**NINTH SESSION OF THE SUBCOMMITTEE
ON PROGRAM, BUDGET, AND ADMINISTRATION
OF THE EXECUTIVE COMMITTEE**

Washington, D.C., USA, 18-20 March 2015

STATUS OF THE MODERNIZATION OF THE
PASB MANAGEMENT INFORMATION SYSTEM (PMIS)

Introduction

1.   Pursuant to the instructions of the 50th Directing Council of the Pan American Health Organization (PAHO) in 2010, the Pan American Sanitary Bureau (PASB) launched a project to modernize the PASB Management Information System (PMIS). Subsequent progress has been reported to several Governing Bodies meetings.

2.   This report represents the most recent update on the work being done on this project.

Background

3.   The PMIS will play a critical role in providing effective support for delivering technical cooperation to Member States.

4.   The advent of the Global Management System (GSM) of the World Health Organization (WHO) prompted PASB to reexamine its own systems to determine the extent of modernization that would best serve PAHO. In 2009 and 2010, PASB developed guiding principles for modernization; reviewed, improved, and documented its business processes; analyzed numerous options for modernization, including the implementation of the GSM, and the relevant costs of each of these options; and submitted recommendations to PAHO's 50th Directing Council.

5.   In response, the 50th Directing Council adopted Resolution CD50.R10 (2010), Modernization of the PASB Management Information System. This resolution included several key provisions: *a)* approval of the guiding principles for modernization; *b)* authorization to proceed with the adoption of Enterprise Resource Planning (ERP) software, which would be independent of WHO and with limited customization, while remaining aligned with WHO's GSM and responding to all its requirements; and *c)* approval of funding sources.

6.   The scope of the modernization project includes systems that support planning and budget, human resource management, payroll, financial management, and procurement services.

7.   The overall budget for the project, as approved by the 50th Directing Council, was US$ 20.3 million,[1] including $10.0 million funded from the Holding Account.

8.   On 19 February 2013, the PASB Director put the PMIS project under the Office of Administration and identified the Director of Information Technology Services (ITS) as the internal lead for the project. Consequently, the project's governance, management, and charter were revised.

9.   On 25 April 2013, a formal Request for Proposal (RFP) was issued to identify a Tier II[2] ERP software package that would satisfy most of PAHO's business requirements. The project team identified the Workday ERP as the best fit overall as the ERP for the Organization.

10.   PAHO signed the contract with Workday on 30 September 2013, just five months after the RFP was issued. The contract negotiations resulted in better contractual conditions for PAHO and savings, compared to the original quote, of an excess of $900,000 over the duration of the contract.

11.   On 30 October 2013, PAHO signed a contract with Tidemark to provide the planning and budgeting module which will integrate closely with Workday.

12.   Between October and December 2013, PAHO finalized the scope of work of the system integrator, Collaborative Solutions. The contract with Collaborative Solutions was signed on 17 December 2013.

13.   Between October and December 2013, PAHO also engaged in a competitive Request for Proposal for change management services. The winner of the RFP (Cutter Consortium) signed a contract with PAHO on 19 December 2013.

14.   Following a competitive hiring process and an RFP for project management services, PAHO finalized the external project manager contract in early January 2014. The external project manager, who has experience with implementing the Workday ERP software, was hired as of 1 February 2014.

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[1] Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

[2] Tier II ERP vendors sell ERP products and services designed specifically for Tier II (mid-market) companies with annual revenues ranging from $50 million to $1 billion. Tier II companies may have a single facility or multiple facilities. Tier II ERP products generally are of medium complexity: they address all the application needs of a larger company, but with less complex products. Tier II ERP products have a lower cost of ownership than Tier I ERP products, annual fees are lower, and they are easier to implement and support.

15.   Effective 27 January 2014, the Interim Director of Administration appointed PAHO's Chief Accountant as the new PMIS internal project manager.

16.   January 2014 represented the beginning of the implementation of the project. This implementation phase encompasses Human Resources System and Payroll (Phase 1), which will be completed at the beginning of 2015. A second implementation of the finance portion of the system (Phase 2) started in mid-2014 and will be completed at the beginning of 2016. The Tidemark planning and budgeting module will be implemented during 2015. These dates have been adjusted to reflect the additional complexities which the integrators identified during their "discovery phases" regarding the functionalities required for planning, budget, human resources, payroll, and finance in the PMIS.

17.   Phase 1 will replace many of the Human Resources legacy systems such as HR Express, HR Tracking, e-PPES (PAHO's Performance Planning and Evaluation System), and Leave Tracking. Phase 2 will replace the core legacy financial systems: AmpesOmis, AMS/FMS (Award Management System/Financial Management System), FAMIS (Financial Accounting Management Information System), ADPICS (Advance Purchasing Inventory Control System) and SOS (Simplified Online Search). A number of other existing systems will continue to operate outside the scope of PMIS, including e-recruitment, taxes, pension, staff health insurance, and SharePoint.

18.   During the preparation of the PMIS business case, a study of existing business processes identified potential efficiencies which would reduce the number of steps for processes by as much as 26%. These projected efficiencies included a 14% reduction in the number of approval steps currently required to complete the in-scope business processes. This study projected reduction in the number of days required to complete the in-scope business processes by as much as 40%. During the first semester of 2014, an overall assessment of the Organization's information technology identified a number of long-term IT investments required to ensure sustainability of PMIS. These include support for development and implementation of regular software updates of the PMIS modules, ongoing staff training, and continued optimization of business processes.

19.   During January and February 2014, PAHO completed the "plan" phase of the implementation. The following activities characterized this phase of the project:

a)   identification of the PMIS implementation team;

b)   training of the team on Workday (4 weeks, ending 21 February 2014);

c)   finalization of the detailed work plan, training plan, and change management plan.

20.   From 24 February to 28 March 2014 the Phase 1 design sessions were completed on schedule. Staff from human resources, payroll, and the PMIS team, along with PAHO stakeholders and business process owners, participated in these sessions, which were supported by consultants from Collaborative Solutions (PAHO's Implementation Partner).

21.   During April and May 2014, the PMIS team continued working with the consultants from Collaborative Solutions on finalizing the design portion of Workday. In June, PAHO reviewed the solutions proposed by Collaborative Solutions. Throughout August and the beginning of September the testing of the Workday system was conducted.

Update on Progress Achieved

22.   Official training of the staff commenced in November 2014 at Headquarters, starting with training for country office Administrators. Staff training continued through December 2014 and January 2015.

23.   During December 2014 and January 2015 the data and configuration for Phase 1 were loaded and validated in Workday. In early February 2015 the Phase 1 Human Resources and Payroll system will move into live production.

24.   September 2014 represented the start of the design session for Phase 2. These sessions are scheduled to be completed by early February. Staff from Financial Resources Management, General Services Operations, Human Resources Management, Information Technology Services, Procurement and Supply Management, and the PMIS team, along with PAHO stakeholders and business process owners participate in these sessions, which are supported by consultants from Collaborative Solutions.

Action Taken to Reduce Project Risks

25.   During an assessment of current risks to this project, PASB identified the following three major concerns and has taken steps to manage risks in these areas:

a)   *The system must meet PASB's needs:* PASB carefully defined its requirements for the new system and subsequently conducted an extensive evaluation of possible software. In addition, a detailed business case was prepared to clearly articulate the criteria for measuring project success.

b)   *Costs must be controlled:* An important part of minimizing this risk is the use of a fully competitive procurement process for software and for system implementation support services, which together represent a substantial portion of the project budget. PASB also believes that strong project management will help control costs throughout the project.

c)   *Project management must be of the highest quality.* PASB has sought advice from its Audit Committee and has also hired an external project manager who has significant experience in implementing the Workday ERP software, which will contribute to the project adhering to best project management practices.

Budget Projection

26.   Having completed the negotiations for the five significant contracts for the PMIS—Workday (ERP software), Collaborative Solutions (system integrator), Cutter Consortium (change management services), Tidemark (planning and budget module), and the external project manager—the Organization was able to update its projected budget for the implementation of the PASB Management Information System.

27.   The pre-implementation phase of the PMIS, which included the business case for a new ERP, and the vendor selection process resulted in actual costs of $1.7 million.

28.   The implementation phase, which includes the architecture, programming, testing, and deployment of the ERP software, as well as change management to support the very significant corporate changes in every day processes, is projected to cost $18.9 million.

29.   Therefore, the actual pre-implementation costs and the projected implementation cost are forecast to total $20.6 million. The vast majority of ERP implementations experience additional costs related to change orders. Change orders are costs which the Organization identifies during the implementation of the ERP software in order to meet the unexpected but essential requirements for the ERP design. Best practices recommend that an organization budget the cost of change orders as a percentage of the integration costs (25%-35%), which was determined to be $1.9 million for the PMIS.

30.   Thus, the total of the actual pre-implementation costs, the forecasted implementation costs, and the contingency estimates is approximately $22.5 million.

31.   In anticipation of contingency costs incurred during the implementation of PMIS, the Organization requested and received approval from the Governing Bodies for an increase of $2.2 million to cover the projected deficit in the PMIS original budget of $20.3 million. Furthermore, the Organization identified the internal sources of this additional funding as $100,000 from the unspent balance of approved projects from the Holding Account and $2.1 million from the unappropriated balance of IPSAS Surplus. The budget as of 31 December 2014 is shown in the Annex.

Action by the Subcommittee on Program, Budget, and Administration

32.   The Subcommittee is invited to take note of the progress report and offer any comments that it may have.

Annex

Annex

PMIS Budget as of 31 December 2014
(Expressed in US$ millions)

	Actual expenditure from start of project to 31 December 2014	Forecast expenditure from start of project to 31 December 2015
Pre-implementation cost	1.7	1.7
ERP implementation (Workday and Collaborative Solutions integrator)	7.1	8.0
Other		
Change management, training plan, project manager	*2.8*	*2.9*
Staffing (backfill)	*1.2*	*3.4*
Travel, reporting, interfaces, data conversion	*0.2*	*3.5*
Tidemark, cash management, In-Tend	*0.5*	*1.1*
Total Other	4.7	10.9
Subtotal	13.5	20.6
Change orders	0.6	1.9
Total	14.1	22.5

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