such as the following:

- Applicant tracking
- Position control
- Employee data
- Leave tracking
- Various employee benefits
- Gross pay calculation
- Tax reporting
- Miscellaneous reporting

The main benefit to the implemented system will be increased data flow efficiency and accuracy. The system will also allow for easier data manipulation and access. Please see Appendix A for both process maps.
Appendix A: Process Maps – Current Environment

The HRS includes the following modules: Online Personnel Actions, Personnel Mgmt, Position Control (PCS), Payroll Mgmt, Applicant Tracking, Employee Benefits, Employee Relations, Advanced Budget Preparation.

The HRS Output/PTRS Input includes:
- Assignments (Status, Class, Schedule, Degree)
- Personnel Action Codes
- Employee Attributes (Birthday, Sex)
- Address, Work Location

The HRS Output/PTRS Input includes:
- Assignments (Status, Class, Schedule, Degree)
- Personnel Action Codes
- Employee Attributes (Birthday, Sex)
- Address, Work Location

The HRS Input includes the following items:
- On-line Input from Branch Services
- Changes in employee personnel records
- New assignments

The HRS includes the following modules: Online Personnel Actions, Personnel Mgmt, Position Control (PCS), Payroll Mgmt, Applicant Tracking, Employee Benefits, Employee Relations, Advanced Budget Preparation.

The HRS Output/FUD Input includes:
- Assignments (Status, Class, Schedule, Degree)
- Personnel Action Codes
- Employee Attributes (Birthday, Sex)
- Address, Work Location

FUD Inputs include the following items:
- Program generated rates and deductions
- Tape input from other systems (UNIXTE)
- Tape input from vendors
- Data entry input from Data Control (ITD)

FUD Inputs include the following items:
- Program generated rates and deductions
- Tape input from other systems (UNIXTE)
- Tape input from vendors
- Data entry input from Data Control (ITD)

Payroll Time Reporting System (PTRS)

On-line Input of Payroll Time Reports

Adjustments

Receives School Locations & Offsites

Reports Due to:
- Employee number does not exist.
- Incorrect location code entered.
- Incorrect status and class entered.
- Incorrect hours reported.

Manual Processing

Legend:
- System
- Manual Processes
- Automated Processes
Process Corrected Transactions in the Next FUD Run

- Check for correct current rate.
- Employee number not on Master file.
- "R" action was processed, indicating employee has returned from leave. Check projections and balances.
- Check for matching class code.
- Negative illness balance. (Separate employees, send overpayment notices.)

PS INPUT
Input from Data Control Section/Program Generated Input

Manual adjustments/corrections
UNISYS Payment Cards

FUD OUTPUT
Send to Pay process (PS)

- Output to UNISYS (Updated Payment Info)
- APD’s, warrants
- Bank tapes
- Deduction Reports

Legend:

Input
Manual Process
Automated Process
Appendix A: Conceptual Best Practices Map: Incorporating Time and Attendance, Employee Self-Service, and an Integrated HRMS
APPENDIX B: LAUSD List of Individuals Interviewed

Within the LAUSD organization, several areas determined to affect the payroll process were surveyed as part of the Best Practices review. The following organizational chart represents the areas within LAUSD that were interviewed. This list excludes the Superintendent's office and the office of the Accounting & Disbursements Division, which are shown for organizational structure purposes only.

Superintendent
R. Romer

Information Technology Division
M. Klee

Human Resource Division
I. Yamahara

Personnel Commission
A. Ford

Accounting & Disbursements Division
O. Woodfin

Business Accounting Branch
M. Atienza

Payroll Services Branch
K. Tillman

Training & Customer Service Coordination Section
M. Tigno

Accounting & Communications Section
R. Gasca

Payment Section
W. Washington

Retirement/Deduction Section
R. Diaz
Many individuals within the LAUSD organization participated in the interviews throughout the Best Practices review. Andersen would like to thank the following individuals for their cooperation and assistance:

<table>
<thead>
<tr>
<th>Business Accounting Branch</th>
<th>Personnel Commission</th>
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<tbody>
<tr>
<td>Maruch Atienza</td>
<td>Anita Ford</td>
</tr>
<tr>
<td>Raul Kempis</td>
<td>Alfreda Theus</td>
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<thead>
<tr>
<th>Human Resource Division</th>
<th>Time &amp; Attendance Locations</th>
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<tr>
<td>Irene Yamahara</td>
<td>Connie Fernandez, Bell High School</td>
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<table>
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<tr>
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<th>Charlene Roche, Bell High School</th>
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<tr>
<td>Robert Armendariz</td>
<td>Sonia Sandoval, Bell High School</td>
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<td>Ennis Davis</td>
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<td>James Konantz</td>
<td></td>
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<td>Richard M. Oerturf</td>
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<td>Julio Rodriguez</td>
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<tbody>
<tr>
<td>Robert S. Kasper</td>
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<tr>
<td>Josefina Ramos</td>
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<td>Alfred O. Rodas</td>
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<tbody>
<tr>
<td>Lita de la Cruz</td>
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<tr>
<td>Roberto D. Diaz</td>
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<tr>
<td>Reynaldo I. Gasca</td>
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<tr>
<td>Anna Priestley</td>
<td></td>
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<tr>
<td>Mar Tigno</td>
<td></td>
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<tr>
<td>Karen M. Tillman</td>
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<tr>
<td>Wanda F. Washington</td>
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<tr>
<th>Personnel Commission</th>
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<td>Anita Ford</td>
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<tr>
<td>Alfreda Theus</td>
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<table>
<thead>
<tr>
<th>Transportation Branch</th>
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<tbody>
<tr>
<td>Joe Yap</td>
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APPENDIX C: Departmental Details

Information Technology Division

The Information Technology Division’s (“ITD”) main responsibility for the payroll process is providing and maintaining the technology infrastructure to run the payroll program. The data flow between all systems required for the payroll process can be found in Appendix A.

The main systems affecting payroll are the Human Resource System (“HRS”), the Payroll Time Reporting System (“PTRS”), the Payroll File Update and Retirement System (“FUD”), the Payroll System (“PS”), the Integrated Financial System, the BF System, and the Computerized Benefit Accounting System. A brief description of the functions are listed below:

- The HRS contains employee information such as assignments, pay rate, work location, address, status, etc.
- The PTRS captures time and attendance information for each employee.
- The FUD controls all changes to employee information and houses program deductions, retirement contributions, etc.
- The PS is not really a stand-alone system. PS is the program that runs the payroll process by combining the information from HRS, PTRS, and FUD. It calculates pay and cuts the checks.
- The Integrated Financial System houses the district’s financial information that is necessary for reconciling payroll expenses.
- The BF System is a data cleansing system.
- The Computerized Benefit Accounting System contains the necessary information regarding employee medical, retirement benefits, etc.

The ITD is responsible for any program code edits requested from the payroll branch and provides the various payroll-related divisions and branches with requested reports. Most importantly, ITD ensures the timeliness in processing the monthly cycle that includes nine separate payrolls. In addition to the monthly payroll runs, an additional payroll could be created if there is a large volume of retroactive pays resulting from actions such as a salary increase mandated by a union agreement.

The next page includes an example of the nine payrolls that must be completed for the month of May, 2001.
APPENDIX C: Departmental Details

<table>
<thead>
<tr>
<th>Date</th>
<th>Payroll Run</th>
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<tbody>
<tr>
<td>Monday, May 7</td>
<td>Major Classified Payroll</td>
</tr>
<tr>
<td>Tuesday, May 8</td>
<td>Job Cost Payroll</td>
</tr>
<tr>
<td>Wednesday, May 9</td>
<td>Supplemental Payroll</td>
</tr>
<tr>
<td>Wednesday, May 16</td>
<td>Supplemental Payroll</td>
</tr>
<tr>
<td>Monday, May 21</td>
<td>Major Certificated Payroll</td>
</tr>
<tr>
<td>Tuesday, May 22</td>
<td>ESA (Earned Salary Advance) Payroll</td>
</tr>
<tr>
<td>Wednesday, May 23</td>
<td>Supplemental Payroll</td>
</tr>
<tr>
<td>Monday, May 28</td>
<td>Supplemental Payroll</td>
</tr>
<tr>
<td>Wednesday, May 30</td>
<td>Supplemental Payroll</td>
</tr>
</tbody>
</table>

Findings:

- Due to the timing of the payroll runs, errors can not be corrected before the initial paychecks are printed. Errors are processed through one of the supplemental payrolls. Another check will be issued in the subsequent payroll if the pay is deficient.
- In hope of preventing errors, a pre-edit is run on the Friday after the initial capture of data so that the errors noticed upon review can be resolved on Monday before the major payroll is run that evening. This process is repeated for each of the Monday payroll runs.
- A file update is run nightly to capture changes inputted into HRS. E.g., an employee assignment entered in on Monday can be viewed in PTRS by the time reporter on Tuesday.
- The systems allow for emergency checks to be processed if needed.
- The deadline for inputting assignments is 6:00 p.m. daily.
- Direct access to the payroll program is limited to 12 ITD staff.
**Human Resource Division**

The Human Resource division has many responsibilities. Due to the nature of this study, only the responsibilities that affected the payroll process were reviewed. Specifically, the division’s responsibility of inputting employee assignments was reviewed in addition to the salary evaluation process of all certificated employees.

**Findings:**

- The Human Resource division only handles certificated employees. The certificated employees encompass all employees requiring certification, typically teachers, while the classified employees are all other employees not requiring certification, including the administrative employees.
- The Human Resource division inputs assignment information into HRS and into a separate system kept within their division called Applicant Control (“AP CON”). The duplicate entry of assignment information is so the division can create customized reports on a daily basis. Their only other option is to request a report from ITD, who extracts the information from HRS, however; HRS is not always capable of providing the information in the format necessary.
- Salary evaluation requires the division to determine salary level based on multiple determinants. For teachers, these determinants include years of experience, type of experience, degrees held, additional school credits earned, types of school credits earned, etc.
- If a teacher’s salary evaluation is not completed before starting work, the teacher will be given the base teacher salary until the evaluation is complete. This requires retroactive pay to be paid to the teacher once the salary evaluation is complete.
- Salary evaluation delay is caused by the teacher submitting late documents or the backlog within the salary evaluation group. The backlog is usually up to five months long. A document imaging system is being created to alleviate the backlog within the salary evaluation group.
- Annualizing a teacher’s salary delays the time in which an assignment is entered into the HRS system. This is due to prior manual calculations that are now required to be annualized. Incorrect or missing assignments will result in non-payment or incorrect payment of salary.
- Reasons for assignment changes include promotions, transfers, demotions, illness leave, etc.
- Reasons for an assignment to not be in HRS include:
  1. The local school does not timely send in required documentation (“a greenie”) for a position such as a Prof. expert.
  2. Incorrect or missing information on the greenie.
  3. An emergency credential teacher’s contract is not renewed because the school did not submit approval timely.
  4. Teacher will begin work before they are approved to work.
Personnel Commission

The personnel commission’s role in the payroll process is to input assignment information for classified employees. The commission handles approximately 3,500 to 4,000 incoming classified employees per year. The assignment process requires approval by the personnel director and submittal of all required documents from the school or location and from the employee. See Appendix D for the pay structure

Findings:

• The commission maintains a separate system to track applicants called CIGNA. Once an applicant is hired, most of the data stored in the CIGNA must be retyped into HRS to set up the employee assignment.
• There are 940 separate classified classifications.
• There are six different unions for classified employees.
• It usually takes three to four weeks to input a classified employee’s assignment.
• Reasons for not having timely input of assignments are: (1) missing or incorrect information on the “Greenie” or (2) missing supporting information.
• Seniority, which is counted by the hours worked, is noted by the specific system class codes.
• Assignment pay includes factors such as shift differential, language differentials, hazard pay, etc.
• The Statement of Education Requirements is a legal document that states that the payroll branch is not authorized to make a payment to an employee until the assignment is approved by personnel.
Accounting and Disbursements Division

The Accounting and Disbursements Division has two branches that were determined to effect the payroll process; (1) the business accounting branch, and (2) the payroll services branch.

Business Accounting Branch

The business accounting branch handles the payroll for employees deemed to be job costed. This branch performs similar duties the payroll branch on a smaller scale, as the number of job cost employees for the district is approximately 4,800. The branch employs six people and their primary responsibility is to ensure that the job cost employee salaries are charged to the correct job. The employees must also manually fill out benefit cards, calculate workers compensation, address any errors or adjustments, and process overpayments.
Payroll Services Branch

The payroll branch currently has approximately 135 employees and handles the payroll for both the classified and certificated employees of LAUSD. The certificated employees encompass all employees requiring certification, typically teachers, and the classified employees are all other employees not requiring certification including the administration. The different classifications of employees require two major payroll runs every other two weeks. In addition to the two major payrolls, other payrolls to capture adjustments and changes are run throughout the month.

The payroll branch has many responsibilities and is divided into four sections which include (1) the Deductions Section (including the PERS Unit, the STRS and PARS Unit, and the Deduction Control Unit), (2) the Training and Customer Service Section, (3) the Accounting and Communication Section (including the Salary Delivery Unit, the Payroll Accounting Unit, the Special Inquiry Unit, the Payroll Legal Claims Unit, File Maintenance Unit, and the Workers Compensation Unit) and (4) the Payments Section (including the Payment Unit, Adjustment Verification Unit, and the General Payment Unit). Summaries are provided to detail the responsibilities and findings for each section.

Deduction Control Section Summary

Public Employee Retirement System (“PERS”) Unit

Responsibilities:
- Reconciliation of retirement contributions for qualified classified employees under PERS.

Findings:
- Before reconciliation, the error rate for retirement contributions can be as high as 20%. The State retirement system mandates a 2% error rate or less.
- Errors occur as a result of a system limitation: the system calculates the appropriate contribution based on the employee’s contributable earnings, but does not calculate contributions based on additional earnings such as retroactive pay reported after the initial payroll.
- Corrections are made by the section manually completing cards, which are sent to ITD for data entry. This process increases the possibility of human error.

Major Activities:
- Administrative duties such as answering telephone inquiries – .5 FTE’s
- Determination and correction of errors for the PERS report – 10.5 FTE’s
- Total FTE’s = 11
STRS and PARS Unit

Responsibilities:
- Reconciliation of retirement contributions for certificated employees under the State Teachers Retirement System ("STRS") and for all other employees that do not qualify under PERS or STRS under the Public Alternative Retirement System ("PARS").

Findings:
- Same as PERS Unit.

Major Activities:
- Administrative duties such as answering telephone inquiries - .5 FTE’s
- Determination and correction of errors for the STRS and PARS reports – 11.5 FTE’s
- Total FTE’s = 12

Deduction Control Unit

Responsibilities:
- Managing the mandatory and voluntary deductions.

Findings:
- The process of sending all of the deduction documents to ITD for data entry causes a delay in the deduction effective date as well as increases the human error rate for correctly entering the deduction into the system.
- Errors from the data entry occur but are not discovered until two to three weeks after when the section receives a report of all deductions entered. This causes even more delay until the deduction is effective.

Activity:
- Collect and segregate deduction documents, prepare input data sheet for entire package to be sent to ITD, and research and correct errors. – 8 FTE’s

Training and Customer Service Section Summary

Responsibilities:
- General office administrative duties for the payroll branch
- Maintenance of Attendance Incentive Plan system and processing of incentive letters
APPENDIX C: Departmental Details

- Upkeep of payroll branch computer hardware and installation of software
- Serve as liason between employees and payroll branch answering or facilitating an answer to payroll related inquiries.

Findings:
- The attendance incentive plan is processed on a stand-alone system kept by the unit.
- The liason activities include answering approximately 500 calls per pay cycle regarding payroll questions. Most calls can be instantly answered by the liason, however approximately 140 per pay cycle require research of some kind.

Activities:
- Administrative duties – 1 FTE
- Maintenance of computer hardware, software installation and processing of incentive proposals and letters – 1 FTE
- Payroll liason – 1 FTE
- Total FTE’s = 3

Accounting and Communication Section Summary

Salary Delivery Unit

Responsibilities:
- Handling all paychecks and automatic payroll deposits for the district employees.

Findings:
- Paychecks are printed in order of location for mailing to 1100 locations monthly.
- During peak off-school times such as the summer, up to 85,000 paychecks are mailed directly to employee homes. Payroll checks are preprinted with employee addresses and are stamped though a mailing machine.

Activity:
- Facilitating delivery of payroll checks and processing lost or stolen paychecks – 10 FTE’s

Payroll Accounting Unit

Responsibilities:
- Calculating and issuing the payment of the Board Members
- Balancing of all payrolls
- Issuance of W-2’s
- Completion of tax returns
Findings:
• The Board Member checks must be manually calculated for taxes and various
  deductions. This procedure is a result of the payroll system's inability to process the
  regular employee's 4-week pay cycle and the Board member’s monthly cycle.

Activity:
• Issuance of Board Member paychecks, payroll balancing, W-2’s and tax returns – 5
  FTE’s

Special Inquiry Unit

Responsibilities:
• Handling of all inquiries from district substitute employees
• Handling subpoenas of employee records.

Findings:
• Inquiries from substitutes usually require a phone call from the unit to a time reporter
  who makes the adjustment through PTRS.
• The subpoenas are originally received through the employee relations group who
  sends a list of questions or documents needed to be gathered by the unit.

Activities:
• Inquiries from substitutes – 1 FTE
• Subpoenas – 2 FTE’s

Payroll Legal Claims Unit

Responsibilities:
• Handling garnishments and overpayments to employees.

Findings:
• The garnishment process includes receiving a legal claim order, setting the
  procedure up in the garnishment system, and sending the employee a notification
  letter.
• The monthly process requires the unit to void each regular paycheck and through
  their garnishment program, print and mail two checks, one for the employee and one
  the legal claim.
• The garnishment program is a stand alone system run
The overpayment process requires the unit to send letters to employees who have an outstanding overpayment, follow up on the overpayments, and arrange payment schedules for the employees.

**Activities:**
- Garnishments – 5 FTE’s
- Overpayments – 2 FTE’s

**File Maintenance**

**Responsibilities:**
- Correcting all errors reported in the file update system and payroll system.

**Findings:**
- Errors handled by the unit are non-monetary or are related to employee assignments.
- Corrections must be written on an input document form and sent to ITD for data entry into the system.

**Activity:**
- Correction of errors – 11 FTE’s

**Workers Compensation**

**Responsibilities:**
- Will be the handling over a thousand workers compensation cases each year throughout the district.

**Findings:**
- This work is currently performed in the payment section and is in the process of being transferred to this unit.

**Payment Section Summary**

**Payment Units (4)**

**Responsibilities:**
- Research and correct all payment related exceptions.
• Process rate corrections for both classified/unclassified and certificated employees such as step and schedule changes and longevity.
• Prepare written correspondence to employees regarding overpayment.
• Process workers compensation cases.
• Handle cash payments for jury services for all employees.
• Compute and process interest payments for certificated employees.

Findings:
• Each unit is responsible for a portion of the 1,388 reporting locations.
• Approximately 7,000 exceptions require the research and work of the payment section each pay cycle.
• Exceptions are general errors such as the employee has time entered but there is no corresponding assignment or the employee pay rate was invalid. The most prevalent exceptions were broken out by type and payroll run and graphical depictions can be found in appendix C.
• Exceptions occur after every payroll run including the 2 major payrolls, 5 supplemental payrolls, and 1 Earned Salary Advance payroll.
• Research and work are required of any inquiries delivered through the liaison in the Training section, or received directly from employees, time reporters, or outside agencies.
• After verification by the Payment section, the Accounting and Communication section is required to certify and post to PTRS all adjustments received.

Activity:
• Supervisory – 8 FTE’s
• Research and correction of exceptions – 28 FTE’s

Adjustment Verification Unit

Responsibilities:
• Verification of all manual adjustments which are then batched and sent to data control to be keypunched and processed in the appropriate payrolls.
• Verification includes research to check if adjustment was already processed through the related major payroll, manually filling out necessary benefit cards and sending cards to data control to be entered.
• Adjustments occur when time and attendance information is sent through the normal payroll process, but then corrections are made through the time reporting location for errors relating to vacation or illness time, additional assignment pay, etc. A graphical depiction
• The adjustment unit verifies approximately 15,000 adjustments per pay cycle.

Activity
• Supervisory – 1 FTE
• Verification of adjustments – 7 FTE’s

General Payment Unit

Responsibilities:
• Correspondence with outside state agencies such as EDD and SDI
• Processing of rate corrections for classified/unclassified and certificated employees
• Providing backlog assistance for payments units and the adjustment verification unit
• Handling of interest payment calculations and automated rate changes
• Handling of special projects such as:
  • retroactive payments due to a union agreement
  • lawsuits
  • verification of employment

Activity:
• Special project – 4 FTE’s
Time and Attendance Locations

Three time and attendance locations were visited during the Best Practices review. They included Granada Hills High School, Bell High School and District C Maintenance Facility.

Granada Hills High School

Findings:

- The school operates on a traditional school year calendar.
- The school has 160 employees.
- The school has only one time reporter who is also the School Administrative Assistant (“SAA”).
- The time reporter is responsible for collecting and entering all time for the school employees.
- The time reporter takes approximately 25-30 hours per pay cycle to report time.
- The time reporter must wait until personnel or human resources put in the employee’s assignment into HRS and that information is transferred over to PTRS before entering time. Either personnel or human resources is supposed to then send the time reporter a notice of personnel action once the information has been entered.
- It takes approximately 2-3 weeks after the employee’s start date before a notice of personnel action (“NPA”) arrives.
- If the time reporter does not have the NPA, and needs to input the assignment, they can go into a PTRS screen, write down the information and then re-enter it into a different PTRS screen used for time reporting. The information cannot automatically transfer over between the screens. This can be a big problem at the beginning of the year when most new teachers and employees start. Last year the time reporter had 38 new hires.
- Substitute hours are kept on a log and are manually entered into PTRS.
- Not all teachers find substitutes for their classes. If substitutes are not found, the time reporter must find the substitutes.
- Teachers and certificated employees initial when they arrive. Classified employees sign in their time of arrival and departure.
- The SAA tries to watch when people come in but it is difficult to do with the other duties.
- If an employee stays late, the time reporter must trust them when they sign out that their departure time is correct.
- Within the school, the cafeteria employee’s and plant employee’s time sheets are monitored by their respective managers and then reported to the time reporter.
- PTRS requires the time reporter to retrieve each employee’s assignment information and save it before entering time. This must be done every pay cycle.
- Status codes and class codes must match to the employee’s regular assignment; however, the time reporter has no list of which codes match which assignments.
- PTRS is supposed to print out a listing of reported time after the certification is complete, but occasionally this does not happen.
• Payrolls are due on Friday according to the payroll calendar. The payroll must be certified by the principal who sends it to be processed.
• A common complaint the time reporter hears from the employees is that the timecards and paycheck stubs are difficult to understand.
• Common problems include: missing assignment, wrong class or status code with assignment, authorization form for an outside meeting does not get turned into the time reporter before the certification date, and the assignment is incorrect due to mis-typing from either personnel/human resource or time reporter.
• Authorizations for extra work originate form the different budgets within the school. The assistant principal in charge of that budget authorizes the extra work.

Bell High School

Findings:

• The school has two time reporters, one for classified and one for certificated, and an SAA who oversees both.
• The school has 200 certificated employees and 120 classified employees.
• This school in on the Concept 6 calendar, which is one of two year-round calendars.

Certificated Payroll

• The certificated time reporter reports employee sign in time on an excel spreadsheet to track tardiness.
• Bell does not have a sign in sheet for the substitutes. Substitutes check in with the office who puts them on a log and gives the substitute a receipt.
• The average substitutes per day are 5 to 15.
• The logbook of substitutes per pay cycle is over 20 pages long and each substitute must be manually entered into PTRS.
• The district has an automated system that fills substitute assignments.
• The time reporter goes through the teacher’s cards and marks illnesses if they haven’t signed in yet.
• If the teacher does not get a substitute, they must then try to get other teachers to cover their classes. The time reporter must mark the teachers that cover classes on the substitute log.
• The time reporter’s goal is to enter the time at the end of each week. Otherwise the system gets too slow nearing the certification day, Friday.
• The time reporter spends 2 hours a day performing payroll duties and spends 4 hours at the end of the pay cycle.
• In addition to reporting time for regular assignments, the time reporter must report the differentials for the employees. Types of differentials include bilingual, mentor teacher and athletics. The differentials are paid twice a year.
• There are 5 assistant principals who decide twice a year who will be receiving differentials such as choir, drama, and athletics. The bilingual differentials are decided when the employee is hired based on their credentials.
• If teachers don’t give the time reporter the documentation for extra pay for an offsite meeting, training, etc. before the certification, then they have a short amount of time afterwards where they can turn it in and the time reporter will make an adjustment.
• This school has approximately 20 adjustments per pay period.
• Two reasons a teacher would not get paid are if they did not sign in or if the assignment is not in PTRS.
• It takes approximately 4-6 weeks for an assignment to be entered into HRS.
• PTRS and HRS are not linked.
• The school has assignments called “prof experts”. This is when a teacher is asked to teach a training seminar on a subject where they have considerably more knowledge to the other teachers. This requires a special pay and paperwork must be sent to the administration offices for input into HRS.
• Bell has problems with itinerates not signing in at the appropriate school.

**Classified Payroll**

• The cafeteria manager monitors his employees timecards.
• Not all employees start work at the same time. Each employee signs in when they arrive.
• A major issue is the special education assistants. The system will assign them 6.6 hours because they work for a Concept 6 school, but the assistant will actually work 7 hours per day due to the needs of the special education student. Until a change is made to the assignment through the special education office, the employee is not paid the additional hours. This occurs 3-4 times per cycle.
• The school must send forms to the special education office to update the assignment for more hours.

**Maintenance Facility**

**Findings:**

• The facility has two time reporters
• There are approximately 160-170 employees paid through the central time reporting location for district C.
• They have a separate stand-alone system that prints out the employee’s daily time cards. The system is called AIM.
• The AIM system assigns each employee to a specific job and the card includes the employee, job and craft number. The system is similar to a scheduling module.
• These cards are created each day and are then turned into the time reporter at the end of every day to be entered into PTRS and AIM.
• Any changes occurring in HRS or PTRS such as rate changes, promotions, or assignment changes do not flow through to the AIM system. The time reporter must call the downtown offices to receive the new information and then update AIM.
• If employees need to work overtime, they must complete an adjustment card.
LAUSD Pay Structure

LAUSD employs approximately 100,000 individuals annually throughout the district. Employees are split between two main classifications, certificated and classified. Certificated employees are those requiring some sort of certification and are usually teachers. Classified employees are all other employees who are not teachers.

In addition to the two classifications, LAUSD also has a multi-tiered pay structure. The pay structure can be broken into major groups with many different options. The variety of ways to pay an individual is exponential as the following table illustrates. This table was created from the Payroll Concepts Manual provided by the payroll branch.

<table>
<thead>
<tr>
<th>Group</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Calendar</td>
<td>1. Single Track Calendar (LEARN)</td>
</tr>
<tr>
<td></td>
<td>2. Three-Track Year-Round (Concept 6)</td>
</tr>
<tr>
<td></td>
<td>3. Four-Track Year-Round Calendar (90/30)</td>
</tr>
<tr>
<td>School Year Days</td>
<td>1. 260 School Year Days</td>
</tr>
<tr>
<td></td>
<td>2. 261 School Year Days</td>
</tr>
<tr>
<td></td>
<td>3. 262 School Year Days</td>
</tr>
<tr>
<td>Tracks</td>
<td>1. “A”</td>
</tr>
<tr>
<td></td>
<td>2. “B”</td>
</tr>
<tr>
<td></td>
<td>3. “C”</td>
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<tr>
<td></td>
<td>4. “D”</td>
</tr>
<tr>
<td></td>
<td>5. “E”</td>
</tr>
<tr>
<td>Assignment Basis</td>
<td>1. “A”</td>
</tr>
<tr>
<td></td>
<td>2. “B”</td>
</tr>
<tr>
<td></td>
<td>3. “C”</td>
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<tr>
<td></td>
<td>4. “E”</td>
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<tr>
<td></td>
<td>5. “J”</td>
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<td></td>
<td>6. “K”</td>
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<tr>
<td></td>
<td>7. “L”</td>
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<tr>
<td></td>
<td>8. “M”</td>
</tr>
<tr>
<td></td>
<td>9. “P”</td>
</tr>
<tr>
<td></td>
<td>10. “R”</td>
</tr>
<tr>
<td></td>
<td>11. “S”</td>
</tr>
<tr>
<td></td>
<td>12. “T”</td>
</tr>
<tr>
<td></td>
<td>13. “W”</td>
</tr>
<tr>
<td></td>
<td>14. “X”</td>
</tr>
<tr>
<td></td>
<td>15. “Y”</td>
</tr>
<tr>
<td></td>
<td>16. “Z”</td>
</tr>
</tbody>
</table>
| Flexible Basis       | 1.  “B”  
|                     | 2.  “C”  
|                     | 3.  “E”  
|                     | 4.  “K”  |
| Certificated Salary Table | 1. Preparation (T/L) Salary Table  
|                     | 2. Day to Day Substitutes Salary Rates  
|                     | 3. Development Center (V) Salary Tables  
|                     | 4. Children’s Center (C) Salary Table  
|                     | 5. Hourly Rate (THR) Schedule  
|                     | 6. Physicians and Dentists (J) Salary Table  
|                     | 7. Special Services 9D) Salary Table  
|                     | 8. Master (G) Salary Table  
|                     | 9. Miscellaneous Salary Tables (8 types)  |
| Classified Salary Table | 1. Shift Differential (shift “A”, “B”, or “C”)  
|                     | 2. Bilingual Differential  
|                     | 3. Skill or Responsibility Differential  |
| Shift Differentials  | 1. Certified Assignment  
|                     | 2. Classified Assignment  
|                     | 3. Unclassified Assignment  
|                     | 4. “X” Basis Assignment  
|                     | 5. “Z” Basis Assignment  
|                     | 6. Intercession/Summer Assignment  
|                     | 7. Auxiliary Assignment  
|                     | 8. Relief Assignment  
|                     | 9. Substitute Assignment  
|                     | 10. Instructional Aide Assignment  
|                     | 11. Teacher Assistant Assignment  
|                     | 12. “Late Start” Certificated Employees  
|                     | 13. Differentials  
|                     | 14. Status  |
| Assignments         | 1. Paid as worked (Tenthly) Salary Payment Plan  
|                     | 2. 12 Equal Salary Payment Plan  
|                     | 3. 13 Equal Salary Payment Plan  
|                     | 4. 13thly Salary Payment Plan  |
## Attachment to Appendix D: LAUSD Pay Structure

### PAYROLL CALENDAR GROUP

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Calendars –</td>
<td>Three General Types of Payroll Calendars</td>
<td>Brief Definition of the Calendar Types –</td>
</tr>
<tr>
<td></td>
<td>1) Single Track Calendar (LEARN)</td>
<td>1) <strong>Single Track Calendars</strong> – A type of calendar used at non-year-round schools with two weeks of winter recess followed by one week of unpaid/unassigned time and one week of spring recess.</td>
</tr>
<tr>
<td></td>
<td>2) Three-Track Year-Round (Concept 6)</td>
<td>2) <strong>Three-Track Year-Round Calendar</strong> – A type of a year-round calendar which requires certificated teaching staff to work longer blocks of alternating on and off-track days with a reduced number of teaching days per year, at 6.6 hours per day.</td>
</tr>
<tr>
<td></td>
<td>3) Four-Track Year-Round Calendar (90/30)</td>
<td>3) <strong>Four-Track Year-Round Calendar - A</strong> type of a year-round calendar which requires the certificated teaching staff to work alternating periods of 90 on track and 30 off-track days at 6 hours per day.</td>
</tr>
<tr>
<td>School-Year Days</td>
<td>Three Types of School-Year Days</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) 260 School Year Days</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2) 261 School Year Days</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) 262 School Year Days</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX D: LAUSD Pay Structure

**TRACKS GROUP**

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tracks –</strong></td>
<td>5 Valid Tracks –</td>
<td>Types of Payroll Time Reporting System (PTRS)</td>
</tr>
<tr>
<td>Calendar or schedule of work, holiday and intersession periods for a group of employees within a location. There are three tracks for “Concept 6” schools and single/four-tracks at other year-round schools.</td>
<td>1) “A”</td>
<td>Calendar</td>
</tr>
<tr>
<td></td>
<td>2) “B”</td>
<td>- 90/30 Multi-track</td>
</tr>
<tr>
<td></td>
<td>3) “C”</td>
<td>- 90/30 Single A track,</td>
</tr>
<tr>
<td></td>
<td>4) “D”</td>
<td>- 90/30 Single B track,</td>
</tr>
<tr>
<td></td>
<td>5) “E” – is used for employees working a flexible work schedule</td>
<td>- 90/30 Single C track,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 90/30 Single D track</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Concept 6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- LEARN</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- LEARN/Community Adult School</td>
</tr>
</tbody>
</table>

**On Track** – Working periods in an employee’s work schedule in year-round calendar schools

**Off Track** – Break periods or non-working periods in an employee’s work schedule in year-round calendar schools
## APPENDIX D: LAUSD Pay Structure

### BASIS GROUP

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option 16 Types of Basis –</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment Basis –</td>
<td>1) A</td>
<td>Description of Basis –</td>
</tr>
<tr>
<td>Each basis, coded by an alphabetical letter, sets the number of days assigned and/or the period assigned to work in a calendar year – number of regular days, holidays, winter/spring recess, etc…</td>
<td>2) B</td>
<td>1) “A” – From July 1 to June 30, inclusive. Period of assignment varies from 260 to 262 days</td>
</tr>
<tr>
<td></td>
<td>3) C</td>
<td>2) “B” – Assigned 221 days, including legal and school holidays occurring during the period of assigned time.</td>
</tr>
<tr>
<td></td>
<td>4) E</td>
<td>3) “C” – Assigned 204 days, including legal and school holidays occurring during the period of assigned time.</td>
</tr>
<tr>
<td></td>
<td>5) J</td>
<td>4) “E” – Assigned 234 days, including legal and school holidays occurring during the period of assigned time.</td>
</tr>
<tr>
<td></td>
<td>6) K</td>
<td>5) “J” – Assignment commensurate with “C” basis assigned 204 days, including legal and school holidays occurring during the period of assigned time. Equivalent salary will be paid on an annualized basis.</td>
</tr>
<tr>
<td></td>
<td>7) L</td>
<td>6) “K” – Assigned 214 days, including legal and school holidays occurring during the period of assigned time.</td>
</tr>
<tr>
<td></td>
<td>8) M</td>
<td>7) “L” – Assignment commensurate with “K” basis assigned 214 days, including legal and school holidays, but flexible as to the days assigned. Equivalent salary will be paid on an annualized basis.</td>
</tr>
<tr>
<td></td>
<td>9) P</td>
<td>8) “M” – Assigned from July 1 – June 30.</td>
</tr>
<tr>
<td></td>
<td>10) R</td>
<td>a) Certificated Employee paid accordance with the employee’s contract of employment</td>
</tr>
<tr>
<td></td>
<td>11) S</td>
<td>b) Classified Employee serving in or supporting a multitrack school, each day that school is in session, including legal holidays for regular employees.</td>
</tr>
<tr>
<td></td>
<td>12) T</td>
<td>c) “P” – Assignment commensurate with “B” basis assigned 221 days, but flexible as to the days assigned. Equivalent salary will be paid on an annualized basis.</td>
</tr>
<tr>
<td></td>
<td>13) W</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14) X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>15) Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>16) Z</td>
<td></td>
</tr>
<tr>
<td>Group Topic</td>
<td>Option</td>
<td>Additional Descriptions</td>
</tr>
<tr>
<td>-------------</td>
<td>--------</td>
<td>-------------------------</td>
</tr>
<tr>
<td></td>
<td>9)</td>
<td>salary will be paid on an annualized basis.</td>
</tr>
<tr>
<td></td>
<td>10)</td>
<td>“R” – Assigned a flexible 221 days between July 1 through June 30 at three-track/four-track year-round schools. Assignment commensurate with “B” basis. Certificated employees are paid 13thly pay each payday.</td>
</tr>
<tr>
<td></td>
<td>11)</td>
<td>“S” – Assigned a flexible 204 days between July 1 and June 30 at a four-track or single-track year-round school. Assignment commensurate with “C” basis. Certificated employees are provided 13thly pay each payday.</td>
</tr>
<tr>
<td></td>
<td>12)</td>
<td>“T” – Assigned a flexible 187 days between July 1 and June 30 at a three-track year-round school. Assignment commensurate with “C” basis. Certificated employees are provided 13thly pay each payday.</td>
</tr>
<tr>
<td></td>
<td>13)</td>
<td>“W” –</td>
</tr>
<tr>
<td></td>
<td>14)</td>
<td>“X” – A temporary assignment when an employee is not performing regular ongoing duties, or when an employee is performing regular duties for ten working days or less.</td>
</tr>
<tr>
<td></td>
<td>15)</td>
<td>“Y” – “Z” – An assignment restricted to an employee in a regular status other than an “A” basis position during an off-track/off-basis period.</td>
</tr>
</tbody>
</table>
APPENDIX D: LAUSD Pay Structure

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Flexible Basis –</strong></td>
<td>Four Flexible Basis</td>
<td>“B” “C” “E” “K”</td>
</tr>
</tbody>
</table>

Flexible basis are exceptions to the regular basis in that the days of assignment for employees may occur at any time from July 1 to June 30, inclusive, provided that, notwithstanding any other provision to the contrary, the annual hours of paid holidays and related benefits are commensurate with those of the regular basis.
## SALARY TABLES GROUP

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2 Types of Salary Tables –</strong></td>
<td>2 Types –</td>
<td>Each Certificated Employee Salary Table establishes the rules and steps in pay compensation for a given group of “Assignment Basis”. For example, new hire Physicians and Dentists start with first step on the salary table, then advance granted per school year provided that the number.</td>
</tr>
<tr>
<td>1) Certificated Employees Salary</td>
<td>9 Types –</td>
<td></td>
</tr>
<tr>
<td>Tables –</td>
<td>a) Preparation (T/L) Salary Table</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b) Day to Day Substitutes Salary Rates</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c) Development Center (V) Salary Tables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>d) Children’s Center (C) Salary Table</td>
<td></td>
</tr>
<tr>
<td></td>
<td>e) Hourly Rate (THR) Schedule</td>
<td></td>
</tr>
<tr>
<td></td>
<td>f) Physicians and Dentists (J) Salary Table</td>
<td></td>
</tr>
<tr>
<td></td>
<td>g) Special Services 9D) Salary Table</td>
<td></td>
</tr>
<tr>
<td></td>
<td>h) Master (G) Salary Table</td>
<td></td>
</tr>
<tr>
<td></td>
<td>i) Miscellaneous Salary Tables (8 types)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adult Education pay period rate employee</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Certificated Salary Table</th>
<th>Applied To</th>
<th>Assigned Basis</th>
<th>Pay factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Preparation (T/L) Salary Table –</td>
<td>1) Elementary</td>
<td>“C”</td>
<td>Rates indicated on table are for a four-week pay period. In addition, there are rates for step increments, and career increments.</td>
</tr>
<tr>
<td></td>
<td>2) Secondary</td>
<td>“B”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Special Education</td>
<td>“J”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Teachers</td>
<td>“P”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- School Counselors</td>
<td>“R”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Library Media Teachers</td>
<td>“S”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Nurses</td>
<td>“T”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adult Education pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>period rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>employee</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### (b) Day-to-Day Substitutes Salary Rates

Substitute salary is a flat rate paid to a substitute employee based on a six (6) hours a day assignment.

<table>
<thead>
<tr>
<th>Certificated Salary Table</th>
<th>Applied To</th>
<th>Assigned Basis</th>
<th>Pay factors</th>
</tr>
</thead>
</table>
| Substitute Employee for grades K-12 | Substitute Employee for grades K-12 | Salary Schedule for certificated substitutes serving in place of “Preparation Salary Table”
| | | | Pay rate increase by following conditions: |
| | | | 1) District Incentive Program |
| | | | 2) Completion service equivalent to 130 days during a year |
| | | | 3) Continuous service for more than twenty consecutive working days in same assignment, in place of same absent employee or in same unfilled position of K-12 program. |
| | | | |
| | | | 1) SUB 31 = Base Rate |
| | | | 2) SUB 33 = Incentive Plan Rate |
| | | | 3) SUB 34 = Extended Rate |
| | | | 4) SUK 31 = Base Rate and Continuity Rate |
| | | | 5) SUK 33 = Incentive Plan Rate and Continuity Rate |
| | | | 6) SUK 34 = Extended Rate and Continuity Rate |
| | | | 7) SUI 31 = Base Rate |
| | | | 8) SUL 31 = Base Rate and Continuity Rate |

### (c) Development Center (V) Salary Table

A schedule of payment for a teacher assigned at a Development Center such as Perez, Salvin, Sellery, etc.

<table>
<thead>
<tr>
<th>Certificated Salary Table</th>
<th>Applied To</th>
<th>Assigned Basis</th>
<th>Pay factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher assigned to a Development Center</td>
<td>Teacher assigned to a Development Center</td>
<td>The pay period salary rate multiplied by 10.2 pay periods reflects the annual contract salary for an “C” basis employee paid 204 days</td>
<td></td>
</tr>
</tbody>
</table>

1) Rates indicated are for a four-week pay period for a full-time assignment of six hours a day.
### APPENDIX D: LAUSD Pay Structure

<table>
<thead>
<tr>
<th>Certificated Salary Table</th>
<th>Applied To</th>
<th>Assigned Basis</th>
<th>Pay factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(d) Children’s Center (C) Salary Table</strong> –</td>
<td>Teacher assigned to a Children’s Center</td>
<td>The pay period salary rate multiplied by the number of pay periods reflects the annual contract salary for an “A” basis employee paid 260, 261, or 262 days.</td>
<td></td>
</tr>
<tr>
<td>A schedule of payment for a teacher assigned at a Children’s Center such as Bridge, Grant, Pacoima, Soto, etc…</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(e) Hourly Rate (THR) Schedule</strong> –</td>
<td>Teacher assigned at a Community Adult School or Occupational Skill Center</td>
<td>1) An adult education employee who is not paid on a pay period rate salary table is paid either on the Hourly Rate (THR) Schedule or the Flat Hourly Rate 2) A Flat Hourly Rate is paid to an adult education employee in charge of staff development, JTPA Work, Experience Program, extended teaching assignment, extended counseling/advisement assignment, etc.</td>
<td></td>
</tr>
<tr>
<td>A schedule of hourly rates for a teacher assigned at a Community Adult School or Occupational Skill Center</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(f) Physicians and Dentists (J) Salary Table (10J through 13J)</strong> –</td>
<td>A three-step schedule of payments for physicians and dentists.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### APPENDIX D: LAUSD Pay Structure

<table>
<thead>
<tr>
<th>Certificated Salary Table</th>
<th>Applied To</th>
<th>Assigned Basis</th>
<th>Pay factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>(g) Special Services (D) Salary Table</td>
<td>A schedule of payment for a certificated employee providing a special service such as a psychologist, psychiatrist, audiologist, physical therapist, audiometrist, social worker, etc.</td>
<td>Assigned as the following basis:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“B”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“C”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“J”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“K”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“L”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“P”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“R”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“S”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“T”</td>
<td></td>
</tr>
<tr>
<td>(h) Master (G) Salary Table</td>
<td>A schedule of payments for <strong>certificated</strong> management positions including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Directors</td>
<td>Assigned as</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2) Specialists</td>
<td>“A” basis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Coordinators</td>
<td>“W/Y/E” basis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4) Elementary School Principals</td>
<td>“P/B” basis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5) Secondary School Principals</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6) Assistant Principals</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### APPENDIX D: LAUSD Pay Structure

<table>
<thead>
<tr>
<th>Certificated Salary Table</th>
<th>Applied To</th>
<th>Assigned Basis</th>
<th>Pay factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Miscellaneous Salary Tables –</td>
<td>A) Driver Safety Instructor and Substitute Schedule (09J)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B) Staff Counsel (01A)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>C) Master “J” Salary Table (02J/03J)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>D) Differential Salary Rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Assignment Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Activity Assignment Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b) Athletics Coaching Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>c) Coordinating Differential for Athletic Coordination</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>d) Coordinating Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2) Bilingual Classroom Teacher Program (BCTP) Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Urban Classroom Teach Program (UCTP) Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4) Mentor Teach Program Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5) Responsibility Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>E) Additional Information on Differentials</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1) Degree Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2) Career Increment Differential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F) Executive Flat Rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificated Salary Table</td>
<td>Applied To</td>
<td>Assigned Basis</td>
<td>Pay factors</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------------</td>
<td>----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>G) Unclassified Salary Rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H) Certificated Teacher/Counseling Assistants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) TA – Degree Track – New – (0953)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) TA – Non-Degree Track (0954)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) TA – Degree Track (0955) Counseling Assistant (0956)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX D: LAUSD Pay Structure

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2) Classified Employees Salary Tables –</strong></td>
<td>3 Types of Differentials</td>
<td></td>
</tr>
<tr>
<td>Salary schedule for classified employees in a schedule of payment rates applicable to classified employees.</td>
<td>1) Shift Differential (shift “A”, “B”, or “C”)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2) Bilingual Differential</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Skill or Responsibility Differential</td>
<td></td>
</tr>
<tr>
<td>Classified Employee are in positions not requiring certification qualifications and not otherwise exempt from the classified service</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unclassified Assignment –</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An assignment assigned to an employee not identified as classified or certificated service. An unclassified assignment can be in addition to a regular classified or certificated assignment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# ASSIGNMENTS GROUP

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignments –</td>
<td>14 Types of Assignments –</td>
<td></td>
</tr>
<tr>
<td>A)</td>
<td>Certified Assignment</td>
<td>A) Certified Assignment – An assignment to an employee who holds one or more documents such as a certificated, a credential or a life diploma engaged in a school service as authorized in his/her license.</td>
</tr>
<tr>
<td>B)</td>
<td>Classified Assignment</td>
<td>B) Classified Assignment – An assignment to an employee in a position not requiring certification qualifications and not otherwise exempt from the classified service.</td>
</tr>
<tr>
<td>C)</td>
<td>Unclassified Assignment</td>
<td>C) Unclassified Assignment – An assignment to an employee not identified as classified or certificated service. Unclassified assignments can be in addition to a regular classified or certificated assignment.</td>
</tr>
<tr>
<td>D)</td>
<td>“X” Basis Assignment</td>
<td>D) “X” Basis Assignment – A temporary assignment when an employee is not performing regular ongoing duties, or when an employee is performing regular duties for 10 working days or less.</td>
</tr>
<tr>
<td>E)</td>
<td>“Z” Basis Assignment</td>
<td>E) “Z” Basis Assignment – An assignment restricted to an employee in a regular status other than an “A” basis position during an off-track/off-basis period.</td>
</tr>
<tr>
<td>F)</td>
<td>Intersession/Summer Assignment</td>
<td>F) Intersession/Summer Assignment – Enrichment or “summer” classes conducted during the off-track period for four hours/day or less.</td>
</tr>
<tr>
<td>G)</td>
<td>Auxiliary Assignment</td>
<td>G) Auxiliary Assignment – An assignment basis assigned 221 days, including legal and school holidays occurring during the period of assigned time.</td>
</tr>
<tr>
<td>H)</td>
<td>Relief Assignment</td>
<td>H) Relief Assignment – An assignment to a limited-term position that is established for not more than six months. This type of assignment applies only to classified employees.</td>
</tr>
<tr>
<td>I)</td>
<td>Substitute Assignment</td>
<td></td>
</tr>
<tr>
<td>J)</td>
<td>Instructional Aide Assignment</td>
<td></td>
</tr>
<tr>
<td>K)</td>
<td>Teacher Assistant Assignment</td>
<td></td>
</tr>
<tr>
<td>L)</td>
<td>“Late Start” Certificated Employees</td>
<td></td>
</tr>
<tr>
<td>M)</td>
<td>Differentials</td>
<td></td>
</tr>
<tr>
<td>N)</td>
<td>Status</td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX D: LAUSD Pay Structure

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>I)</td>
<td>Substitute Assignment – An assignment in a regular position to provide a temporary replacement for an absent regular employee.</td>
<td></td>
</tr>
<tr>
<td>J)</td>
<td>Instructional Aide Assignment – An assignment to a person employed in the classified service whose assignment is limited to 60 hours per pay period to assist in the preparation, presentation and follow-up of instructional activities.</td>
<td></td>
</tr>
<tr>
<td>K)</td>
<td>Teacher Assistant Assignment – An assignment to a person employed in the certificated service whose assignment is limited to a maximum of 120 hours per pay period to assist in the preparation, presentation and follow-up of instructional activities.</td>
<td></td>
</tr>
<tr>
<td>L)</td>
<td>“Late Start” Certificated Employees – A certificated employee whose assignment begins after the cut-off designated as “on-time” start date.</td>
<td></td>
</tr>
<tr>
<td>M)</td>
<td>Differentials – Salary differentials are additional payments for earned degree, longevity of service, additional duties and responsibilities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Status – A one-digit numeric code that indicates the nature and limitations of the assignment.</td>
<td></td>
</tr>
</tbody>
</table>
## SALARY PAYMENT GROUP

<table>
<thead>
<tr>
<th>Group Topic</th>
<th>Option</th>
<th>Additional Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Payment –</td>
<td>4 Types –</td>
<td>Each type of payment plan may be only applicable to certain assignment basis. E.g., thirteenthly salary payment plan is applicable only to “R”, “S”, “T”, and “W” basis employees assigned at a multi-track year-round school (90/30 and Concept 6 schools)</td>
</tr>
<tr>
<td>Payment plan to salary employees.</td>
<td>1) Paid as worked (Tenthly) Salary Pymt Plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2) 12 Equal Salary Payment Plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) 13 Equal Salary Payment Plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4) 13thly Salary Payment Plan</td>
<td></td>
</tr>
<tr>
<td>(1) Paid as worked (Tenthly) Salary Payment Plan –</td>
<td>Applicable to only to the following basis employees and teacher assistants. “Late Start” certificated employees are paid under this payment plan until the start of the next school year when they will be paid according to the appropriate payment plan.</td>
<td></td>
</tr>
<tr>
<td>Payment wherein the annual contract salary is divided by the number of days in the assigned basis</td>
<td>“A”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“B”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“C”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“E”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“K”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“M”</td>
<td></td>
</tr>
<tr>
<td>(2) 12 Equal Salary Payment Plan –</td>
<td>Applicable only to the following basis employees assigned at a LEARN calendar school.</td>
<td></td>
</tr>
<tr>
<td>Payment plan wherein the annual contract salary is divided into twelve equal payments.</td>
<td>“J”</td>
<td></td>
</tr>
<tr>
<td>Group Topic</td>
<td>Option</td>
<td>Additional Descriptions</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td>(3) 13 Equal Salary Payment Plan –</td>
<td>Applicable <strong>only</strong> to the following basis employees assigned</td>
<td></td>
</tr>
<tr>
<td>Payment plan wherein the annual</td>
<td>at a LEARN calendar school:</td>
<td></td>
</tr>
<tr>
<td>contract salary is divided into thirteen</td>
<td>“L”</td>
<td></td>
</tr>
<tr>
<td>equal payments.</td>
<td>“P”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Y”</td>
<td></td>
</tr>
<tr>
<td>(4) 13thly Salary Payment Plan –</td>
<td>Applicable <strong>only</strong> to the following basis employees assigned</td>
<td></td>
</tr>
<tr>
<td>Payment plan wherein the annual</td>
<td>at a multitrack year-round school (90/30 and Concept 6</td>
<td></td>
</tr>
<tr>
<td>contract salary is spread over the number of</td>
<td>schools):</td>
<td></td>
</tr>
<tr>
<td>calendar days (excluding weekends) in a school</td>
<td>“R”</td>
<td></td>
</tr>
<tr>
<td>year (260/261/262 days).</td>
<td>“S”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“T”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“W”</td>
<td></td>
</tr>
<tr>
<td>Half-Pay Illness for Annualized Basis –</td>
<td>Applicable to Basis “J” and “C”</td>
<td>Annualized basis salary affected when using half-pay illness.</td>
</tr>
<tr>
<td>Unpaid Time for Annualized Basis –</td>
<td>Applicable to Basis “J” and “C”</td>
<td>Annualized basis salary affected when using half-pay illness.</td>
</tr>
</tbody>
</table>
The matrices on the following pages compare each vendor’s general business information, product information, and install base.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>SIMPLEX</th>
<th>KRONOS</th>
<th>KONETIX</th>
<th>ADP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Information</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time &amp; Attendance Software Version</td>
<td>Version 2</td>
<td>Version 3</td>
<td>Desktop Version 6.1</td>
<td></td>
</tr>
<tr>
<td>Initial Product Name/Version (Date)</td>
<td>eForce Time &amp; Attendance V 1.0 May 2000</td>
<td>TimeCentre 1.0 8/93</td>
<td>Total Time 1.0 1993</td>
<td></td>
</tr>
<tr>
<td>Current Product Name/Version (Date)</td>
<td>eForce Time &amp; Attendance V 2.0 Dec 2000</td>
<td>TimeCentre 2000E 10/89</td>
<td>Enterprise eTime 3.2 2000</td>
<td></td>
</tr>
<tr>
<td>Frequency of Major Releases</td>
<td>average one per year</td>
<td>12-18 months</td>
<td>18 months</td>
<td>Annual</td>
</tr>
<tr>
<td>Product Target Industries (if different)</td>
<td>All major vertical markets</td>
<td>Same</td>
<td>All industries</td>
<td></td>
</tr>
<tr>
<td><strong>Company</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public or Private Company</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
<td>Public (NYSE - ADP)</td>
</tr>
<tr>
<td>Sales Volume &amp; Revenues (Prior Year)</td>
<td>$300,000,000 workforce</td>
<td>$270,000,000.00</td>
<td>$3,500,000.00</td>
<td>$6,287,512</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>15% or better per year</td>
<td>19% historically</td>
<td>30%</td>
<td>13%</td>
</tr>
<tr>
<td>Worldwide Headquarters</td>
<td>Westminster, MA</td>
<td>Chelmsford, MA</td>
<td>Boulder</td>
<td>Roseland, NJ</td>
</tr>
<tr>
<td>Year Founded</td>
<td>1896</td>
<td>1977</td>
<td>1985</td>
<td>1949</td>
</tr>
<tr>
<td>Number of Years in Business</td>
<td>106</td>
<td>24</td>
<td>15</td>
<td>52</td>
</tr>
<tr>
<td>Total Number of Active Customers</td>
<td>18,000+</td>
<td>30,000</td>
<td>5000 +</td>
<td>350,000</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>7000+</td>
<td>1800+</td>
<td>33</td>
<td>35000</td>
</tr>
<tr>
<td><strong>Install Base- Government/Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of all Product Installations</td>
<td>2,000+</td>
<td>Kronos does not track product specific information by industry. In FY2000, our net revenue in the Government/Education market was $16 million. We have over 1500 customers in the Public Sector.</td>
<td></td>
<td>ADP does not track this by</td>
</tr>
<tr>
<td>Largest User Site (users &amp; locations)</td>
<td>Carrollton Farmer's Branch School District - 5,000 employees, 80 sites</td>
<td>Chicago Public Schools - 66,000 employees</td>
<td>Webster Grove School District - 600 employees</td>
<td></td>
</tr>
<tr>
<td><strong>Install Base-Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of all Product Installations</td>
<td>16,000+</td>
<td>estimated at over 100,000</td>
<td>5000</td>
<td>350,000</td>
</tr>
<tr>
<td>Largest User Site (users &amp; locations)</td>
<td>American Building Maintenance - 15,000 employees, 400 sites</td>
<td>Kroger Stores - 90,000 employees (Kroger plans to go to 1.7 million employees on our system.</td>
<td>Sittel Corporation - 13,000 employees</td>
<td></td>
</tr>
</tbody>
</table>

## Technical Information

<table>
<thead>
<tr>
<th>Platforms Supported for the Server (and Install Base per Platform)</th>
<th>NT</th>
<th>UNIX (HP UX, IBM AIX, Sun Solaris, Compaq Tru64 Unix), Intel NT Server.</th>
<th>NT2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Language(s) and version(s)</td>
<td>Visual C++</td>
<td>Workforce Timekeeper and Workforce Accruals are written in Smalltalk. Workforce Web's middle tier and Workforce Activities are written in Java. Workforce Web's client is written in HTML and JavaScript.</td>
<td>Visual Interdev/VB6/VBScript/JavaScript/HTML</td>
</tr>
<tr>
<td>Database(s) and version(s)</td>
<td>SQL Server v7.0</td>
<td>MS SQL 7.0+, Oracle 8.0.4+ or 8.1.5+ (8i)</td>
<td>MSSQL2000</td>
</tr>
<tr>
<td>Level of Client/Server Processing (tier)</td>
<td>Three Tier Client Server</td>
<td>3tier (Workforce Web), 2 tier (Workforce Timekeeper) Workforce 4.0 will be 3 tier</td>
<td>3 Tier</td>
</tr>
</tbody>
</table>

## Support Information

<table>
<thead>
<tr>
<th>Implementation Assistance Available</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support Availability 8AM EST-8PM EST</td>
<td>9 AM - 5PM Local (Basic)</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Support On-Site</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Telephone Support</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Telephone Support Hours 8AM EST-8PM EST</td>
<td>24/7/365 for mission critical issues</td>
<td>8am-8pm EST after hours emergency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Support Options</td>
<td>Yes</td>
<td>Basic/Premium/Mission Critical</td>
<td>Dial in through pc anywhere</td>
<td></td>
</tr>
<tr>
<td>Number of Support Personnel</td>
<td>210</td>
<td>10</td>
<td>150+</td>
<td></td>
</tr>
<tr>
<td>Support Locations 150 Domestic Branch Locations</td>
<td>Local Support-Long Beach CA and Global Support 800 number in Chelmsford, MA</td>
<td>Jacksonville FL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Training

| On-site Training | Yes | Yes | Yes | Yes |
| Training available at Vendor Site | Yes | Yes | Yes | Yes |

## Other

| Will you make Custom Modifications? | Yes | Yes, modifications can be made. Software is parameter driven and software code would not actually be changed. Modifications would be "bolt on" modules. | No |
| List 3rd Party Payroll Integration/Interface | Dynacon Payroll Interface | Kronos interfaces with over 250 payroll packages |
| Export Capabilities | ODBC Compliant | Yes. The Kronos database is ODBC compliant. | Yes |
## Appendix E: Time and Attendance Vendor Comparison Matrix

<table>
<thead>
<tr>
<th>Report Writer Capabilities</th>
<th>Yes</th>
<th>Kronos uses Crystal Report-database can be accessed by any ODBC-compliant report writing package.</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interfaces with major ERP solutions?</td>
<td>Yes</td>
<td>Yes. Kronos has strategic relationships with major ERP vendors.</td>
<td>Yes</td>
</tr>
</tbody>
</table>
# APPENDIX G: Payroll Vendor Comparison Matrix

<table>
<thead>
<tr>
<th>A. Platform</th>
<th>Lawson</th>
<th>Oracle</th>
<th>PeopleSoft</th>
<th>SAP</th>
<th>AMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Supporting Platforms for the system</td>
<td>AS400-36%, HP9000-24%, RS6000-17%, NT-11%, SUN-9%, DEC-3%</td>
<td>All major platforms and operating systems</td>
<td>Oracle (63.1%), MS SQL Server (20.7%) DB2 (7.7%), Sybase (4.4%), Informix (4.1%)</td>
<td>Windows NT (2500), IBM OS/390 (200), IBM OS/400 (200), Unix (3100)</td>
<td>IBM mainframe and RISC servers, Intel-based application servers and client workstations</td>
</tr>
<tr>
<td>3. Supporting Databases</td>
<td>Oracle (8.0.6, 8.1.6, 8.1.7), Informix (7.30, 7.31), Sybase (11.9.2, 11.9.2.3, 12.0), MS SQL Server (7.0, 2000), DB2 Universal Enterprise (6.1, 7.1), DB2/UDB (V.61)</td>
<td>Oracle 8i</td>
<td>Oracle, DB2, MS SQL Server, Informix, Sybase (all versions)</td>
<td>Oracle (7.0+), DB2, MS SQL Server (7.0+), SAP DB (1.0+), Informix</td>
<td>Oracle v8.1.x, DB2 v6.x</td>
</tr>
</tbody>
</table>
## APPENDIX G: Payroll Vendor Comparison Matrix

<table>
<thead>
<tr>
<th>B. Scalability</th>
<th>Lawson</th>
<th>Oracle</th>
<th>PeopleSoft</th>
<th>SAP</th>
<th>AMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is the supportable limit of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) The number of employees</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
</tr>
<tr>
<td>b) The number of users</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
</tr>
<tr>
<td>2. Scalable Architecture</td>
<td>N-tier client server</td>
<td>Application partitioning</td>
<td>Internet Architecture</td>
<td>N-tier client server</td>
<td>Fully scalable client server architecture</td>
</tr>
</tbody>
</table>

| Support | | | | | |
| A. Implementation Assistance | Yes | Yes | Yes | Yes | Yes |
| B. Support Availability | 24X7 | 24X7 | 24X7 | 24X7 | 24X7 |
| C. Other Support Options | Beeper Support | Product support, incident support packs, premium support services | Advantage Premium Support | SAPNet, America’s SAP Support Groups (ASUG) | Web-access |

| Training | | | | | |
| A. On-site Training | Yes | Yes | Yes | Yes | Yes |
| B. Training available at vendor site | Yes | Yes | Yes | Yes | Yes |

| Public Sector Credentials | | | | | |
| A. Number of payroll implementations for the Public Sector | 65 | 100 | 290 | 24 | 75 |
| B. Largest payroll implementations for the K-12 Schools in Public Sector | Fairfax County Schools, 30,000 + employees | New Orleans Public Schools, 11,000 + employees | Milwaukee Public Schools, 18,500 employees | Duvall County Public Schools, 11,500 employees | State of Missouri, 65,000 employees |
### APPENDIX J: Outsourcing Vendor Comparison Matrix

The matrices below compare each vendor’s general business information, product information, and install base.

<table>
<thead>
<tr>
<th>COMPANY NAME</th>
<th>ADP, Inc.</th>
<th>ProBusiness Services, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public or Private Company</td>
<td>Public (NYSE - ADP)</td>
<td>Public (NASDAQ - PBRZ)</td>
</tr>
<tr>
<td>Sales Volume &amp; Revenues (Prior Year)</td>
<td>$6,287,512,000</td>
<td>$104,000,000</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>13%</td>
<td>40%</td>
</tr>
<tr>
<td>Worldwide Headquarters</td>
<td>Roseland, NJ</td>
<td>Pleasanton, CA</td>
</tr>
<tr>
<td>Year Founded</td>
<td>1949</td>
<td>1984</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>35,000</td>
<td>1,200</td>
</tr>
<tr>
<td><strong>Public Sector Credentials</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Number of Active Govt./Education Customers</td>
<td>11,100</td>
<td>5 clients</td>
</tr>
<tr>
<td>Total Number of Govt./Education Employees processed</td>
<td>870,000</td>
<td>minimum employee count is 30,000</td>
</tr>
<tr>
<td><strong>Private Sector Credentials</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Number of Other Active Customers</td>
<td>370,000</td>
<td>625</td>
</tr>
<tr>
<td>Total Number of Other Employees processed</td>
<td>29,000,000</td>
<td>1,300,000</td>
</tr>
<tr>
<td><strong>Technical Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting Platforms for the system</td>
<td>DNA - ADP Hosts App. Client need only have web browser</td>
<td>The ProBusiness application runs on a Windows NT Server with Windows 95, 98, NT or 2000 workstations.</td>
</tr>
<tr>
<td>Development Languages</td>
<td>Java</td>
<td>Visual Basic, C++</td>
</tr>
<tr>
<td>Supporting Databases</td>
<td>DNA - ADP Hosts App. Client need only have web browser</td>
<td>Microsoft SQL Server 7.0</td>
</tr>
<tr>
<td>Level of Client/Server Processing (tier)</td>
<td>n-tier</td>
<td>Two Tier</td>
</tr>
<tr>
<td>Online Payroll Viewing and Editing Capabilities</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Online Viewing and Printing Capabilities for Time and Management Reporting</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation Assistance Available</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Support On-Site</td>
<td>Yes, for fee of approx. $1500/day + t&amp;e</td>
<td>Yes</td>
</tr>
<tr>
<td>Telephone Support</td>
<td>Yes, through 800 Support line</td>
<td>The Enterprise Account Manager is available by telephone, mobile phone, pager and E-mail.</td>
</tr>
<tr>
<td>Telephone Support Hours</td>
<td>Will develop to meet client needs</td>
<td>Standard telephone support is 6 AM to 6 PM PST. After hours support is available upon request.</td>
</tr>
<tr>
<td>Other Support Options</td>
<td>With advance notice, Client Site Services can be prepared to provide support assistance during weekends and holidays on a fee basis.</td>
<td>ProBusiness is open to discussion regarding additional support options.</td>
</tr>
<tr>
<td>Number of Support Personnel</td>
<td>140</td>
<td>ProBusiness clients service team including Account Managers, Client Relationship Managers, Technical Services and Integration specialists consists of approximately three hundred people.</td>
</tr>
<tr>
<td>Support Locations</td>
<td>Atlanta, GA and Cerritos, CA</td>
<td>Pleasanton, CA and Irvine, CA</td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site Training</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Training Available at Vendor Site</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Benchmarking Report (LAUSD against Private Companies)
Prepared for Los Angeles Unified School District
## Cost Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll cost as percent of revenue</td>
<td>0.129%</td>
<td>0.046%</td>
<td>0.129%</td>
<td>0.339%</td>
</tr>
<tr>
<td>Total payroll cost per paycheck ($)</td>
<td>6.51</td>
<td>0.99</td>
<td>3.27</td>
<td>15.78</td>
</tr>
<tr>
<td>Payroll systems cost per paycheck ($)</td>
<td>2.18</td>
<td>0.00</td>
<td>0.88</td>
<td>3.22</td>
</tr>
<tr>
<td>Payroll labor cost per paycheck (A/P or other process) ($)</td>
<td>4.09</td>
<td>0.84</td>
<td>1.61</td>
<td>6.89</td>
</tr>
</tbody>
</table>

## Employee Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total annual payroll cost per employee ($)</td>
<td>87.94</td>
<td>49.27</td>
<td>72.46</td>
<td>189.37</td>
</tr>
<tr>
<td>Direct deposit percentage</td>
<td>63.00%</td>
<td>95.70%</td>
<td>63.90%</td>
<td>46.10%</td>
</tr>
</tbody>
</table>

## General Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Span of control (Ratio)</td>
<td>3.55</td>
<td>18.00</td>
<td>8.10</td>
<td>2.50</td>
</tr>
<tr>
<td>Payroll personnel per thousand employees</td>
<td>1.3</td>
<td>0.6</td>
<td>1.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Payroll personnel (FTE's) per 100 million in revenue</td>
<td>1.9</td>
<td>0.9</td>
<td>3.5</td>
<td>13.2</td>
</tr>
</tbody>
</table>

## Processing Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of paychecks processed per FTE</td>
<td>10,362</td>
<td>40,479</td>
<td>9,289</td>
<td>1,115</td>
</tr>
<tr>
<td>Average time to resolve errors (elapsed time)</td>
<td>48.0</td>
<td>0.8</td>
<td>8.0</td>
<td>48.0</td>
</tr>
<tr>
<td>Time card and data preparation error rate</td>
<td>17.708%</td>
<td>0.046%</td>
<td>0.449%</td>
<td>17.708%</td>
</tr>
<tr>
<td>Payroll processing error rate</td>
<td>5.458%</td>
<td>0.018%</td>
<td>0.074%</td>
<td>1.818%</td>
</tr>
<tr>
<td>Employee database and payroll change error rates</td>
<td>6.784%</td>
<td>0.150%</td>
<td>2.188%</td>
<td>20.513%</td>
</tr>
</tbody>
</table>

## System Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of manually processed checks</td>
<td>0.532%</td>
<td>0.037%</td>
<td>0.455%</td>
<td>4.121%</td>
</tr>
</tbody>
</table>
Introduction

Payroll is a critical process responsible for paying salaries and wages in accordance with organizational policies and government regulations. Some of the payroll responsibilities include documentation, information management, general bookkeeping, and processing payroll time sheets. Payroll plays a key role in the general operations of every organization. In response to this important and vital function, Arthur Andersen has developed this benchmark study.

These results are an attempt to examine the various areas of the payroll function through benchmarking. By allowing respondents to compare their responses against others, benchmarking can be used as a measurement tool that promotes learning and information sharing. This allows respondents to see where their responses fall in relation to those in the group, making it a constructive tool for continual improvement.

We hope you find these results insightful and meaningful. Should you have any questions regarding this report please contact Syed J. Mohammad at 213-614-672 or Christopher J. Pating at 213-614-6739.

Arthur Andersen statement of responsibility

Arthur Andersen has exercised professional care and diligence in the collection, processing, and reporting of the information submitted by respondents for this report. However, the data used is from third-party sources and Arthur Andersen has not independently verified, validated, or audited the data. Arthur Andersen makes no representations or warranties with respect to the accuracy of the information contained in this report. It was the sole responsibility of each respondent to ensure the data that they provided was accurate and reliable to the best of their knowledge.

Arthur Andersen shall not be liable to any client or any other person or entity for any inaccuracy or inauthenticity of information contained in this report or any errors or omissions in its content, regardless of the cause of such inaccuracy, inauthenticity, error, or omission. Furthermore, in no event shall Arthur Andersen be liable for consequential, incidental, or punitive damages to any person or entity in any matter relating to this report. Arthur Andersen will not disclose the name of any respondent without prior approval and under no circumstances will Arthur Andersen disclose individual company data.
Interpretation of results

The results report presents the findings of a benchmarking exercise that compiles the data provided by all the survey respondents. To make interpretation easier and more meaningful, the results are presented graphically.

The results report uses a combination of chart types to present results. Bar charts and pie charts typically express the average of the benchmark group results for each data element. Another type of chart is the quartile chart. A quartile is a columnar chart divided into four sections, with each section representing 25 percent of the benchmark responses. In using quartiles, a baseline approach to analyzing results would be to first look at the median. The median is the line on the graph representing the point at which 50 percent of the respondents reported higher values and 50 percent of the respondents reported lower values. In the graphs specific to this report, the median is the line between the second quartile and the third quartile. Quartile charts are oriented so that responses higher on the y-axis generally indicate better performance. Please refer to the graphic below for additional interpretation. Your organization’s individual responses are indicated by the diamond symbol on the graph.

Quartile Chart

The diamond symbol represents your response plotted against the benchmark group.

Quartiles divide the data into quarters (25%) of the population. Each quarter is denoted by different shading. The median is the point dividing the one-half of companies responding with higher numbers from the one-half of companies with lower numbers. Thickness of each quarter is based upon the degree of dispersion within that 25 percent of the population. The thicker the quarter, the greater the dispersion. Quartiles that appear compressed indicate very little dispersion in the data series.
**Benchmark group profile**

**Total number of companies in benchmark group: 174**

### Industries Represented

<table>
<thead>
<tr>
<th>Manufacturing</th>
<th>54</th>
</tr>
</thead>
<tbody>
<tr>
<td>A01 Furniture &amp; fixtures</td>
<td>1</td>
</tr>
<tr>
<td>A02 Metal products</td>
<td>2</td>
</tr>
<tr>
<td>A03 Machinery &amp; equipment</td>
<td>2</td>
</tr>
<tr>
<td>A06 Automotive</td>
<td>3</td>
</tr>
<tr>
<td>A07 Automotive components</td>
<td>1</td>
</tr>
<tr>
<td>A08 Chemicals</td>
<td>4</td>
</tr>
<tr>
<td>A09 Rubber &amp; plastic products</td>
<td>3</td>
</tr>
<tr>
<td>A10 Metals-steel</td>
<td>1</td>
</tr>
<tr>
<td>A12 Glass &amp; other building materials</td>
<td>1</td>
</tr>
<tr>
<td>A13 Aerospace &amp; defense</td>
<td>1</td>
</tr>
<tr>
<td>A14 Paper &amp; forest products</td>
<td>2</td>
</tr>
<tr>
<td>A15 Industrial construction</td>
<td>8</td>
</tr>
<tr>
<td>A16 Computer systems</td>
<td>4</td>
</tr>
<tr>
<td>A18 Electrical equipment</td>
<td>2</td>
</tr>
<tr>
<td>A19 Semiconductors/components</td>
<td>6</td>
</tr>
<tr>
<td>A20 Software</td>
<td>6</td>
</tr>
<tr>
<td>A22 Consumer electronics</td>
<td>2</td>
</tr>
<tr>
<td>A23 Precision instruments</td>
<td>1</td>
</tr>
<tr>
<td>A24 Medical supplies &amp; equip.</td>
<td>2</td>
</tr>
<tr>
<td>A26 Textiles</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consumer products</th>
<th>38</th>
</tr>
</thead>
<tbody>
<tr>
<td>B01 Wholesale distribution</td>
<td>4</td>
</tr>
<tr>
<td>B02 Food processing</td>
<td>3</td>
</tr>
<tr>
<td>B03 Consumer packaged goods</td>
<td>3</td>
</tr>
<tr>
<td>B04 Beverages</td>
<td>1</td>
</tr>
<tr>
<td>B06 Food retailing</td>
<td>2</td>
</tr>
<tr>
<td>B07 Retailing: department stores</td>
<td>2</td>
</tr>
</tbody>
</table>

**Revenue range**

- **Currency:** US Dollar
- **maximum:** 26,300,000,000
- **median:** 1,444,543,634
- **minimum:** 235,968

**Employee headcount**

- **maximum:** 155,500
- **median:** 7,389
- **minimum:** 20

**Geographic regions represented**

- North America: 153
- Europe: 9
- South Asia: 12
## Benchmark group profile

<table>
<thead>
<tr>
<th>Category</th>
<th>Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B08 Retailing: discount chains</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>B09 Retailing: specialty chains</strong></td>
<td>5</td>
</tr>
<tr>
<td><strong>B10 Eating &amp; drinking places</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>B11 Drug &amp; proprietary stores</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>B12 Non-Store Retailing</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>B13 Airlines</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>B14 Railroads</strong></td>
<td>2</td>
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<tr>
<td><strong>B15 Trucking</strong></td>
<td>3</td>
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<tr>
<td><strong>B16 Transportation Services</strong></td>
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<tr>
<td><strong>B18 Apparel Production</strong></td>
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<tr>
<td><strong>B19 Agribusiness</strong></td>
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<tr>
<td><strong>Commercial services</strong></td>
<td>16</td>
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<tr>
<td><strong>C01 Printing &amp; publishing</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>C03 Entertainment</strong></td>
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</tr>
<tr>
<td><strong>C05 Business services</strong></td>
<td>7</td>
</tr>
<tr>
<td><strong>C06 Professional services</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Energy &amp; telecommunications</strong></td>
<td>18</td>
</tr>
<tr>
<td><strong>D01 Exploration &amp; production</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>D06 Mining</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>D07 Combination gas &amp; electric</strong></td>
<td>6</td>
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<tr>
<td><strong>D08 Electric utilities</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>D09 Telecommunications</strong></td>
<td>5</td>
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<tr>
<td><strong>D10 Gas distribution</strong></td>
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<tr>
<td><strong>D11 Water &amp; waste processing</strong></td>
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<td>11</td>
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<tr>
<td><strong>E01 Banking</strong></td>
<td>3</td>
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<tr>
<td><strong>E03 Finance companies</strong></td>
<td>4</td>
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<tr>
<td><strong>E04 Brokers &amp; investor services</strong></td>
<td>1</td>
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<tr>
<td><strong>E06 Asset management services</strong></td>
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<td><strong>E07 Mortgage bankers</strong></td>
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<tr>
<td><strong>E08 Leasing</strong></td>
<td>1</td>
</tr>
<tr>
<td><strong>Real estate</strong></td>
<td>5</td>
</tr>
<tr>
<td><strong>F01 Real estate</strong></td>
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</tr>
<tr>
<td><strong>F04 Amusement &amp; recreation svcs.</strong></td>
<td>1</td>
</tr>
<tr>
<td>Category</td>
<td>Count</td>
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<tr>
<td>--------------------------</td>
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<tr>
<td>Insurance</td>
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</tr>
<tr>
<td>G02 Life &amp; health</td>
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<tr>
<td>Healthcare</td>
<td>7</td>
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<tr>
<td>H01 Hospitals</td>
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</tr>
<tr>
<td>H02 Long term care facilities</td>
<td>1</td>
</tr>
<tr>
<td>Nonprofit/government</td>
<td>24</td>
</tr>
<tr>
<td>I01 Federal government</td>
<td>2</td>
</tr>
<tr>
<td>I03 Educational services</td>
<td>15</td>
</tr>
<tr>
<td>I04 Nonprofit enterprises</td>
<td>7</td>
</tr>
</tbody>
</table>
Payroll diagnostic tool

Cost statistics
Total payroll cost as a percentage of revenue
Total payroll cost per paycheck
Payroll systems cost per paycheck
Payroll labor cost per paycheck

Processing Statistics
Average number of paychecks processed per FTE
Average time to resolve errors (elapsed time)
Time card and data preparation error rate
Payroll processing error rate
Employee database and payroll change error rate
Payroll processing method by number of employees paid
Service bureau utilization for companies who outsource

Cost analysis
Payroll processing cost analysis

Activities
Responsibility for payroll activities

Employee statistics
Type of pay frequency by number of employees paid
Total annual payroll cost per employee
Direct deposit percentage

System Statistics
Percentage of manually processed checks
Payroll and HR system integration
Percentage of companies with employees reporting time on an exception only basis
Time collection and reporting method by number of employees

General Statistics
Span of control
Payroll personnel per thousand employees
Payroll personnel (FTEs) per 100 million in revenue
Method of employee reimbursement
Number of payroll locations
Total payroll cost as percent of revenue

The primary business objective of payroll is to be an efficient, low-cost processor of employee wages, benefits and reimbursable expenses. This measure indicates the percent of revenue required to pay payroll related expenses.

If your ratio is higher-than-average, it may indicate: 1) revenue is below the benchmark group average, 2) compensation to payroll staff may be above-average or excessive, 3) excess staffing exists in payroll, 4) highly decentralized payroll process, or 5) company is under-utilizing technology as a means for improving efficiency and eliminating paperwork and/or redundant activities. If your ratio is lower-than-average it may indicate: 1) revenue is above the benchmark group average, 2) payroll is achieving above average productivity and efficiency, 3) compensation to payroll staff is below benchmark group norms, possibly leading to higher turnover, or 4) payroll staff is less highly skilled, possibly causing poor performance in an area such as error rates.

Formula: Total annual payroll cost (D8) / Total revenue (A2)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;&lt;&lt;&lt; optimal</td>
</tr>
<tr>
<td></td>
<td>minimum median</td>
</tr>
<tr>
<td>0.129%</td>
<td>0.001% 0.042%</td>
</tr>
<tr>
<td></td>
<td>0.094% 0.160%</td>
</tr>
<tr>
<td></td>
<td>0.988%</td>
</tr>
</tbody>
</table>

Number of respondents: 164
Prepared for Los Angeles Unified School District

Total payroll cost per paycheck

This ratio measures the total average cost of producing one payroll check.

Total costs include payroll direct labor, contracted labor, operating expenses (excluding rent, depreciation or allocated overhead expenses), service bureau fees and data processing costs related to payroll support (direct labor, operating expenses and vendor software licensing and maintenance costs).

A higher-than-average cost per check could be a result of: 1) higher-than-average labor costs due to above-average compensation or excess staffing, 2) higher-than-average operating expenses, 3) highly decentralized payroll process, or 4) higher-than-average systems support costs.

Formula: Total annual payroll cost (D8) / Annual number of payroll checks (E1a * 52) + (E1b* 26) + (E1c * 24) + (E1d * 12)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
<th>&lt;&lt;&lt;&lt;</th>
<th>optimal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>minimum</td>
<td>median</td>
<td>maximum</td>
</tr>
<tr>
<td>6.51</td>
<td>0.24</td>
<td>3.26</td>
<td>5.52</td>
</tr>
</tbody>
</table>

Number of respondents: 166
This measure targets the impact of data processing costs on the production of payroll checks. Computer-related expenses, on average, comprise a significant portion of total cost.

The ratio includes direct labor applicable to payroll support, data processing operating expenses applicable to payroll support and any vendor software annual licensing/maintenance costs. Systems costs will likely be higher if a company has little systems integration and high volumes of data input are required.

Formula: Annual payroll systems cost (D5+D6+D7) / Annual number of payroll checks (E1a * 52) + (E1b* 26) + (E1c* 24) + (E1d*12)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>&lt;&lt;&lt; optimal</td>
</tr>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>2.18</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Number of respondents: 161
Labor is typically the largest component cost of a payroll organization. If this cost can be minimized, the cost of producing checks may be greatly reduced. Organizations that pay reimbursements to employees through the A/P or other processes typically require more personnel than those that reimburse employees through the payroll process. Your company pays reimbursements to employees through the A/P or other processes; therefore, you have been compared only to those companies using the same reimbursement method.

A higher-than-average labor cost per check may indicate: 1) compensation is above-average, 2) excess overtime, 3) excess supervisory personnel, 4) unnecessarily highly skilled personnel, 5) unfavorable labor markets, 6) compensation not tied to performance, 7) higher-than-average error rate, or 8) decentralized payroll environment (higher-than-average number of payroll locations). If your ratio is lower-than-average it may indicate: 1) compensation of personnel is below-average, which may result in poor morale and larger employee turnover, 2) higher-than-average use of part-time personnel, or 3) employees are less skilled, on average, than the benchmark group.

Formula: Annual payroll labor cost \((D1 + D2) / \text{Annual number of payroll checks} (E1a* 52) + (E1b* 26) + (E1c* 24) + (E1d* 12)\)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>Payroll process</td>
<td>0.34</td>
</tr>
<tr>
<td>A/P or other process</td>
<td>4.09</td>
</tr>
</tbody>
</table>

Number of Respondents: 77
As you benchmark your company's costs against the benchmark group, you may uncover areas warranting further investigation. The top bar represents the benchmark group and the lower bar represents your company. The key cost components are: 1) payroll labor (e.g., direct labor and contracted labor), 2) data processing operating expenses applicable to payroll support, 3) payroll operating expenses (e.g., supplies and training, excludes rent, depreciation, or allocated overhead expenses), 4) annual licensing/maintenance costs (for vendor software), 5) data processing direct labor applicable to payroll support (e.g., wages, overtime, and benefits for systems maintenance and operational/technical support), and 6) service bureau fees (annual fees and monthly operating charges).

Formula: Cost (D1 through D7) / Total cost (D8)

Number of respondents: 173
This chart shows type of pay frequency based on company size. The horizontal axis represents the percentage of employees paid at each frequency and the vertical axis shows groupings by company size. This chart allows you to compare how often you pay employees (designated by the ‘your company’ bar) against other companies' practices in the benchmark group selected.

A key driver of activity in any payroll department is the frequency of the payroll cycle. Companies that pay less frequently reduce transaction costs leading to lower overall payroll costs per employee paid. When paying less frequently staff use becomes very important. If a company does not use payroll personnel for other functions during down-time, it will likely not benefit from fewer pay cycles. Also, an organization should strive to equalize the number of employees paid in each cycle to reduce the workload peaks and valleys during the month. This equalization can eliminate the costs related to "staffing for the peak."

Formula: Number of employees by pay frequency (E1a, b, c, d) / Total number of employees paid per year (E1e)

Number of respondents: 174
This ratio measures annual payroll costs per employee and should be considered, along with the “Span of Control” and “Payroll Personnel per Thousand Employees” ratios, for further insight. For example, if “Span of Control” is below and “Payroll Personnel per Thousand Employees” is above the benchmark group average, “Total Annual Payroll Cost per Employee” will likely be higher-than-average.

If your cost-per-employee is higher than the benchmark group average, it may indicate: 1) higher-than-average labor costs, 2) higher-than-average operating expenses, 3) number of functions and activities included in the payroll organization exceed the norm, or 4) high systems support costs. This ratio should be used in conjunction with others in the diagnostic tool to best understand payroll cost performance.

Formula: Total annual payroll costs (D8) / Total number of employees (E1e)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
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<tbody>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td></td>
<td>median</td>
</tr>
<tr>
<td>87.94</td>
<td>26.44</td>
</tr>
<tr>
<td></td>
<td>157.04</td>
</tr>
<tr>
<td></td>
<td>771.06</td>
</tr>
</tbody>
</table>
Prepared for Los Angeles Unified School District

Direct deposit percentage

Much of the ‘non-labor’ cost of paying employees is related to the actual production of a check. Consequently, the use of direct deposit can greatly reduce the cost of payroll processing. “Best companies” require electronic funds transfer for both wages and expenses, eliminating the need to cut checks. Direct deposit leads to lower costs, increased processing efficiency, and fewer errors. Direct deposit has also been linked to higher levels of employee satisfaction.

This measure will likely correlate with “Total Payroll Costs per Employee/Year” ratio. If your percentage use of direct deposit is higher than the industry average, your payroll costs per employee/year will likely be lower than the industry average. Conversely, if your percentage use of direct deposit is lower than the industry average, it is likely that your payroll costs per employee/year will be higher than the industry average.

Formula: Number of employees on direct deposit (E2) / Total number of employees (E1e)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>63.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Number of respondents: 170
This ratio measures the amount of leverage existing in the payroll organization. It is a high-level measure that does not take into account company size, complexity of activities performed by payroll personnel, or level of technology present in the organization. In "best companies" there is normally high leverage (staff to management) because payroll is a production-oriented process largely revolving around payroll processing/data entry.

If your span of control ratio is lower/higher-than-average, it may indicate:
1) more/less management employees are involved in the process than the benchmark group average, 2) payroll organization includes additional/fewer responsibilities (e.g., taxes, pension calculations, etc.), or 3) staff are less/more skilled on average than the benchmark group. A lower-than-average ratio may indicate that the company lacks managers with adequate skills to handle a larger span of control. This can often be addressed through additional training.

Formula: Total payroll staff FTEs (B3-Staff) / Total payroll management FTEs (B3-Management)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
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<tbody>
<tr>
<td></td>
<td>optimal</td>
</tr>
<tr>
<td>minimum</td>
<td>median</td>
</tr>
<tr>
<td>3.55</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Number of respondents: 166
This measure allows employee effort comparisons between payroll organizations regardless of company size. At a quick glance, this measure can give you some indication of whether your organization is large or small relative to other payroll organizations. This measure does not take into consideration the complexity of activities performed by payroll personnel or the technology present in the organization.

If your ratio is higher than the benchmark group average, it may indicate that your processes are less efficient than those at other payroll organizations. Numerous staff dedicated to error correction and/or payroll database changes may negatively impact this ratio. Other undesirable factors include: manual input of time reports, excess verification of inputs, manual entry of deductions and benefits, and systems that are not integrated with source and/or output systems.

Formula: (Total payroll FTEs * 1000) / Total number of employees

<table>
<thead>
<tr>
<th>Benchmark group</th>
<th>&lt;&lt;&lt;&lt; optimal</th>
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<tbody>
<tr>
<td>minimum</td>
<td>median</td>
</tr>
<tr>
<td>1.3</td>
<td>0.2</td>
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</table>

Number of respondents: 167
Payroll personnel (FTEs) per 100 million in revenue

This measure allows employee effort comparisons between payroll organizations regardless of company size. At a quick glance, this measure can give you some indication of whether your organization is large or small relative to other payroll organizations. This measure does not take into consideration the complexity of activities performed by payroll personnel or the technology present in the organization.

If your ratio is higher than the benchmark group average, it may indicate that your processes are less efficient than those at other payroll organizations. Numerous staff dedicated to handling exceptions and error correction may negatively impact this ratio. Other undesirable factors include: unbalanced workloads throughout the month, excess advance payments and special handling requests and systems that are not integrated with key source and/or output systems (e.g., human resources, travel and expense processing, tax, etc.).

Formula: \[
\frac{(\text{Total payroll FTEs} \times 100 \text{ million})}{(B1+B2)} / \text{Total revenue (A2)}
\]

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
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<tbody>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td></td>
<td>1.9</td>
</tr>
</tbody>
</table>

Number of respondents: 160
This chart shows how companies included in the benchmark group reimburse employee expenses. Companies that reimburse employees through the regular payroll process often have a higher number of payroll personnel per thousand employees than companies who process employee reimbursements through A/P checks or other means (e.g., petty cash reimbursements). Payroll costs are also significantly influenced by the method of reimbursement employed.

"Best companies" integrate employee expense reporting with payroll and handle it as part of the payroll function. Employee expenses are reported and paid on a timely basis, semi-monthly, via payroll direct deposit to minimize transaction processing. This results in reduced employee reimbursement processing costs, turnaround time, and employee effort.

Formula: Respondent provided data (C4)
Level of centralization or decentralization of the payroll function is described in this chart. A more decentralized payroll organization could partially explain a lower-than-average span of control and a higher number of payroll employees per thousand employees. Conversely, a highly centralized payroll organization usually means a higher span of control ratio and fewer payroll personnel per thousand employees.

Centralized payroll organizations often benefit from economies of scale. However, they are further from the source of information, which can make error correction and information gathering more cumbersome. Centralized organizations also tend to require more people dedicated to error correction and database changes. Centralized payroll processing with decentralized time reporting and error correction typically requires the least number of payroll employees.

Formula: Respondent provided data (A3)

Number of respondents: 174
This ratio measures the number of paychecks processed per full-time equivalent employee and provides a general measure of employee output, productivity, and efficiency.

If your ratio is higher-than-average, it may indicate: 1) higher level of technology utilization (e.g., service bureau usage, automated time recording and attendance systems, direct deposit), 2) highly efficient employees or employee utilization, 3) efficient business processes, or 4) lower-than-average error rates (less rework required).

If your ratio is lower-than-average, it may indicate: 1) company should be able to support additional paycheck volume with the present level of FTEs, or conversely that the company may be able to support its current volume of paychecks with fewer FTEs, 2) lower level of technology utilization, 3) inefficient business processes, or 4) higher-than-average error rates.

Formula: Annual number of paychecks \( (E1a \times 52) + (E1b \times 26) + (E1c \times 24) + (E1d \times 12) \) / Total number of payroll FTEs \( (B1 + B2) \)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
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<tbody>
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<td>optimal</td>
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<td></td>
<td>&gt;&gt;&gt;</td>
</tr>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td></td>
<td>median</td>
</tr>
<tr>
<td>10,362</td>
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<tr>
<td>5,112</td>
<td>9,264</td>
</tr>
<tr>
<td>14,164</td>
<td>73,125</td>
</tr>
</tbody>
</table>

Number of respondents: 168
This chart looks at responsiveness to error resolution. This is measured for purposes of this diagnostic as elapsed time (in terms of an eight-hour workday) from detection of the error to final resolution. Many companies do not formally track error resolution time so estimates were often submitted for this measure.

If your average elapsed time is above the benchmark group average, it may be a result of where responsibility for error correction lies. If accountability for error correction resides outside the payroll organization, the elapsed time for corrections may be slightly longer. Though this longer elapsed time may be viewed as unfavorable, "best companies" investigate and clear non-system-related exceptions through originating departments, thereby aligning accountability with responsibility. In addition, if error correction responsibility lies at the source, the quality of the original information will likely improve, reducing the overall number of errors incurred.

Formula: Respondent provided data (E8)
This chart measures the percentage of errors related to time reporting. Time card and data preparation errors center around completeness, accuracy, and proper authorization. Examples include: missing time cards, lack of required approvals, missing or inaccurate information such as account distribution coding, discrepancies in hours reported and period hours.

The impact of your performance for this measure depends on how such errors are corrected. Organizations that correct errors in the payroll department will typically require a larger number of employees than those that require the originating department to make corrections. "Best companies" refer errors back to the originating department for clearance. Aligning accountability for errors with responsibility tends to improve the quality of original information and reduce the overall number of errors.

Formula: Number of time card and data preparation errors per year (E4 *12) / Annual number of time cards (E1a * 52) + (E1b * 26) + (E1c * 24) + (E1d * 12)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;&lt;&lt; optimal</td>
</tr>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>17.708%</td>
<td>0.014%</td>
</tr>
</tbody>
</table>

Number of respondents: 174
Payroll processing errors are those rejected by the payroll system. System validation tests may check for validity of employee numbers, account distribution coding, the reasonableness of check amounts, etc. Therefore, this measure is an indication of the quality of information input to the payroll system.

A higher-than-average error rate may result in: 1) higher-than-average number of payroll personnel per thousand employees, 2) longer-than-average elapsed time for error correction, or 3) higher-than-average payroll labor cost per check.

Improvements in the quality of input will reduce the error rate and costs incurred to correct these errors. Input quality can be greatly improved if the responsibility and accountability for error correction is shifted to the source of input (originating department).

Formula: Number of payroll processing errors per year \((E5 \times 12) / \text{Annual number of time cards} \times (E1a \times 52) + (E1b \times 26) + (E1c \times 24) + (E1d \times 12)\)

<table>
<thead>
<tr>
<th>Your company</th>
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<tbody>
<tr>
<td></td>
<td>&lt;&lt;&lt;&lt; optimal</td>
</tr>
<tr>
<td>minimum</td>
<td>median</td>
</tr>
<tr>
<td>5.458%</td>
<td>0.008%</td>
</tr>
<tr>
<td>0.094%</td>
<td>0.192%</td>
</tr>
<tr>
<td>0.600%</td>
<td>5.000%</td>
</tr>
</tbody>
</table>

Number of respondents: 122
Employee database and payroll change error rates

This chart measures the percentage of errors made to employee records. Employee database and payroll changes involve input and adjustments whether pay-affecting (e.g., salary increases, benefit-related withholdings) or non-pay affecting (e.g., department changes, address changes). The impact of your performance for this measure depends on how errors to employee records are corrected. Organizations that correct errors in the payroll department will typically require a larger number of employees than those that require the source of input to make corrections. Advanced systems provide an opportunity to decentralize non-pay affecting changes to the employee level. Changes in deduction status, benefits plan status, etc., can be made by the employee with interactive systems. Inquiry capabilities can also be provided to employees eliminating time spent by payroll personnel answering questions.

Formula: Number of employee database and payroll change errors per month (E6) / Number of employee database and payroll changes processed per month (E7)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
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<tbody>
<tr>
<td></td>
<td>&lt;&lt;&lt;&lt; optimal</td>
</tr>
<tr>
<td>minimum</td>
<td>median</td>
</tr>
<tr>
<td>6.784%</td>
<td>0.042%</td>
</tr>
<tr>
<td></td>
<td>2.500%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of respondents: 134
Payroll processing method by number of employees paid

This graphic shows the breakdown, by company size, of the methods used to pay employees. The vertical axis shows groupings by company size and the horizontal axis represents percentage of companies processing payroll by each method. This chart allows you to see how organizations of varying sizes pay their employees. You can compare your organization (as described by the words across from 'your company') against others in your size range.

Organizations that use service bureaus usually have the lowest cost per check and the least number of payroll employees per thousand employees paid. Outsourcing payroll processing can be an attractive alternative if payroll volume, exceptions, and competitive situation permit.

Formula: Respondent provided data: (C1, C2, C3)

Number of respondents: 174
This chart highlights the percentage of companies purchasing key payroll services for the subset of companies utilizing outside service bureaus for the benchmark group selected. Categories are: 1) payroll processing—calculation of gross pay, deductions, net pay and production of checks, 2) payroll tax filing—calculation and filing of statutory taxes with regulatory agencies, 3) human resources information management—includes maintenance of the employee database including salary history, tax filing status, tracking pension and tax-deferred savings options, and managing flexible or “cafeteria” benefit programs, etc., and 4) unemployment compensation management.

Utilizing a service bureau will greatly reduce the number of personnel required to produce employee paychecks. However, cost needs to be carefully weighed against service in terms of turnaround time and quality of information and reporting from the provider.

Formula: Respondent provided data (C1)

Number of respondents: 174
This chart shows where responsibility for key payroll activities is located for companies in the benchmark group. The left vertical axis lists common time reporting/payment and employee database/payroll change activities. The horizontal axis shows the percentage of companies performing activities either within payroll, outside payroll, or some combination. The right-hand vertical axis describes where responsibility lies in your company for the various activities. As more activities are located with originating departments, a reduction in the number of personnel necessary in the payroll organization is realized without a corresponding increase in the user departments.

Formula: Respondent provided data: (C5)

Number of respondents: 174
This ratio measures the percentage of all payroll checks that are produced manually. Manual checks are produced outside the regular payroll process but may include checks that are produced from a PC-based system.

Organizations with a higher-than-average percentage of manual checks are often characterized by: 1) higher-than-average number of payroll employees per thousand employees, 2) higher payroll labor cost per check, 3) higher-than-average error rate, or 4) less sophisticated payroll systems including time reporting and human resources systems.

Formula: Number of manual checks per year (E3) /Annual number of payroll checks (E1a * 52) + (E1b * 26) + (E1c * 24) + (E1d * 12)
This chart depicts the percentage of payroll organizations in the benchmark group with integrated payroll and human resources systems.

"Best companies" payroll systems provide relevant, timely payroll information to a variety of different systems. Payroll and human resources link to a centralized database, eliminating duplication in recording employee change notices. Also, payroll is integrated with travel and expense processing to consolidate payment and reduce approval and transaction processing.

Benefits of integrated systems include elimination of duplicate input of payroll and employee-related information, one control point for employee information, reduced amount of incorrect information, lower labor cost per check, and fewer payroll personnel.

Formula: Respondent provided data (F1)
This graphic shows the percentage of companies that utilize exception time reporting. Exception time reporting means an employee only reports information that is outside their normal work schedule. This includes such things as vacation time, sick days, overtime, and other non-regular time.

Organizations that use exception time reporting, in combination with automated remote access systems to capture time experience, significantly lower payroll costs. Exception reporting requires fewer personnel to input time and generates fewer errors. Exception reporting also eliminates employee effort spent ensuring all personnel have reported their time.

Formula: Respondent provided data (F2)
Benchmarking Report (LAUSD against School Districts)
Prepared for Los Angeles Unified School District
# Appendix L: Benchmarking Report (LAUSD against Private Companies)

## Cost Statistics

<table>
<thead>
<tr>
<th>Cost Statistic</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll cost as percent of revenue</td>
<td>0.129%</td>
<td>0.001%</td>
<td>0.094%</td>
<td>0.988%</td>
</tr>
<tr>
<td>Total payroll cost per paycheck ($)</td>
<td>6.51</td>
<td>0.24</td>
<td>5.52</td>
<td>28.28</td>
</tr>
<tr>
<td>Payroll systems cost per paycheck ($)</td>
<td>2.18</td>
<td>0.00</td>
<td>0.47</td>
<td>4.57</td>
</tr>
<tr>
<td>Payroll labor cost per paycheck (A/P or other process)</td>
<td>4.09</td>
<td>0.16</td>
<td>3.63</td>
<td>18.60</td>
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</table>

## Employee Statistics

<table>
<thead>
<tr>
<th>Employee Statistic</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total annual payroll cost per employee ($)</td>
<td>87.94</td>
<td>26.44</td>
<td>157.04</td>
<td>771.06</td>
</tr>
<tr>
<td>Direct deposit percentage</td>
<td>63.00%</td>
<td>100%</td>
<td>70.8%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

## General Statistics

<table>
<thead>
<tr>
<th>General Statistic</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Span of control (Ratio)</td>
<td>3.55</td>
<td>25.00</td>
<td>3.77</td>
<td>0.00</td>
</tr>
<tr>
<td>Payroll personnel per thousand employees</td>
<td>1.3</td>
<td>0.2</td>
<td>2.8</td>
<td>18.3</td>
</tr>
<tr>
<td>Payroll personnel (FTEs) per 100 million in revenue</td>
<td>1.9</td>
<td>0.0</td>
<td>1.5</td>
<td>23.6</td>
</tr>
</tbody>
</table>

## Processing Statistics

<table>
<thead>
<tr>
<th>Processing Statistic</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of paychecks processed per FTE</td>
<td>10,362</td>
<td>73,125</td>
<td>9,264</td>
<td>500</td>
</tr>
<tr>
<td>Average time to resolve errors (elapsed time)</td>
<td>48.0</td>
<td>0.0</td>
<td>4.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Time card and data preparation error rate</td>
<td>17.708%</td>
<td>0.014%</td>
<td>0.888%</td>
<td>30.000%</td>
</tr>
<tr>
<td>Payroll processing error rate</td>
<td>5.458%</td>
<td>0.008%</td>
<td>0.192%</td>
<td>5.000%</td>
</tr>
<tr>
<td>Employee database and payroll change error rates</td>
<td>6.784%</td>
<td>0.042%</td>
<td>2.500%</td>
<td>40.000%</td>
</tr>
</tbody>
</table>

## System Statistics

<table>
<thead>
<tr>
<th>System Statistic</th>
<th>LAUSD Score</th>
<th>Optimal Score</th>
<th>Average Score</th>
<th>Undesirable Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of manually processed checks</td>
<td>0.532%</td>
<td>0.000%</td>
<td>0.562%</td>
<td>8.696%</td>
</tr>
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Introduction

Payroll is a critical process responsible for paying salaries and wages in accordance with organizational policies and government regulations. Some of the payroll responsibilities include documentation, information management, general bookkeeping, and processing payroll time sheets. Payroll plays a key role in the general operations of every organization. In response to this important and vital function, Arthur Andersen has developed this benchmark study.

These results are an attempt to examine the various areas of the Payroll function through benchmarking. By allowing respondents to compare their responses against others, benchmarking can be used as a measurement tool that promotes learning and information sharing. This allows respondents to see where their responses fall in relation to those in the group, making it a constructive tool for continual improvement.

We hope you find these results insightful and meaningful. Should you have any questions regarding this report please contact Syed J. Mohammad at 213-614-6732 or Christopher J. Pating at 213-614-6739.

Arthur Andersen statement of responsibility

Arthur Andersen has exercised professional care and diligence in the collection, processing, and reporting of the information submitted by respondents for this report. However, the data used is from third-party sources and Arthur Andersen has not independently verified, validated, or audited the data. Arthur Andersen makes no representations or warranties with respect to the accuracy of the information contained in this report. It was the sole responsibility of each respondent to ensure the data that they provided was accurate and reliable to the best of their knowledge.

Arthur Andersen shall not be liable to any client or any other person or entity for any inaccuracy or inauthenticity of information contained in this report or any errors or omissions in its content, regardless of the cause of such inaccuracy, inauthenticity, error, or omission. Furthermore, in no event shall Arthur Andersen be liable for consequential, incidental, or punitive damages to any person or entity in any matter relating to this report. Arthur Andersen will not disclose the name of any respondent without prior approval and under no circumstances will Arthur Andersen disclose individual company data.
Interpretation of results

The results report presents the findings of a benchmarking exercise that compiles the data provided by all the survey respondents. To make interpretation easier and more meaningful, the results are presented graphically.

The results report uses a combination of chart types to present results. Bar charts and pie charts typically express the average of the benchmark group results for each data element. Another type of chart is the quartile chart. A quartile is a columnar chart divided into four sections, with each section representing 25 percent of the benchmark responses. In using quartiles, a baseline approach to analyzing results would be to first look at the median. The median is the line on the graph representing the point at which 50 percent of the respondents reported higher values and 50 percent of the respondents reported lower values. In the graphs specific to this report, the median is the line between the second quartile and the third quartile. Quartile charts are oriented so that responses higher on the y-axis generally indicate better performance. Please refer to the graphic below for additional interpretation. Your organization’s individual responses are indicated by the diamond symbol on the graph.

Quartile Chart

The diamond symbol represents your response plotted against the benchmark group.

Quartiles divide the data into quarters (25%) of the population. Each quarter is denoted by different shading. The median is the point dividing the one-half of companies responding with higher numbers from the one-half of companies with lower numbers. Thickness of each quarter is based upon the degree of dispersion within that 25 percent of the population. The thicker the quarter, the greater the dispersion. Quartiles that appear compressed indicate very little dispersion in the data series.
Benchmark group profile

Total number of companies in benchmark group: 15

Industries Represented

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Count</th>
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</thead>
<tbody>
<tr>
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<tr>
<td>Educational services</td>
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Revenue range

<table>
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<tbody>
<tr>
<td>maximum</td>
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<tr>
<td>median</td>
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<tr>
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Employee headcount

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<tr>
<th>Count</th>
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<tbody>
<tr>
<td>maximum</td>
</tr>
<tr>
<td>median</td>
</tr>
<tr>
<td>minimum</td>
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</table>

Geographic regions represented

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<tr>
<th>Region</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>15</td>
</tr>
</tbody>
</table>
Prepared for Los Angeles Unified School District

Respondent Listing

The following is a list of respondent companies that granted Arthur Andersen permission to use their names in association with the publishing of this report. The assistance of all respondents was greatly appreciated.

Clark County School District
Dallas Independent School District
Denver Public Schools
Fairfax County Public Schools
Fresno Unified School District
Houston Independent School District
Laguna Beach Unified School District
Long Beach Unified School District
Los Angeles Unified School District
New York City Board of Education
Palm Beach County School District
School District of Philadelphia
Seattle School District #1
The School Board of Miami-Dade County
Payroll diagnostic tool

Cost statistics
Total payroll cost as a percentage of revenue
Total payroll cost per paycheck
Payroll systems cost per paycheck
Payroll labor cost per paycheck

Cost analysis
Payroll processing cost analysis

Employee statistics
Type of pay frequency by number of employees paid
Total annual payroll cost per employee
Direct deposit percentage

General Statistics
Span of control
Payroll personnel per thousand employees
Payroll personnel (FTEs) per 100 million in revenue
Method of employee reimbursement
Number of payroll locations

Processing Statistics
Average number of paychecks processed per FTE
Average time to resolve errors (elapsed time)
Time card and data preparation error rate
Payroll processing error rate
Employee database and payroll change error rate
Payroll processing method by number of employees paid
Service bureau utilization for companies who outsource

Activities
Responsibility for payroll activities

System Statistics
Percentage of manually processed checks
Payroll and HR system integration
Percentage of companies with employees reporting time on an exception only basis
Time collection and reporting method by number of employees
Prepared for Los Angeles Unified School District

Total payroll cost as percent of revenue

The primary business objective of payroll is to be an efficient, low-cost processor of employee wages, benefits and reimbursable expenses. This measure indicates the percent of revenue required to pay payroll related expenses.

If your ratio is higher-than-average, it may indicate: 1) revenue is below the benchmark group average, 2) compensation to payroll staff may be above-average or excessive, 3) excess staffing exists in payroll, 4) highly decentralized payroll process, or 5) company is under-utilizing technology as a means for improving efficiency and eliminating paperwork and/or redundant activities. If your ratio is lower-than-average it may indicate: 1) revenue is above the benchmark group average, 2) payroll is achieving above average productivity and efficiency, 3) compensation to payroll staff is below benchmark group norms, possibly leading to higher turnover, or 4) payroll staff is less highly skilled, possibly causing poor performance in an area such as error rates.

Formula: Total annual payroll cost (D8) / Total revenue (A2)

Number of respondents: 13

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td></td>
<td>0.129%</td>
</tr>
<tr>
<td></td>
<td>0.129%</td>
</tr>
<tr>
<td></td>
<td>0.339%</td>
</tr>
</tbody>
</table>

© 2000 Arthur Andersen. All rights reserved.
This ratio measures the total average cost of producing one payroll check.

Total costs include payroll direct labor, contracted labor, operating expenses (excluding rent, depreciation or allocated overhead expenses), service bureau fees and data processing costs related to payroll support (direct labor, operating expenses and vendor software licensing and maintenance costs).

A higher-than-average cost per check could be a result of: 1) higher-than-average labor costs due to above-average compensation or excess staffing, 2) higher-than-average operating expenses, 3) highly decentralized payroll process, or 4) higher-than-average systems support costs.

Formula: Total annual payroll cost (D8) / Annual number of payroll checks (E1a * 52) + (E1b * 26) + (E1c * 24) + (E1d * 12)
This measure targets the impact of data processing costs on the production of payroll checks. Computer-related expenses, on average, comprise a significant portion of total cost.

The ratio includes direct labor applicable to payroll support, data processing operating expenses applicable to payroll support and any vendor software annual licensing/maintenance costs. Systems costs will likely be higher if a company has little systems integration and high volumes of data input are required.

Formula: Annual payroll systems cost \((D5+D6+D7) / \text{Annual number of payroll checks} \times (E1a \times 52) + (E1b \times 26) + (E1c \times 24) + (E1d \times 12)\)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;&lt;&lt;</td>
</tr>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>2.18</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Number of respondents: 14
Labor is typically the largest component cost of a payroll organization. If this cost can be minimized, the cost of producing checks may be greatly reduced. Organizations that pay reimbursements to employees through the A/P or other processes typically require more personnel than those that reimburse employees through the payroll process. Your company pays reimbursements to employees through the A/P or other processes; therefore, you have been compared only to those companies using the same reimbursement method.

A higher-than-average labor cost per check may indicate: 1) compensation is above-average, 2) excess overtime, 3) excess supervisory personnel, 4) unnecessarily highly skilled personnel, 5) unfavorable labor markets, 6) compensation not tied to performance, 7) higher-than-average error rate, or 8) decentralized payroll environment (higher-than-average number of payroll locations). If your ratio is lower-than-average it may indicate: 1) compensation of personnel is below-average, which may result in poor morale and larger employee turnover, 2) higher-than-average use of part-time personnel, or 3) employees are less skilled, on average, than the benchmark group.

Formula: Annual payroll labor cost \((D1 + D2) / \text{Annual number of payroll checks} (E1a \times 52) + (E1b \times 26) + (E1c \times 24) + (E1d \times 12)\)

Number of Respondents: 7
As you benchmark your company's costs against the benchmark group, you may uncover areas warranting further investigation. The top bar represents the benchmark group and the lower bar represents your company. The key cost components are: 1) payroll labor (e.g., direct labor and contracted labor), 2) data processing operating expenses applicable to payroll support, 3) payroll operating expenses (e.g., supplies and training, excludes rent, depreciation, or allocated overhead expenses), 4) annual licensing/maintenance costs (for vendor software), 5) data processing direct labor applicable to payroll support (e.g., wages, overtime, and benefits for systems maintenance and operational/technical support), and 6) service bureau fees (annual fees and monthly operating charges).

Formula: Cost (D1 through D7) / Total cost (D8)

Number of respondents: 14
This chart shows type of pay frequency based on company size. The horizontal axis represents the percentage of employees paid at each frequency and the vertical axis shows groupings by company size. This chart allows you to compare how often you pay employees (designated by the ‘your company’ bar) against other companies' practices in the benchmark group selected.

A key driver of activity in any payroll department is the frequency of the payroll cycle. Companies that pay less frequently reduce transaction costs leading to lower overall payroll costs per employee paid. When paying less frequently staff use becomes very important. If a company does not use payroll personnel for other functions during down-time, it will likely not benefit from fewer pay cycles. Also, an organization should strive to equalize the number of employees paid in each cycle to reduce the workload peaks and valleys during the month. This equalization can eliminate the costs related to “staffing for the peak.”

Formula: Number of employees by pay frequency (E1a, b, c, d) / Total number of employees paid per year (E1e)

Number of respondents: 15
This ratio measures annual payroll costs per employee and should be considered, along with the "Span of Control" and "Payroll Personnel per Thousand Employees" ratios, for further insight. For example, if "Span of Control" is below and "Payroll Personnel per Thousand Employees" is above the benchmark group average, "Total Annual Payroll Cost per Employee" will likely be higher-than-average.

If your cost-per-employee is higher than the benchmark group average, it may indicate: 1) higher-than-average labor costs, 2) higher-than-average operating expenses, 3) number of functions and activities included in the payroll organization exceed the norm, or 4) high systems support costs. This ratio should be used in conjunction with others in the diagnostic tool to best understand payroll cost performance.

Formula: Total annual payroll costs (D8) / Total number of employees (E1e)
Direct deposit percentage

Much of the ‘non-labor’ cost of paying employees is related to the actual production of a check. Consequently, the use of direct deposit can greatly reduce the cost of payroll processing. "Best companies" require electronic funds transfer for both wages and expenses, eliminating the need to cut checks. Direct deposit leads to lower costs, increased processing efficiency, and fewer errors. Direct deposit has also been linked to higher levels of employee satisfaction.

This measure will likely correlate with “Total Payroll Costs per Employee/Year” ratio. If your percentage use of direct deposit is higher than the industry average, your payroll costs per employee/year will likely be lower than the industry average. Conversely, if your percentage use of direct deposit is lower than the industry average, it is likely that your payroll costs per employee/year will be higher than the industry average.

Formula: Number of employees on direct deposit (E2) / Total number of employees (E1e)

<table>
<thead>
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<th>Your company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>63.0%</td>
<td>53.5%</td>
</tr>
</tbody>
</table>

Number of respondents: 14
Span of control

This ratio measures the amount of leverage existing in the payroll organization. It is a high-level measure that does not take into account company size, complexity of activities performed by payroll personnel, or level of technology present in the organization. In "best companies" there is normally high leverage (staff to management) because payroll is a production-oriented process largely revolving around payroll processing/data entry.

If your span of control ratio is lower/higher-than-average, it may indicate: 1) more/less management employees are involved in the process than the benchmark group average, 2) payroll organization includes additional/fewer responsibilities (e.g., taxes, pension calculations, etc.), or 3) staff are less/more skilled on average than the benchmark group. A lower-than-average ratio may indicate that the company lacks managers with adequate skills to handle a larger span of control. This can often be addressed through additional training.

Formula: Total payroll staff FTEs (B3-Staff) / Total payroll management FTEs (B3-Management)

<table>
<thead>
<tr>
<th>Company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>optimal</td>
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<td>Your company</td>
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<td></td>
<td>3.55</td>
</tr>
</tbody>
</table>

Number of respondents: 14
Payroll personnel per thousand employees

This measure allows employee effort comparisons between payroll organizations regardless of company size. At a quick glance, this measure can give you some indication of whether your organization is large or small relative to other payroll organizations. This measure does not take into consideration the complexity of activities performed by payroll personnel or the technology present in the organization.

If your ratio is higher than the benchmark group average, it may indicate that your processes are less efficient than those at other payroll organizations. Numerous staff dedicated to error correction and/or payroll database changes may negatively impact this ratio. Other undesirable factors include: manual input of time reports, excess verification of inputs, manual entry of deductions and benefits, and systems that are not integrated with source and/or output systems.

Formula: (Total payroll FTEs \( B1 + B2 \) * 1000) / Total number of employees \( E1e \)

<table>
<thead>
<tr>
<th>Benchmark group</th>
<th>&lt;&lt;&lt; optimal</th>
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</thead>
<tbody>
<tr>
<td>minimum</td>
<td>median</td>
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<tr>
<td>1.3</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of respondents: 14
Payroll personnel (FTEs) per 100 million in revenue

This measure allows employee effort comparisons between payroll organizations regardless of company size. At a quick glance, this measure can give you some indication of whether your organization is large or small relative to other payroll organizations. This measure does not take into consideration the complexity of activities performed by payroll personnel or the technology present in the organization.

If your ratio is higher than the benchmark group average, it may indicate that your processes are less efficient than those at other payroll organizations. Numerous staff dedicated to handling exceptions and error correction may negatively impact this ratio. Other undesirable factors include: unbalanced workloads throughout the month, excess advance payments and special handling requests and systems that are not integrated with key source and/or output systems (e.g., human resources, travel and expense processing, tax, etc.).

Formula: \[
\frac{\text{Total payroll FTEs} \times 100\text{ million}}{\text{Total revenue}}
\]

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td></td>
<td>1.9</td>
</tr>
</tbody>
</table>

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Number of respondents: 12
This chart shows how companies included in the benchmark group reimburse employee expenses. Companies that reimburse employees through the regular payroll process often have a higher number of payroll personnel per thousand employees than companies who process employee reimbursements through A/P checks or other means (e.g., petty cash reimbursements). Payroll costs are also significantly influenced by the method of reimbursement employed.

"Best companies" integrate employee expense reporting with payroll and handle it as part of the payroll function. Employee expenses are reported and paid on a timely basis, semi-monthly, via payroll direct deposit to minimize transaction processing. This results in reduced employee reimbursement processing costs, turnaround time, and employee effort.

Formula: Respondent provided data (C4)
General statistics

Number of payroll locations

Your company: 1

Level of centralization or decentralization of the payroll function is described in this chart. A more decentralized payroll organization could partially explain a lower-than-average span of control and a higher number of payroll employees per thousand employees. Conversely, a highly centralized payroll organization usually means a higher span of control ratio and fewer payroll personnel per thousand employees.

Centralized payroll organizations often benefit from economies of scale. However, they are further from the source of information, which can make error correction and information gathering more cumbersome. Centralized organizations also tend to require more people dedicated to error correction and database changes. Centralized payroll processing with decentralized time reporting and error correction typically requires the least number of payroll employees.

Formula: Respondent provided data (A3)

Number of respondents: 15
Prepared for Los Angeles Unified School District

**Average number of paychecks processed per FTE**

This ratio measures the number of paychecks processed per full-time equivalent employee and provides a general measure of employee output, productivity, and efficiency.

If your ratio is higher-than-average, it may indicate: 1) higher level of technology utilization (e.g., service bureau usage, automated time recording and attendance systems, direct deposit), 2) highly efficient employees or employee utilization, 3) efficient business processes, or 4) lower-than-average error rates (less rework required).

If your ratio is lower-than-average, it may indicate: 1) company should be able to support additional paycheck volume with the present level of FTEs, or conversely that the company may be able to support its current volume of paychecks with fewer FTEs, 2) lower level of technology utilization, 3) inefficient business processes, or 4) higher-than-average error rates.

Formula: Annual number of paychecks \((E1a \times 52) + (E1b \times 26) + (E1c \times 24) + (E1d \times 12)\) / Total number of payroll FTEs \((B1 + B2)\)

<table>
<thead>
<tr>
<th>Your company</th>
<th>Benchmark group</th>
<th></th>
<th></th>
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<td>median</td>
<td>&gt;&gt;&gt;</td>
<td>maximum</td>
</tr>
<tr>
<td></td>
<td>10,362</td>
<td>1,322</td>
<td>4,163</td>
<td>9,825</td>
</tr>
</tbody>
</table>

Number of respondents: 14

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This chart looks at responsiveness to error resolution. This is measured for purposes of this diagnostic as elapsed time (in terms of an eight-hour workday) from detection of the error to final resolution. Many companies do not formally track error resolution time so estimates were often submitted for this measure.

If your average elapsed time is above the benchmark group average, it may be a result of where responsibility for error correction lies. If accountability for error correction resides outside the payroll organization, the elapsed time for corrections may be slightly longer. Though this longer elapsed time may be viewed as unfavorable, “best companies” investigate and clear non-system-related exceptions through originating departments, thereby aligning accountability with responsibility. In addition, if error correction responsibility lies at the source, the quality of the original information will likely improve, reducing the overall number of errors incurred.

Formula: Respondent provided data (E8)

<table>
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<td>&lt;&lt;&lt;&lt; optimal</td>
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<tr>
<td></td>
<td>minimum</td>
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<tr>
<td></td>
<td>median</td>
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<tr>
<td></td>
<td>maximum</td>
</tr>
<tr>
<td>48.0</td>
<td>0.8</td>
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<td></td>
<td>4.5</td>
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<td>8.0</td>
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<td></td>
<td>14.0</td>
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<td></td>
<td>48.0</td>
</tr>
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</table>

Number of respondents: 14
This chart measures the percentage of errors related to time reporting. Time card and data preparation errors center around completeness, accuracy, and proper authorization. Examples include: missing time cards, lack of required approvals, missing or inaccurate information such as account distribution coding, discrepancies in hours reported and period hours.

The impact of your performance for this measure depends on how such errors are corrected. Organizations that correct errors in the payroll department will typically require a larger number of employees than those that require the originating department to make corrections. "Best companies" refer errors back to the originating department for clearance. Aligning accountability for errors with responsibility tends to improve the quality of original information and reduce the overall number of errors.

Formula: Number of time card and data preparation errors per year (E4 *12) / Annual number of time cards (E1a * 52) + (E1b * 26) + (E1c * 24) + (E1d * 12)

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<th>Your company</th>
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<tr>
<td></td>
<td>&lt;&lt;&lt;&lt; optimal</td>
<td>minimum</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17.708%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.462%</td>
</tr>
</tbody>
</table>

Number of respondents: 15
Payroll processing errors are those rejected by the payroll system. System validation tests may check for validity of employee numbers, account distribution coding, the reasonableness of check amounts, etc. Therefore, this measure is an indication of the quality of information input to the payroll system.

A higher-than-average error rate may result in: 1) higher-than-average number of payroll personnel per thousand employees, 2) longer-than-average elapsed time for error correction, or 3) higher-than-average payroll labor cost per check.

Improvements in the quality of input will reduce the error rate and costs incurred to correct these errors. Input quality can be greatly improved if the responsibility and accountability for error correction is shifted to the source of input (originating department).

Formula: Number of payroll processing errors per year ($E_5 \times 12$) / Annual number of time cards ($E_{1a} \times 52$) + ($E_{1b} \times 26$) + ($E_{1c} \times 24$) + ($E_{1d} \times 12$)

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<tr>
<th>Your company</th>
<th>Benchmark group</th>
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<td>&lt;&lt;&lt;&lt;</td>
</tr>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>5.458%</td>
<td>0.018%</td>
</tr>
</tbody>
</table>

Number of respondents: 11

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Employee database and payroll change error rates

This chart measures the percentage of errors made to employee records. Employee database and payroll changes involve input and adjustments whether pay-affecting (e.g., salary increases, benefit-related withholdings) or non-pay affecting (e.g., department changes, address changes). The impact of your performance for this measure depends on how errors to employee records are corrected. Organizations that correct errors in the payroll department will typically require a larger number of employees than those that require the source of input to make corrections. Advanced systems provide an opportunity to decentralize non-pay affecting changes to the employee level. Changes in deduction status, benefits plan status, etc., can be made by the employee with interactive systems. Inquiry capabilities can also be provided to employees eliminating time spent by payroll personnel answering questions.

Formula: Number of employee database and payroll change errors per month \(\frac{E6}{E7}\)

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<th>Your company</th>
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<td></td>
<td>&lt;&lt;&lt;&lt; optimal</td>
</tr>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>6.784%</td>
<td>0.150%</td>
</tr>
</tbody>
</table>

Number of respondents: 11
Payroll processing method by number of employees paid

Your company: In-house custom designed system

This graphic shows the breakdown, by company size, of the methods used to pay employees. The vertical axis shows groupings by company size and the horizontal axis represents percentage of companies processing payroll by each method. This chart allows you to see how organizations of varying sizes pay their employees. You can compare your organization (as described by the words across from 'your company') against others in your size range.

Organizations that use service bureaus usually have the lowest cost per check and the least number of payroll employees per thousand employees paid. Outsourcing payroll processing can be an attractive alternative if payroll volume, exceptions, and competitive situation permit.

Formula:Respondent provided data: (C1, C2, C3)

Number of respondents: 15
Prepared for Los Angeles Unified School District

Service bureau utilization for companies who outsource

This chart highlights the percentage of companies purchasing key payroll services for the subset of companies utilizing outside service bureaus for the benchmark group selected. Categories are: 1) payroll processing—calculation of gross pay, deductions, net pay and production of checks, 2) payroll tax filing—calculation and filing of statutory taxes with regulatory agencies, 3) human resources information management—includes maintenance of the employee database including salary history, tax filing status, tracking pension and tax-deferred savings options, and managing flexible or "cafeteria" benefit programs, etc., and 4) unemployment compensation management.

Utilizing a service bureau will greatly reduce the number of personnel required to produce employee paychecks. However, cost needs to be carefully weighed against service in terms of turnaround time and quality of information and reporting from the provider.

Formula: Respondent provided data (C1)

Number of respondents: 15
Responsibility for payroll activities

This chart shows where responsibility for key payroll activities is located for companies in the benchmark group. The left vertical axis lists common time reporting/payment and employee database/payroll change activities. The horizontal axis shows the percentage of companies performing activities either within payroll, outside payroll, or some combination. The right-hand vertical axis describes where responsibility lies in your company for the various activities. As more activities are located with originating departments, a reduction in the number of personnel necessary in the payroll organization is realized without a corresponding increase in the user departments.

Formula: Respondent provided data: (C5)

Number of respondents: 15
Percentage of manually processed checks

This ratio measures the percentage of all payroll checks that are produced manually. Manual checks are produced outside the regular payroll process but may include checks that are produced from a PC-based system.

Organizations with a higher-than-average percentage of manual checks are often characterized by: 1) higher-than-average number of payroll employees per thousand employees, 2) higher payroll labor cost per check, 3) higher-than-average error rate, or 4) less sophisticated payroll systems including time reporting and human resources systems.

Formula: Number of manual checks per year (E3) / Annual number of payroll checks (E1a * 52) + (E1b * 26) + (E1c * 24) + (E1d * 12)

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<th>Your company</th>
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<tr>
<td></td>
<td>&lt;&lt;&lt; optimal</td>
</tr>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>0.532%</td>
<td>0.047%</td>
</tr>
</tbody>
</table>

Number of respondents: 13
This chart depicts the percentage of payroll organizations in the benchmark group with integrated payroll and human resources systems.

"Best companies" payroll systems provide relevant, timely payroll information to a variety of different systems. Payroll and human resources link to a centralized database, eliminating duplication in recording employee change notices. Also, payroll is integrated with travel and expense processing to consolidate payment and reduce approval and transaction processing.

Benefits of integrated systems include elimination of duplicate input of payroll and employee-related information, one control point for employee information, reduced amount of incorrect information, lower labor cost per check, and fewer payroll personnel.

Formula: Respondent provided data (F1)
Percentage of companies with employees reporting time on an exception only basis

This graphic shows the percentage of companies that utilize exception time reporting. Exception time reporting means an employee only reports information that is outside their normal work schedule. This includes such things as vacation time, sick days, overtime, and other non-regular time.

Organizations that use exception time reporting, in combination with automated remote access systems to capture time experience, significantly lower payroll costs. Exception reporting requires fewer personnel to input time and generates fewer errors. Exception reporting also eliminates employee effort spent ensuring all personnel have reported their time.

Formula: Respondent provided data (F2)

Your company: All employees report each pay cycle

Number of respondents: 15
This chart shows the breakdown, by company size, of the methods used to collect/report employees’ time. The vertical axis shows groups by company size and the horizontal axis shows the percentage of companies collecting and reporting time manually, through a partially automated system, or through a fully automated system. Today “best companies” use sophisticated technology to efficiently manage payroll, travel expense accounting, miscellaneous expense reimbursement, and time-and-attendance recording. Completely paperless systems (PC-based systems, badges, electronic clocks, key cards, etc.) eliminate clerical errors, lower payroll costs per check, reduce the number of payroll personnel required, and produce more timely information.

Formula: Respondent provided data (F3)

Number of respondents: 15
Appendix M: Actual Global Time & Attendance Best Practices

Cases

What follows are actual payroll best practices gathered from leading organizations. The Best Practices described below add further explanation to the Best Practices described in Phase III.

A. Use electronic badge readers to capture time worked automatically.

**Micro Stamping**, a metal-forming manufacturing company in Somerset, N.J., recently replaced employee time cards with bar-coded identity badges. Employees swipe the badges at the beginning and end of each work day, automatically recording their time and attendance. Replacing time cards with employee badges cut Micro Stamping's payroll processing time in half, saving a day each week in accounting labor and increasing the accuracy of the company's payroll data.

Employee badges are also used at the **Nashville Crown Plaza**, one of 26 hotels owned by Memphis, Tenn. based Davidson Hotel Company. Employees punch in and out using badge-based time recorders located throughout the hotel. Punches are automatically compared to employee schedules stored in the system; missing punches are caught as they happen and can be resolved immediately with the employee. The introduction of the badge-based system increased data accuracy and reduced the amount of time spent processing time and attendance reports, giving staff more time to analyze data for trends in tardiness, attendance, and turnover.

B. Require employees to submit their time and attendance data electronically.

**Medtronic, Inc.**, the world's largest manufacturer of implantable biomedical devices, once spent a great deal of time collecting and entering employee time and attendance data from its offices around the U.S. To reduce its payroll processing time, the Minneapolis based company implemented an interactive voice response (IVR) system for employees to use when submitting time and attendance data. Employees dial into the IVR system, enter their personal identification number, then follow a series of prompts to record their time and attendance data. At the end of each pay period, the system assembles a report for each supervisor, summarizing the data entered by subordinates, and faxes the report to the departmental fax machine. After reviewing the reports, the supervisors call the system and approve or edit any employee entries. When all data have been approved, the system transfers the data to the company's payroll system.

At **Augusta Medical Center** in Fishersville, Va., employees use personal computers to enter their time and attendance data. One advantage of using computers is that employees can "punch in" from a personal computer anywhere on the campus. Before the new system was installed, employees had to report first to their own offices to sign in on paper timesheets before traveling to another part of the facility to begin their work day.
Appendix M: Actual Global Time & Attendance Best Practices Cases

C. Use exception time reporting for overtime-exempt employees.

One of the first companies to use exception time reporting was Wisconsin Electric Power Co. Wisconsin Electric implemented the system after a pilot program resulted in a 38 percent decrease in the number of timesheets submitted during the period. The 38 percent drop in the number of timesheets generated by the company’s 2,700 employees translated to the processing time of 1.5 employees in the payroll office.

D. Link automated time and attendance reporting to the organization’s payroll or human resources management system.

H.D. Vest, Inc., a Texas based financial services firm, uses an HRIS that interfaces with the company’s time and attendance reporting system. After integrating the two, H.D. Vest saw a 75 percent reduction in payroll processing time.

E. Hold employees accountable for the accuracy of their time and attendance data.

Arthur Andersen holds its employees accountable for the accuracy of their timesheets. Employees are notified of any errors on their timesheets and are required to correct these errors themselves.
Appendix N: Actual Global Payroll Best Practices Cases

What follows are actual payroll best practices gathered from leading organizations. The Best Practices described below add further explanation to the Best Practices described in Phase III.

A. Integrate payroll, benefits, and human resources data in one central information system

**Genuine Parts Co.** (GPC), the largest aftermarket auto products distributor in the U.S., recently consolidated payroll data residing in 63 different business units in North America into one enterprisewide human resources information system. The move to an HRIS helped the Atlanta, Ga. based company streamline its payroll, benefits, and human resources functions and increase control of its data.

B. Strive to pay 100 percent of employees electronically

**American Greetings Corporation** mandates direct deposit for all new employees. To increase participation among existing employees without direct deposit, the Cleveland, Ohio-based greeting card company sends direct deposit solicitations to its employees every two months. These solicitations underscore the ways in which employees can benefit by using direct deposit.

C. Use an employee self-service vehicle to decentralize data entry and increase access to information

**Oil Company Shell Canada Limited** wanted its employees to be more self-sufficient, so it gave them online access to and control of payroll and benefits information that its HR department had always managed. Shell knew that with the increasing popularity of the web, an intranet system would be the best solution for its employees. So it worked with an external consultant to develop a self-service vehicle application that could be run over the company's intranet. Using this vehicle, employees now access and modify their personal data and benefits information, allowing Shell Canada's HR staff to concentrate on more strategic activities.

The Payroll Shared Services Organization at N.Y. based **Bristol-Myers Squibb** wanted to eliminate the manual entry of more than 1,000 payroll forms each month using existing corporate resources that were accepted and used by employees. To meet these objectives, Bristol-Myers selected an interactive voice response (IVR) vehicle that employees could use to enter or update their own direct deposit and tax information over the telephone. The vehicle built on an existing toll-free number that employees were already using to update benefit plan choices.
The 18,000 U.S. employees of Microsoft Corporation enter their tax information using electronic forms on the Redmond, Wash. based company's intranet. The forms are part of an employee self-service vehicle that can be accessed 24 hours a day from any computer. Tax guides and other research and reference materials are also available on compact disc for employee use.

Environmental engineering firm CH2M Hill Companies, Ltd., recently implemented a human resources information system that includes an online self-service vehicle. Using the company's intranet, employees can view their earnings, savings, and tax withholding information, and even print a copy of their latest pay stub. The Colo. based company estimates that it takes employees 15 to 20 seconds to access their online payroll information.

Chipmaker Texas Instruments Incorporated, Dallas, Texas, recently began to provide electronic pay stubs in tandem with direct deposit. The company is striving to attain a 100 percent participation rate among employees in order to realize the full benefits of electronic payment.

Publishing costs and information accuracy were major factors in General Electric’s decision to publish healthcare provider information on its benefits intranet. It cost the company from $6 to $9 for each provider directory that was printed. Furthermore, the directories were unwieldy, and only small portions of them were relevant to individual employees. A bigger problem still was the difficulty of keeping directories updated, especially considering that GE has dozens of healthcare providers. Then employees selected providers, who were no longer in the network, substantial rework had to take place.

Employees and retirees of Public Service Electric & Gas Co. (PSE&G) in Newark, New Jersey, perform enrollment transactions by accessing their benefits site on the Internet. The 11,000 employees and retirees use the site to access benefits information and personal accounts, send e-mail to HR system administrators, and conduct transactions such as changing retirement plan options. For those without computer access, PSE&G offers IVR backed up with telephone assistance. The utility has determined, however, that online transactions cost half as much as IVR on manual transactions. The company pays $1 per web-based transaction, no matter how long the employee stays online, while the IVR system wracks up costs by the minute. As a result, PSE&G is taking steps to ensure the online system succeeds, such as monitoring the site’s effectiveness through surveys of employees and online activity.

Another company that has seen substantial savings from online enrollment is Imation Corp. Web-based enrollment costs the company $5 per employee, compared with $25 for paper enrollment. Imation, a technology company, says online enrollment has cut the administrative costs of benefits enrollment by 50 percent.

Aetna U.S. Healthcare reaped major accuracy improvements from online benefits enrollment. Before online enrollment, as many as 40 percent of paper enrollments had to be reprocessed because of missing or inaccurate data. The company designed its EZenroll...
web site to prevent incomplete forms from being submitted. Now, Aetna is assured that all necessary information is there when a form is submitted, and the system immediately triggers the automatic enrollment process, which includes the issuance of member identification cards.

**D. Use the number and length of payroll cycles that minimize payments per month while meeting employee needs**

Before **IBM Corporation** reengineered its payroll process several years ago, the company had eight different payroll systems and locations. “Some employees were paid weekly, some biweekly, all depending on where they were,” says Tony Angelo, IBM Project Executive for Worldwide Employee Disbursements. When the computer hardware and software giant consolidated its payroll processing under one system, it also standardized its payroll cycles, paying hourly employees weekly and salaried employees semimonthly. “We save money by not turning the engine as many times; in other words, by minimizing the number of times we have to run the payroll over the course of the year,” says Angelo. Standardizing its payroll cycles has helped IBM cut payroll costs by 95 percent and reduce pay-per-distribution costs from $5.75 to $1.77.

**E. Redesign existing payroll, benefits, and human resources processes before implementing the HRIS**

Often, business process redesign reveals weaknesses in existing processes. For example, before implementing its HRIS, **Genuine Parts Co.** undertook a comprehensive redesign of its payroll, HR, and benefits processes. The redesign effort revealed that although payroll processing procedures were the same for all business units, each unit had at least one unique business process that was developed to cope with new information, such as a health care premium increase. The inconsistencies across GPC’s business units underscored the need for a process that would address the application of future policy and benefits plan changes.

When **Sears, Roebuck and Co.’s** tire group division implemented its first HRIS; it needed to train more than 2,500 store managers from 1,200 locations on the system’s payroll component. Recognizing that it didn’t have the resources or expertise for such an expansive training task, the U.S. retailer hired Tech Resources Group Inc. (TRG), a company that specializes in large-scale application deployments. TRG trained all store managers on the HRIS’s payroll component in less than 90 days; since then, TRG has operated a call center to answer follow-up questions.

**F. Offer direct deposit to all employees**

The **Pillsbury Company** recently offered direct deposit to its employees in conjunction with a payroll systems upgrade. Ninety-five percent of employees working in the headquarters of the international food processing company are using direct deposit, but in the
manufacturing units, where there are many union employees, only about 18 percent use it. Pillsbury is working with plant management and the unions to promote direct deposit among union employees.

Dallas-based Claim Services Resources Group (CSRG), a temporary medical and dental staffing agency, distributed payroll cards to its 2,000 employees, many of whom have heavy travel schedules. CSRG’s Chief Financial Officer, Phyllis Farragut, says that use of the cards has cut payroll processing time by 75 percent.

A version of the payroll debit card is the centerpiece of the U.S. Department of Defense’s plan to eliminate checks and cash as the chief payment methods for recruits at Army, Navy, and Air Force training posts. Because recruits in training usually do not have local bank accounts, the Defense Department will give them stored value cards on which they can download their pay. The cards can also be used to make purchases on base, eliminating the need for cash.

G. Develop a cross-functional team to make the new technology decision

California based Motion Control Engineering, Inc. (MCE), is a 1995 Arthur Andersen Enterprise Symposium award winner in the area of implementing new technology. At MCE, employee interest in implementing new technology is so strong and the list of projects so extensive that MCE created a steering committee to prioritize technology goals. Members of the committee are from all parts of the company. The committee pairs employees with long-term operational experience and employees with strong technical expertise. It is this committee’s role to design MCE’s strategy for implementing new technology.

Another example is COMPASS Management and Leasing Inc., headquartered in Atlanta. Compass, Inc. established an information systems (IS) team consisting of personnel from various regions, major client accounts, and headquarters. The team’s mission is to develop a comprehensive view of the company’s business strategy as it relates to new technology. The team reviews and evaluates the future information and technical requirements of employees across the company. The team also determines how to meet the needs of the company’s internal customers, such as the employees, and the needs of external customers, such as shareholders.
Appendix O: Actual Global Outsourcing Best Practices Cases

What follows are actual payroll best practices gathered from leading organizations. The Best Practices described below add further explanation to the Best Practices described in Phase III.

A. Operate under clearly defined payroll objectives

Several years ago, Ingram Entertainment Inc., a distributor of home entertainment products, was spun off from its parent company. Up until that point, payroll at the La Vergne, Tenn. based company had been handled by the parent. Faced with several options for processing payroll, such as purchase payroll services from its parent, outsource the payroll process, or purchase and install its own payroll application, the company began by defining three payroll objectives. Mark Ramer, Vice President and Chief Information Officer at Ingram, wanted a high level of service at a lower cost. He also wanted payroll data to be integrated with other human resources data. Last, he wanted to keep payroll in house. "We view payroll and HR as very important core competencies," said Ramer. "We didn't want to entrust them to an outside source." Clearly defining its payroll objectives helped Ingram decide to install an in-house payroll application, choosing the option that best met its needs.

B. Distinguish between core and non-core payroll activities

At MicroAge Inc., a full-line computer systems distributor and systems integrator, data is the foundation of every good decision. That's why the Tempe, Ariz. based company defines access to payroll data as a core activity. By making hard-copy payroll data, including starting salaries, trends in compensation, and frequency of salary increases, available to its managers on compact discs, MicroAge reduced the time it took them to retrieve payroll data from two or three days to two or three minutes. Transaction-intensive activities related to payroll processing and distribution, however, are defined as non-core and are outsourced to a payroll service bureau.

C. Let the characteristics of the company’s payroll function guide outsourcing decisions about payroll activities

Cost

More than 75 percent of companies that outsource their entire payroll function have less than $250 million in annual revenue, according to The Outsourcing Institute in New York. The reason is that smaller companies find it costs less for them to outsource the payroll process than to invest in the technological and human resources required to process it in house.

An example is Leatherman Tool Group Inc., in Portland, Ore. Leatherman pays a service bureau $12,000 per year to cut checks for its 425 employees. "To manage this
Appendix O: Actual Global Outsourcing Best Practices Cases

in house, we'd have to hire two people at a total cost of approximately $80,000 per year," says Alistair Cox, Assistant Controller.

Complexity

In general, the more complex a company's payroll is, the more expensive it will be to outsource and the higher the likelihood of processing errors. Complexity drives up cost because outsourcing charges are transaction-based: costs rise as the number of transactions increases. Complexity increases the likelihood of processing errors because a complex payroll demands more of the payroll vendor, whose time may be allocated among many different accounts.

The United States' Florida Marlins major league baseball team has a particularly complex payroll. Players are paid based on the number of days played in a season, and issued paychecks only during that period. In some states, athletes on the visiting team must pay local taxes for the number of days worked in that state. For a three-game series against the Colorado Rockies, for example, three days' worth of Colorado state taxes must be withheld from the Marlin players' paychecks. In 1995, unhappy with the cost and service of its payroll provider, the Marlins converted to an in-house software package tailored to address the unique features of its payroll. The organization recouped its software investment in less than two years and spends in maintenance fees half of what it was spending on outsourcing.

Competency

Many companies choose to outsource payroll activities in which they lack internal expertise, rather than devote financial, technological, and human resources to upgrade their competency.

Anthony Bonno, Senior Vice President of Human Resources at Pacific Mutual Life Insurance in Newport Beach, Calif., says, "If we don't have the functional expertise in a certain area, we'll go outside, but only if that service adds value to the organization and service levels are higher than what we can provide internally."

Control

Companies that outsource some or all of their payroll activities do so at the expense of control; the flexibility to produce an off-cycle paycheck or report, for example, is lost. Many companies find that the benefits of outsourcing their payroll activities outweigh their reduced control over the process. For others, the need for control eliminates outsourcing as an option.

Until recently, Sylvest Companies, Inc., a poultry processor based in Montgomery, Ala., paid more than $30,000 a year to a payroll service bureau that produced its payroll checks. Because of the expense and turnaround time associated with obtaining reports from the service bureau, many managers amassed data manually, sometimes writing their reports by hand. To regain control over its payroll data, Sylvest brought
payroll in house by purchasing a software package that put reporting power in the hands of those who needed it. Within nine months of implementation, Sylvest recouped its investment in the software and eliminated its outsourcing costs.

D. Purchase payroll software and external processing services from a single payroll vendor

Selective Insurance Co. of America, a property/casualty insurer based in Branchville, N.J., paired with Genesys Software Services Inc. to process payroll using the hybrid approach. Genesys was chosen because its payroll software offered screen customization and flexibility, and it could be used with Selective’s existing computers. In addition, Genesys offered Selective an all-inclusive pricing strategy for check processing and tax filing. Selective calculated its return-on-investment for Genesys to be 1.75 years, far lower than the company’s estimates for either outsourcing the entire process or bringing it in house.
Appendix P: Best Practices School District Case Studies

I. Chicago Public Schools (CPS) Site Visit – February 13, 2001

The Andersen team visited Chicago Public Schools (CPS) on February 13, 2001 to explore CPS’ experience with Kronos. The objectives of the site visit included:

- High level understanding of CPS’ time and attendance practices
- High level understanding of the drivers for a new time and attendance system
- High level understanding of the selection process for the new time and attendance system
- High level understanding of the Kronos implementation experience
- High level understanding of the Post-Kronos implementation experience
- Lessons learned and recommendations for LAUSD

Background on CPS

CPS is the nation’s third largest school district. CPS employs approximately 46,000 employees, of which approximately 9,000 are teachers. CPS has over 620 physical locations in the metropolitan Chicago area.

Drivers for a New Time & Attendance System

Prior to implementation of the Kronos time and attendance solution, CPS employed a manual process to capture and manage time and attendance data. This process was labor intensive and prone to error. CPS’ Payroll Adjustment Section handled approximately 45,000 payroll adjustments a year as a result of frequent manual intervention.

Student transportation was another factor that drove CPS to explore implementing an automated time and attendance solution. The accurate capture of bus attendance data is required for management of the bus service and collection of penalties from vendors for tardy bus arrival. In the manual process, there was no accurate means verifying actual arrival and departure times of buses.

Finally, in the manual system, CPS could not track actual labor hours associated with each of its maintenance and repair jobs. CPS wanted to track this data to better manage its maintenance and repair costs. Based on these drivers, CPS decided to explore implementing an automated time and attendance solution.
Why Kronos?

CPS looked at other time & attendance solutions, including Simplex, but eventually determined that it would implement Kronos based on two factors: (a) Kronos’ prominent position as the dominant player in the time and attendance industry and (b) the fact that Kronos is the only large time & attendance company that, in addition to developing its own software, manufactured its own hardware, eliminating (in the eyes of CPS) the possibility for hardware/software compatibility issues.

The Kronos Experience

CPS has had a long and close relationship with Kronos. In 1991, CPS went live on Kronos’ mainframe-based time and attendance system, TimeKeeper Central. After a successful pilot the system was rolled out district wide for a cost of roughly $4 million. In 1997, CPS upgraded to WorkForce Central, Kronos’ client-server solution as part of its Y2K efforts. The hardware (clocks, handhelds, etc.) were also upgraded at this time. Since 1997 CPS has upgraded to WorkForce Central 3.2 and is currently engaged in interfacing Kronos with Oracle Financials. The upgrade also cost roughly $4 million.

CPS is Kronos’ largest K-12 client, and as such has been a testing ground for the Kronos solution. CPS is utilizing almost every suite of Kronos products. Mike Edwards, Director of the Division of Payroll characterized his relationship with Kronos as a collaboration. CPS has worked with Kronos to determine the optimal configuration of Kronos’ solutions, and Kronos has consistently delivered solid support and customization services throughout the years.

Post-Implementation Experience

Benefits:

- Automation has decreased the error rate to between 1-2%.
- Eliminates the need to estimate employee attendance
- More adjustments can be made locally at the school/office level, reducing the number of adjustments performed centrally. Frees up central staff to perform more strategic functions.
- Reduces the amount of FTE’s needed at the central level
- The new time management system allows for the tracking of labor costs associated with school maintenance.
- Overall Cost Savings (cited in a 1993 report to the CPS Board of Education)
  - “Time Theft” annual loss avoidance of $2,600,000 annually.
  - Payroll Personnel Savings of $350,000 annually.
  - Total cost avoidance by improved management of pupil transportation services and reduction in Bus Monitors was approximately $2,640,000.
Concerns:

- Hardware requirements/configuration for a school district of CPS’ size are not solidified, potential for performance issues (i.e. system may slow down on days when many users are accessing it)
- Standard (or “canned”) reports were not as robust as CPS liked, so they used Crystal Reports to create their own customized reports.

Lessons Learned and Recommendations for LAUSD

The following are some of the lessons learned and recommendations that CPS has for LAUSD:

- Commitment of senior management and director level support is critical to the project’s success.
- Anticipate resistance from unions and collective bargaining units, be prepared to demonstrate to them how the implementation of a time and attendance solution will benefit them.
- Kronos is able to build in a great majority of business rules without customizing their code.
- Be prepared for user resistance and the change impact throughout the organization. Some employees may resist, some may even quit, but in a short period of time most will come to accept the time and attendance solution as a positive change.
- Kronos has deep support resources, which should be utilized as much as possible.
- Be prepared to go through a trial and error phase in configuring the hardware. For a District of LAUSD’s size it will take some time before the optimal configuration is in place.
- Consider looking into Kronos’ AS/400 solutions.

Chicago Public Schools Contact:

Mike Edwards, Payroll Director

Phone: (773) 553-2634.
II. Milwaukee Public Schools (MPS) Site Visit – February 20, 2001

The Andersen team visited Milwaukee Public Schools (MPS) on February 20, 2001 based on the recommendation of PeopleSoft. The objectives of the site visit included:

- High level understanding of MPS’s Human Resources and Payroll practices
- High level understanding of the drivers for a new HRMS system
- High level understanding of the selection process for the new HRMS system
- High level understanding of the PeopleSoft implementation experience
- High level understanding of the Post-PeopleSoft implementation experience
- Lessons learned and recommendations for LAUSD

Background on MPS

MPS employs approximately 16,000 employees, of which approximately 8,000 are teachers. MPS has over 167 time and attendance physical locations and 13 bargaining units.

Drivers for a new HRMS system

MPS was running on an integrated, home grown HRMS system prior to the PeopleSoft implementation. The system was able to meet most of MPS’s requirements, although it was continuously being customized as union contracts changed. It was gradually becoming difficult to maintain the system as the resources with the necessary mainframe skills were becoming limited and/or nearing retirement age.

In early 1997, MPS began the process of researching and reviewing potential vendors. The driving factors for the new HRMS system included Y2K and the IT department’s strategy to migrate from a mainframe environment to a client server environment.

Why PeopleSoft?

The final vendors considered were Lawson, Oracle and PeopleSoft. PeopleSoft was selected as the new HRMS solution based on its functionality and reputation as the best HRMS solution available on the market at the time. MPS then licensed PeopleSoft’s version 7.5 Human Resources, Benefit Administration and Payroll modules. PeopleSoft also partnered with a boutique consulting firm, A.E. Business Solutions (AE) during the proposal process and AE became MPS’s PeopleSoft implementation partner.
The PeopleSoft experience

In November of 1997, MPS began the scoping phase of the project in which requirements were gathered and initial design was discussed with the assistance of Cambridge Technology Partners, a partner of AE. The project officially kicked off in May of 1998 with a planned go live date of January 1, 2000. MPS dedicated a total of six full-time employees to the project. The breakdown of the resources were as follows: one Human Resources, one Benefits, one Payroll, and three IT resources.

Due to the fact that MPS is highly unionized, with over 95% of their employees being union employees, MPS discovered that it was difficult to adopt new business practices with the new HRMS system. Many of the unique business practices were tied to union contractual agreements. These issues were not acknowledged prior to the implementation, and it became too late to address them during the implementation, as the must go live date was prior to the year 2000. It was then determined that PeopleSoft must be customized to meet all of their requirements.

As a result, MPS estimates that a total of 137 major customizations and 400 custom reports were developed in order to meet their requirements. Some of the major customizations included teachers’ pay (i.e. 180 work year = 9 day paycheck plan and year round schools with 197 work year = 7 day paycheck plan), differential pay, position control, leave and concurrent jobs, intermittent pay calendars, deductions to pay, etc.

MPS was able to successfully go live on PeopleSoft on January 1, 2000.

MPS estimates the total cost of the project to be approximately $10 million, including a fixed fee arrangement with AE.

Post-Implementation Experience

It has been fourteen months since the PeopleSoft go live date. HR is currently doing well, Benefits is having some problems with ongoing customizations, and payroll is stabilizing.

The following is a summary of some of the benefits and concerns MPS is experiencing today:

Benefits:

- Decreased error rate (<1%) in Payroll as PeopleSoft will not allow pay if errors were not resolved. They are forced to address pay calculation errors upfront.
- Decreased error rate in HR (not significant) as PeopleSoft is better at enforcing data integrity than legacy system
- Better coordination/collaboration amongst functional teams as they realized the impact they had on each other (got pass finger pointing and working in silos)
- Discovered legacy data entry and setup errors during conversion process. PeopleSoft setup has prevented such errors going forward.
- Off-cycle paychecks replaced manual paychecks
Appendix P: Best Practices School District Case Studies

- Increased workload, but overall cleaner data
- End users have more control and ownership of data via reports, queries, etc.

Concerns:

- Maintenance and support due to the amount of customizations, and the difficulty of recruiting experienced PeopleSoft resources (high learning curve and high market rate)
- Version control is difficult with patches and tax updates – PeopleSoft is a global system and tax updates from other states may impact MPS customization
- Have not run a perfect, error-free payroll to-date
- Currently $21 million in debt. Feels that schools can not afford to spend $10 million on a new system that is difficult and expensive to maintain – most money going to consultants and knowledge transfer.

Lessons Learned and Recommendations for LAUSD

The following are some of the lessons learned and recommendations that MPS has for LAUSD:

- Plan for and commit full time, dedicated resources to the project
- Commitment of senior management and director level support is critical to the project’s success
- Be open to process changes. Know what business processes are dictated by union contracts ahead of time as changes to union contracts may take up to years to change. These changes need to take place prior to the implementation.
- Design should be done by people who actually perform the work, not just managers and supervisors
- Do not modify PeopleSoft delivered code, create views where possible (MPS did not learn this until close to the go live date)
- Be prepared for user resistance and the change impact (i.e. users had no access to panels they had access to before, users weren’t involved during the design and testing phases, users resisted because there were more data entry screens than legacy system, etc.) A few of the MPS employees retired early due to the resistance to change.
- The qualification and experience of the implementation partner is critical to the overall success of the project. MPS had a poor implementation partner who did not provide qualified, experienced PeopleSoft consultants. It was AE’s first PeopleSoft implementation and AE’s turnover on the project was very high. If AE had more PeopleSoft experience, MPS may not have needed the same level of customizations. There may have been manual or better workarounds available.
- It is important for the implementation partner, client and vendor to work together as a team
- Need to get as close to an integrated payroll as possible
- Need to understand the amount of in-house support available post-implementation. Be open to considering an ASP model
- Need to consider the integration of the new HRMS system with the Student Record Management system
Milwaukee Public Schools Contact:

Assistant to Karen Jackson - Cheryl  
Phone: 414-475-8205  
Email: lohrca@mail.milwaukee.k12.wi.us

Al Correa, Human Resource Coordinator  
Email: correaj@mail.milwaukee.k12.wi.us
This information will be used for benchmarking purposes only and will not be disclosed or available for distribution. Arthur Andersen agrees not to disclose the name of any participant organization, without their prior approval and under no circumstances will Arthur Andersen disclose individual company data. Arthur Andersen will exercise due care in the collection, processing and reporting of the information that is submitted by the participants. Arthur Andersen will not audit or verify the data that is submitted and therefore will not express any opinion as to the validity of the participant's responses. It shall be the sole responsibility of each participant to ensure that the data that they provide is accurate and reliable, to the best of their knowledge.

Company Information

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Los Angeles USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Unit Name</td>
<td>Payroll Service Branch (if applicable)</td>
</tr>
<tr>
<td>Address</td>
<td></td>
</tr>
<tr>
<td>Street</td>
<td></td>
</tr>
<tr>
<td>City</td>
<td>Los Angeles</td>
</tr>
<tr>
<td>State/Province</td>
<td>CA</td>
</tr>
<tr>
<td>Country</td>
<td>United States</td>
</tr>
<tr>
<td>Zip/Postal Code</td>
<td></td>
</tr>
<tr>
<td>Telephone Number</td>
<td></td>
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<tr>
<td>City/Area Code</td>
<td></td>
</tr>
<tr>
<td>Local No.</td>
<td></td>
</tr>
<tr>
<td>Facsimile Number</td>
<td></td>
</tr>
<tr>
<td>City/Area Code</td>
<td></td>
</tr>
<tr>
<td>Local No.</td>
<td></td>
</tr>
<tr>
<td>Fiscal Year End Date</td>
<td>December 31</td>
</tr>
</tbody>
</table>

Permission granted to Arthur Andersen to include company name, which will not be associated with any specific data, on a list of benchmark study participants: Yes

Contact for questions:

<table>
<thead>
<tr>
<th>Name</th>
<th>Karen Tillman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Director of Payroll</td>
</tr>
<tr>
<td>Phone</td>
<td>(213) 663-7960</td>
</tr>
<tr>
<td>Fax</td>
<td>(213) 633-8881</td>
</tr>
<tr>
<td>E-mail</td>
<td></td>
</tr>
</tbody>
</table>

The information that is about to be entered into this survey is valid company information to the best of my knowledge. I understand that an Arthur Andersen representative may contact me to verify this and to ensure no data changes have been made prior to their entry of this data into their benchmark databases. Yes ✅ No
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Payroll Diagnostic Tool  

Arthur Andersen Industry Codes  

Core Industry: 103 Educational Services  

Section A. General Information about the Business Entity  

1. What is the total number of all employees (head count) at the business entity?  
   Include both part- and full-time employees in all departments.  
   102,212  

2. What was the total revenue for the business entity for the most recently completed fiscal year?  
   6.9 Billion  

3. How many locations exist for handling payroll?  
   13.88  

Section B. Staff Statistics  

Complete the following questions in terms of full-time equivalents (FTEs). For example, a part-time staff person who works 20 hours per week would be 0.5 FTE; a manager in general accounting who spends one day each week on payroll issues would be 0.2 FTE. Some management time must be specified in order to calculate a leverage ratio. A 'staff person' is defined as someone who does not have supervisory responsibilities.  

<table>
<thead>
<tr>
<th>Mgt./Supervisory</th>
<th>Staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>103</td>
<td>132</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Total number of FTEs, at all locations within the business entity, directly employed by the payroll department.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3524</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Total number of contributor FTEs, at all locations within the business entity, not employed by the payroll department.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3553</td>
</tr>
</tbody>
</table>

Section C. Activities of the Payroll Process  

Specify how your payroll is processed:  

1. Outsourced to a service bureau. Check all that apply.  
   a. Payroll processing.  
      ON  
   b. Payroll tax filing.  
      ON  
   c. Human resources information management.  
      ON  
   d. Unemployment compensation management.  
      ON  
   e. None.  
      ON
Global Best Practices
Payroll Diagnostic Tool

2. Automated in-house system. Check all that apply.
   a. Use vendor (off-the-shelf) software with minor or no modification. ON
   b. Use custom designed software. ON


4. Based on the number of transactions, how are the majority of employee reimbursements paid? Check one.
   a. Through the regular payroll process. Payroll
   b. As a separate A/P check. A/P Check
   c. Other: Other

5. Determine whether each time card reporting/payment activity is handled within the payroll department(s), outside the payroll department(s), or both. Check one for each activity.

<table>
<thead>
<tr>
<th>activity</th>
<th>Within Payroll Department(s)</th>
<th>Outside Payroll Department(s)</th>
<th>Combination</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Time card collection and review.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Time card processing from data entry to generation of check.</td>
<td>Within</td>
<td>Outside</td>
<td>✓</td>
</tr>
<tr>
<td>c. Error correction.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Generation of check or direct payroll deposit/distribution.</td>
<td>Within</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>e. Handling inquiries.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Indicate whether each employee database/payroll change activity is handled within the payroll department(s), outside the payroll department(s), or both. Check one for each activity.

<table>
<thead>
<tr>
<th>activity</th>
<th>Within Payroll Department(s)</th>
<th>Outside Payroll Department(s)</th>
<th>Combination</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Processing of pay-affecting changes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Processing of non-pay-affecting changes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Error correction.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Handling inquiries.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Global Best Practices
Payroll Diagnostic Tool

Section D. Costs of the Payroll Process
For each of the following categories, calculate the total annual cost for the payroll department, including all locations. Do not include one-time, extraordinary expenses.

1. Payroll department direct labor, including wages, overtime, and benefits. 5.6 MIL
2. Contracted services, including temporary and contract employee labor. N/A
3. Operating expenses. This calculation should include supplies, training, and other locally controllable expenses. Do not include rent, depreciation, or allocated overhead expenses. 318,000
4. Service bureau fees, including annual fees and monthly operating charges. N/A

Provide the total cost of data processing department support for the entire payroll department. Include the cost of providing computer processing, software, hardware, and management information services (MIS) to the payroll department. Exclude one-time capital investments for hardware and purchased software.

5. Data processing direct labor associated with payroll department support. This should include wages, overtime, and benefits for systems maintenance and operational/technical support. 2.2 MIL
6. Data processing operating expenses applicable to payroll department support. 95,000
7. Vendor software annual licensing/maintenance costs. 688,000
8. Total payroll department costs, which should be the total of questions 1 through 7. 8.9 MIL

Section E. Processing Statistics
1. Calculate the number of employees paid according to each of the following pay periods:
   a. Weekly. 0
   b. Biweekly. 10,946
   c. Semimonthly. 0
   d. Monthly. 90,266
   e. Total number of employees paid per year. 124,027

2. How many employees have direct deposit? 63,737

3. How many checks, on an annual basis, are processed manually? 7,282
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On average, each month, how many errors are detected in the following areas:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Time card/data preparation errors.</td>
<td>20,184</td>
</tr>
<tr>
<td>5.</td>
<td>Processing errors (exceptions kicked out of the system).</td>
<td>622</td>
</tr>
<tr>
<td>6.</td>
<td>Employee database/payroll change errors.</td>
<td>5,100</td>
</tr>
<tr>
<td>7.</td>
<td>On average, each month, how many employee database/payroll changes are processed?</td>
<td>1,200</td>
</tr>
<tr>
<td>8.</td>
<td>What is the average elapsed time, in working hours, from detection through resolution for payroll processing errors? Include only the number of working hours, 8 hours per day, as elapsed time.</td>
<td>48</td>
</tr>
</tbody>
</table>

Section F. Systems Environment

1. Is your present payroll system integrated with your human resources system?  
   - Yes  
   - No

2. Describe the current time reporting policy. Check one.  
   a. All employees report each pay cycle.  
   b. Some employees report on an exception-only basis, reporting only vacations, sick days, and overtime.  
   c. All employees report on an exception-only basis, reporting only vacations, sick days, and overtime.  

3. Estimate the percentage of total time cards processed. This total should equal 100%.  
   a. Automated system with no employee intervention, using electronic time clocks and time recorders, for example.  
   b. Automated system with some employee intervention, which are entered directly into computer system and entered by phone.  
   c. Manual system.  
   d. Total.
### Appendix R: Additional School District benchmarking data

<table>
<thead>
<tr>
<th>School District</th>
<th>Type of Payroll processing software (&quot;PPS&quot;) currently in use (in-house developed or purchased). Please indicate the modules implemented, if any.</th>
<th>Service provider of outsourced Payroll processing</th>
<th>Type of Time and Attendance software (&quot;TAS&quot;) currently in use (in-house developed or purchased). Please indicate name and version of purchased TAS.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles Unified School District</td>
<td>In-house system.</td>
<td>None</td>
<td>In-house developed.</td>
</tr>
<tr>
<td>Clark County School District</td>
<td>In-house system</td>
<td>None</td>
<td>Purchased for Bus Drivers only (Kronos).</td>
</tr>
<tr>
<td>Dallas Independent School District</td>
<td>Purchased system (Unisys). Modules implemented are Payroll, Human Resources, and Benefits.</td>
<td>None</td>
<td>None in use.</td>
</tr>
<tr>
<td>Denver Public Schools</td>
<td>Purchased system (Lawson Software 7.0.9). Modules implemented are Human Resources, Benefits, and Payroll.</td>
<td>None</td>
<td>None in use.</td>
</tr>
<tr>
<td>Fairfax County Public Schools</td>
<td>Purchased system (COTS Package including Lawson HR, Benefits, Payroll v. 7.1.3 (upgrading to v.7.2.4 in the next 6 - 9 months)).</td>
<td>None</td>
<td>In-house developed.</td>
</tr>
<tr>
<td>Fresno Unified School District</td>
<td>Purchased system (American Management Systems - Advantage HR 23.2). Modules implemented are Payroll, Personnel, and Benefits.</td>
<td>None</td>
<td>In-house is integrated with AMS-HR for subtime only. Name is SEMS.</td>
</tr>
<tr>
<td>Hawaii Department of Education</td>
<td>In-house system that includes a Payroll pre-processing software that feeds into the state Payroll system. There are non-Payroll HR modules in early states of planning and implementation, but there are no near-term plans to include Payroll.</td>
<td>None</td>
<td>In-house developed on-line for hourly and casual employees only.</td>
</tr>
<tr>
<td>Hillsborough County School District</td>
<td>In-house system.</td>
<td>None</td>
<td>In-house developed.</td>
</tr>
<tr>
<td>Houston Independent School District</td>
<td>Purchased system (Peoplesoft v. 7.51). Modules implemented are Payroll, Benefits, Human Resources, Time and Labor.</td>
<td>None</td>
<td>Purchased (Peoplesoft with extensive customization).</td>
</tr>
<tr>
<td>Laguna Beach Unified School District</td>
<td>In-house system.</td>
<td>None</td>
<td>None in use.</td>
</tr>
<tr>
<td>Long Beach Unified School District</td>
<td>In-house system.</td>
<td>None</td>
<td>None in use.</td>
</tr>
<tr>
<td>School District</td>
<td>Type of Payroll processing software (&quot;PPS&quot;) currently in use (in-house developed or purchased). Please indicate the modules implemented, if any.</td>
<td>Service provider of outsourced Payroll processing</td>
<td>Type of Time and Attendance software (&quot;TAS&quot;) currently in use (in-house developed or purchased). Please indicate name and version of purchased TAS.</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>New York City Board of Education</td>
<td>In-house system.</td>
<td></td>
<td>In-house developed.</td>
</tr>
<tr>
<td>Palm Beach County School District</td>
<td>In-house system. Modules implemented include Payroll, Time and Attendance, Human Resources, Benefits, and Personnel Management.</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In-house developed.</td>
</tr>
<tr>
<td>Seattle School District #1</td>
<td>Purchased system (PeopleSoft Ver 7.0). Modules implemented are Payroll, Human Resources, Benefits, and Applicant Tracking.</td>
<td>None</td>
<td>None in use.</td>
</tr>
<tr>
<td>The School Board of Miami-Dade County</td>
<td>Purchased system (MSA (1978 Version) with heavy modifications). Modules implemented are Payroll, Human Resources, and General Ledger interface.</td>
<td>None</td>
<td>None in use.</td>
</tr>
</tbody>
</table>
### Appendix R: Additional School District benchmarking data

<table>
<thead>
<tr>
<th>School District</th>
<th>Type and manufacturer of TAS devices/hardware in use to capture employee hours.</th>
<th>Amount of locations that report time and attendance</th>
<th>Description of Employee Self Service System, if any</th>
<th>Interface between payroll and the general ledger / financial / position control system(s) (Yes or No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles Unified School District</td>
<td>None in use.</td>
<td>1388</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>Clark County School District</td>
<td>Type is OAR/VARS system that was manufactured in house.</td>
<td>Answered question incorrectly</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>Dallas Independent School District</td>
<td>None in use.</td>
<td>250</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Denver Public Schools</td>
<td>None in use.</td>
<td>250</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Fairfax County Public Schools</td>
<td>Computer from paper sheets.</td>
<td>300</td>
<td>Address changes can be done online (Internet based). All other forms are available online for a person to print.</td>
<td>Yes</td>
</tr>
<tr>
<td>Fresno Unified School District</td>
<td>None in use.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hawaii Department of Education</td>
<td>We are planning to use a web-based time entry as the primary input with a simultaneous pilot of badge readers at selected schools that is manufactured by Kronos, Inc.</td>
<td>300</td>
<td>In the planning stage</td>
<td>Yes</td>
</tr>
<tr>
<td>Hillsborough County School District</td>
<td>Type is mainframe on-line data entry screens that prompt data entry for positive and/or negative time reporting depending on the employee's position.</td>
<td>317</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>Houston Independent School District</td>
<td>None in use.</td>
<td>450</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Laguna Beach Unified School District</td>
<td>None in use (only manual input from time sheets and time cards).</td>
<td>140</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Long Beach Unified School District</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Appendix R: Additional School District benchmarking data

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<th>Amount of locations that report time and attendance</th>
<th>Description of Employee Self Service System, if any</th>
<th>Interface between payroll and the general ledger / financial / position control system(s) (Yes or No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City Board of Education</td>
<td>Type is Timecards and machines (manual also). Manufacturer is DK Card Punch Mechanism.</td>
<td>100</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Palm Beach County School District</td>
<td>Type is traditional mainframe/PC connections. All schools and departments are linked to the mainframe where time and attendance are keyed directly into payroll files. Manufacturer is various IBM compatible PCs and linked to an IBM ES9000-9021-821 mainframe processor.</td>
<td>250 schools and departments.</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>School District of Philadelphia</td>
<td>Type is PC Timesheet manufactured by American Management Systems.</td>
<td>350</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Seattle School District #1</td>
<td>None in use.</td>
<td>190</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>The School Board of Miami-Dade County</td>
<td>None in use.</td>
<td>950</td>
<td>None</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Appendix S: Organizational Change Management

Some Potential LAUSD Challenges:

1. A change in technology would require a large population of people to train, including payroll personnel and time and attendance personnel. In addition, there is a potential that all employees will need to have training if an alternative time and attendance solution is selected. For example, a magnetic card system would require training for all employees on the proper use of the system.

2. Payroll, human resources and personnel employees would be required to have more advanced knowledge to operate in an ERP environment.

3. Technical support (approximately 500, 30-50 in payroll)
   - ITD personnel are largely trained on older technology. The personnel must be trained on new technology systems and must accept the new technology.
   - Modernization of LAUSD’s technology with heavy involvement by existing personnel will help mitigate the employees’ feelings of lack of control.

4. Employees are heavily unionized
   - Implementation of the new technology may result in revised user procedures that some employees may be unable to perform due to union restrictions.

Change Management/Organizational Impact

Implementing a new technology will have a large impact on almost all functions of any organization. The size and complexity of LAUSD draw attention to this impact and employees’ reaction to changes are critical.

Top level executive support and sponsorship is essential to the project and must be communicated throughout the organization to obtain employee buy-in and ownership in order to realize the benefits of the proposed solution. Employees must accept and adopt the solution as part of their day to day responsibilities.

LAUSD employees often have long tenures with the district and may be more resistant to change. For this reason, an effective change management strategy is essential to define during a technology implementation. Organizations can create the change it seeks through successfully managing the change process during the implementation as it affects people, processes, strategy and technology, as one, working together.

A Change Management Best Practice will underlie the entire lifecycle of the implementation. Change management is not a stand-alone, disjointed effort. It is a process that is interwoven throughout the entire project. The change activities will be focused on and in alignment with the overall goals of the project and LAUSD leadership. They are designed to instill and transfer the ownership, skills, and knowledge necessary to get people comfortable with the system and maximize the return on the investment in the system.
Risks Without Change Management

One of the most common challenges associated with the implementation of a new technology is peoples’ resistance to change.

Without addressing the change management issue, some potential risks that LAUSD may face include:

- Lack of user acceptance of new technology
- Decline in employee productivity due to low morale and animosity
- Negative attitude toward any future change efforts

Organizations that implement technology without having dedicated people to focus on change management issues and create a change management strategy, often report that the effort is unsuccessful. The following diagram shows how organizations undergoing a technology implementation rate the success of their change efforts when they do not have a change management strategy in place.

Change management approaches are designed to address the issues that cause a change effort to be “not very successful”.

Benefits of Change Management

- Reduced risk associated with transitioning people to the new processes
- Created capacity for future change - change that “sticks”
- Tailored change approach
- Accelerated change process
- Facilitated behavior change
- Transferred knowledge
- Better equipped and more productive workgroups
- More educated and satisfied end users
The Key Elements and Objectives to a Successful Change Management Strategy

There will be organizational and personal transitions during the implementation of new processes, technologies, systems and structures. The following eight best practices and objectives address how these transitions are managed.

<table>
<thead>
<tr>
<th>Change Management Best Practices</th>
<th>Key Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readiness and case for change</td>
<td>Determine organizational readiness and business case for changes</td>
</tr>
<tr>
<td>Shared vision for change</td>
<td>Assess and articulate short-term and long-term vision for change</td>
</tr>
<tr>
<td>Change strategy and structure</td>
<td>Design a change strategy and a tailored change management structure to support it</td>
</tr>
<tr>
<td>Communication strategy</td>
<td>Deploy a two-way, multi-audience communications strategy</td>
</tr>
<tr>
<td>Leadership and stakeholder commitment</td>
<td>Build leadership and stakeholder commitment to the vision and change objectives</td>
</tr>
<tr>
<td>Organizational design and performance management</td>
<td>Align organization design, performance management system, and vision/change objectives</td>
</tr>
<tr>
<td>Individual and team capacity</td>
<td>Implement training systems according to specific job roles and responsibilities to support change</td>
</tr>
<tr>
<td>Culture and change alignment</td>
<td>Align the culture to a shared vision of growth and success</td>
</tr>
</tbody>
</table>

Under the Best Practices methodology, these elements and objectives are used to develop a User Prep Plan; the activities and deliverables that help achieve a successful implementation and transfer new skills and knowledge to the organization.

Change Management Approach

The goals of a change management approach are to:

- Design activities to promote user acceptance, ownership, and participation in both design and use of the new system so the users are willing to learn it and use it effectively
- Give users the knowledge, skills, and training to operate the system effectively
- Facilitate the communication activities needed to enhance understanding of the change
- Guide the transition of the individual and organization from the current state to the future state
Appendix S: Organizational Change Management

The following framework represents the theory, strategies, tools, and tactics underlying a change management approach. The eight best practices are represented in the framework. This methodology will guide the organization to implement lasting change.

The major change deliverables that will be necessary to create during the LAUSD implementation to address the change issues include the following:

- A stakeholder assessment identifies employees impacted by the change and outlines a communication approach for these stakeholders.
- A change readiness assessment analyzes specific challenges of stakeholders and examines change methodologies used in the past.
- The User Prep Plan defines the activities needed to prepare the end users and rest of the organization for change. The User Prep Plan typically includes communication and training strategies, as outlined below:

  **Communication Strategy**

  A typical communication methodology should be tailored to each system implementation engagement. The methodology facilitates the following objectives:
  - Provides stakeholders with the information they need to effectively adopt and own new processes and systems that accompany system implementations.
  - Builds trust by communicating relevant information that employees need to promote buy-in and ownership.
  - Provides two-way communication vehicles so that stakeholders affected by the implementation can be responsible contributors to the success of the project.

LAUSD will need to establish communication links with not only union members and other stakeholders, but also with union leaders. Establishing this communication will help us to confront any union issues early on and avoid any potential complications in the future.
Training Strategy

Like the communication strategy, the training strategy is also highly customized.

With such a large number of end users needing training (anywhere from 3,000 to 60,000 depending on the solutions chosen) at LAUSD, the team will need to brainstorm on creative solutions to make sure they will get what they need before going-live (e.g., address retention of information). A few solutions to decrease costs without sacrificing learning with such a large number of end users include:

- Developing comprehensive training manuals, user procedures, and job aids
- Establishing e-learning avenues (i.e., distance learning, CD ROM, etc.)
- Designing a phased roll-out approach vs. turn-key
- Creating on-line help vehicles
- Implementing a help desk
- Training a select number of users to be experts on the system (often called superusers)