53rd DIRECTING COUNCIL

66th SESSION OF THE REGIONAL COMMITTEE OF WHO FOR THE AMERICAS

Washington, D.C., USA, 29 September-3 October 2014

Provisional Agenda Item 5.4

CD53/19
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STATUS OF THE PROJECT FOR THE MODERNIZATION OF THE PASB MANAGEMENT INFORMATION SYSTEM

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.

Progress Update since the 153rd Session of the Executive Committee

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.   Having signed all major contracts for the project, PAHO updated the budget forecast. The revised budget projection can be found in the Annex A.

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

17.   January 2014 represents the beginning of the implementation of the project. The implementation phase is comprised of the roll-out of the Human Resources System and Payroll (Phase 1), which will take place at the end of 2014. A second roll-out of the Finance portion of the system (Phase 2) will start mid-2014 and be completed by the end of 2015. The Tidemark planning and budgeting module will be implemented during 2014 and into 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.

18.   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.

19.   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 the PMIS system. These include support for development and implementation of regular software updates of the PMIS modules, ongoing staff training, and continued optimization of business processes.

20.   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.

21.   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).

22.   During April and May, 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 would be conducted.

23.   Official training of the staff will commence in November at Headquarters, starting with training for country office Administrators. Staff training will continue through December.

Risk Management

24.   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

25.   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.

26.   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.

27.   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.

28.   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.

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

30.   In anticipation of contingency costs incurred during the implementation of PMIS, the Organization is requesting 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 has 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, as shown in Annex B. The budget projection as of 15 April 2014 is shown in Annex A.

Action by the Directing Council

31.   The Directing Council is invited to review the information presented herein and to consider approving the proposed resolution in Annex C.

Annexes

Annex A

Budget Projection as of 15 April 2014
(Expressed in thousands US$)

Pre-implementation	Pre-implementation costs including vendor selection process, business case, etc.	**1,701**
ERP Implementation		
	Workday and System Integrators	7,973
	Tidemark (Planning and Budget); In-Tend (Procurement); and Treasury Software	1,097
	Change Management, Training Plan, Project Manager	2,888
	Human Resources (Staffing and Back-Filling of Posts)	3,381
	Travel, Reporting, Interfaces, Data Conversion	3,558
	Sub-total for Implementation Costs	**18,897**
	Total for Pre-Implementation and Implementation Costs	**20,598**
Estimates for Contingencies		
	Estimated Costs for Change Order Requests to Original Contracts	1,905
	Sub-total for Implementation Contingencies	**1,905**
Total Budget Projection with Contingencies	**Pre-implementation Costs, Implementation Costs, and Estimates for Contingencies**	**22,503**

Annex B

Funding Proposals and Potential Sources of Funds

Fund	Funding Status	Funding Requirements US$ millions	Potential Source(s) of Funding	Funding Allocated/ Proposed for Allocation	Funding Recommended in Future
Working Capital Fund	Current balance is $15.9 million, which is **4.1 million** below current authorized ceiling of $20.0 million.	$4.1 million	Funding provided from the repayment of the $10 million PAHO loan to the Revolving Fund for Vaccine Procurement	$4.1 million	N/A
	Proposal to increase authorized ceiling by **5.0 million** to $25.0 million.	$5.0 million (to reach assumed $25 million ceiling)	Budgetary surplus when available and after funding the Master Capital Investment Fund Revenue surplus when available	N/A	$5.0 million
PASB Management Information System (PMIS)	The current forecast of the budgetary requirements for the PMIS show a **potential $2.2 million deficit**. The actual deficit will depend on unbudgeted but necessary costs associated with implementing the PASB Management Information System (PMIS).	**$2.2 million current forecasted budgetary deficit**	Unspent balance of approved, completed projects from the Holding Account	$0.1 million	N/A
			Funding provided from the unappropriated balance of the International Public Sector Accounting Standards (IPSAS) surplus	$2.1 million	TBD
TOTAL REQUIREMENTS				**$6.3 million**	TBD (Dependent on PMIS requirements)
AVAILABLE SOURCES					
Unappropriated Balance of IPSAS Surplus				$4.4 million	
Unspent Balance of Projects Approved in the Holding Fund				$0.1 million	
Reimbursement of PAHO Loan to the Revolving Fund for Vaccine Procurement				$10.0 million	
TOTAL AVAILABLE SOURCES				$14.5 million	

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PROPOSED RESOLUTION

STATUS OF THE PROJECT FOR THE MODERNIZATION OF THE PASB MANAGEMENT INFORMATION SYSTEM

THE 53rd DIRECTING COUNCIL,

Having considered the report of the Director *Status of the Project for the Modernization of the PASB Management Information System* (Document CD53/19);

Having considered the recommendation of the Executive Committee concerning the funding needs for the modernization of the PASB Management Information Systems (PMIS) in anticipation of contingency costs incurred during implementation to meet the unexpected but essential requirements for the ERP design,

RESOLVES:

1.   To approve an increase in the authorized budget for the modernization of the PMIS from US$ 20.3 million[1] to $22.5 million.

2.   To authorize the Director to finance the projected $2.2 million deficit in the authorized budget for the modernization of the PMIS as follows:

a)   unspent balance of approved projects from the Holding Account: $100,000,

b)   funding from the unappropriated balance of IPSAS Surplus: $2,100,000.

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Report on the Financial and Administrative Implications
of the Proposed Resolution for PASB

1. **Agenda item:** 5.4 – Status of the Project for the Modernization of the PASB Management Information System

2. **Linkage to Program and Budget 2014-2015:**

    a) **Category:** 6, Corporate Services/Enabling Functions

    b) **Program areas and outcomes:**

        6.4 Management and Administration. OCM 6.4 Effective management and administration across the three levels of the Organization.

3. **Financial implications:**

    a) **Total estimated cost for implementation over the lifecycle of the resolution (estimated to the nearest US$ 10,000, including staff and activities):**

        $22.5 million.

    b) **Estimated cost for the 2014-2015 biennium (estimated to the nearest US$ 10,000, including staff and activities):**

        $22.5 million.

    c) **Of the estimated cost noted in *b),* what can be subsumed under existing programmed activities?**

        $20.3 million.

4. **Administrative implications:**

    a) **Indicate the levels of the Organization at which the work will be undertaken:**

        Office of the Director of Administration (AM).

    b) **Additional staffing requirements (indicate additional required staff full-time equivalents, noting necessary skills profile):**

        Current PMIS team has 13 full-time employees (FTE). Other staff members participate on an as needed basis.

    c) **Time frames (indicate broad time frames for the implementation and evaluation):**

        The project ends on 31 December, 2015

ANALYTICAL FORM TO LINK AGENDA ITEM WITH ORGANIZATIONAL MANDATES
1. Agenda item: 5.4 - Status of the Project for the Modernization of the PASB Management Information System
2. Responsible unit: Director of Administration/PASB Management Information Systems (AM/PMIS)
3. Preparing officer: Mr. Ricardo de la Torre
4. List of collaborating centers and national institutions linked to this Agenda item: Not applicable.
5. Link between Agenda item and Health Agenda for the Americas 2008-2017: Not applicable.
6. Link between Agenda item and the PAHO Strategic Plan 2014-2019: **Category 6** - Corporate Services/Enabling Functions. Fostering and implementing the organizational leadership and corporate services that are required to maintain the integrity and efficient functioning of the Organization, enabling it to deliver effectively on its mandates.
7. Best practices in this area and examples from countries within the Region of the Americas: Not applicable.
8. Financial implications of this Agenda item: Approved budget is $20.3 million. An additional $2.2 million are requested for approval.

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