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April 19, 2007

Mrs. Sharon Swan, C.P.M.
Director of Purchasing
School District of Palm Beach, Florida
3300 Forest Hill Blvd.
West Palm Beach, Florida 33406

Dear Mrs. Swan,

Thank you for the opportunity to meet with you and discuss the School District of Palm Beach's issues regarding contract pay. The attached report is Metaformers' assessment of the issue.

The report documents our analysis, findings, and recommendations from the work performed by Metaformers while on-site earlier this month.

Please do not hesitate to contact me at 703.288.4620 (Office) or 703-919-0967 (Cell) to discuss any related matter.

My Best Regards,

Ed Bouryng
President, Metaformers, Inc.

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Executive Summary

The School District of Palm Beach County (the District) oversees 165 schools and approximately 30,000 faculty and staff in Palm Beach County, Florida. The schools in the District educate over 173,000 students in grades K-12 and comprise the 11th-largest school District in the U.S. The District implemented PeopleSoft HCM and Financials in July 2006. This was the first off the shelf ERP product at the District and replaced custom mainframe applications designed and developed in-house by the District.

The District has encountered and resolved numerous HCM issues since going live in July 2006. One significant outstanding HCM issue relates to teacher and assistant principal contract pay. Oracle has a long history of involving Metaformers on critical initiatives with their government solutions and with their government clients and Oracle recommended Metaformers to the District to support the District's efforts relative to this significant issue. The root of this problem is the complex business scenarios relating to teacher and assistant principal pay that are an everyday part of the District's normal daily operations. The volume and complexity of teacher movement into, out of, and among positions and other business scenarios impacting contract pay has proven to be a bad fit to PeopleSoft's Contract Pay functionality. Essentially, there is a gap between District need and the current use of the PeopleSoft solution. Based on our review, including discussions with project team members, the following six scenarios are the leading causes of the gap between the District need and the PeopleSoft Contract Pay functionality:

1. Contract employees holds two ½ time (.5 FTE) jobs simultaneously
2. Contract employees who begin work after the contract begin date
3. Contract employees who have multiple salary changes in the year
4. Contract employees who return from Leave
5. Contract employees who switch from full-time to part-time
6. Contract employees who switch from part-time to full-time

The District is currently considering the resolution of this gap and has asked Metaformers to conduct an assessment of the District business need and the capability of the PeopleSoft solution to meet that need using delivered Contract Pay functionality or using other delivered PeopleSoft HCM functionality. In each of the above scenarios, contract employees may be incorrectly paid. Some of the over- and under-payments are small and manageable, while other overpayments are large. It is time-consuming, difficult, and costly to recover these overpayments. For these reasons Metaformers believes that the PeopleSoft Contract Pay solution is not the best fit for the District's teacher/assistant principal contract pay business process. Further, Metaformers believes that other delivered functionality within PeopleSoft HCM is better aligned with the District's teacher/assistant contract pay business requirements. Configuring the system to pay teachers and assistant principals with a bi-weekly pay frequency, bypassing any contract pay setup, will result in a simpler, more accurate, and more reliable solution. This configuration will eliminate incidents of gross overpayments on retroactive job actions and multiple retroactive job actions, both of which are typical business scenarios at the District. In addition to the new configuration, modifications are required to calculate pay due when a teacher or assistant principal begins work after the contract begin date, terminates before the end date of the contract, or has a leave of absence that affects their duty days worked.

The District has gained significant momentum with their PeopleSoft HCM solution. Critical Production issues have been resolved, employees are being paid in a timely manner, and the District's staff has gained valuable knowledge of the use of the system. The District's team is committed and capable and the PeopleSoft solution purchased by the District is, in our opinion, the best possible solution for a government

customer such as the District. The top priority issue of Teacher's Contract Pay is resolvable through better alignment of the PeopleSoft solution and the District's business need. Metaformers stands ready to provide the expertise to enable the successful implementation of these features within the District's tight timeline

Analysis of Issue

Metaformers analyzed the District's contract pay issue, which negatively impacts payroll processing for the District's teachers and assistant principals. Our analysis included interviews with key team members, participating in a design session with the contract pay task force, and a review of the District's current HCM configuration as it relates to contract pay.

The following six scenarios cause the majority of the contract pay issues the District faces:

1. Contract employees who hold two ½ time (.5 FTE) jobs simultaneously
2. Contract employees who begin work after the contract begin date
3. Contract employees who have multiple retroactive salary changes in the year
4. Contract employees who return from Leave of Absence (LOA)
5. Contract employees who switch from full-time to part-time
6. Contract employees who switch from part-time to full-time

The District also implemented a modification that automated part of the contract pay processing during job actions. This modification worked well for the majority of employees but did not work well for a portion of employees and contributed to problems with paying contract employees correctly. The District turned this modification off in the system and now enters all contract pay information manually.

The District conducted a design session April 10th, 2007 with the contract pay task force. The group was positive, knowledgeable and proactive in providing candid input in helping to design the solution. The District is creating a general design document to capture and communicate the solution discussed at the meeting.

Metaformers agrees with the decisions made by the task force in resolving this issue. These decisions include:

- Hiring teachers and assistant principals in a manner similar to the rest of the staff – setting the pay frequency for teachers and assistant principals to “biweekly” instead of “contract pay” – bypassing contract pay setup and functionality completely.
- Using a pay frequency on the compensation page of 22 or 26 biweekly periods.
- “Smoothing” pay for the last 4 pay periods of the contract year. A program will be developed to calculate duty days, ENP, PNE, total paid and total owed, divide the remaining pay owed by 4 and then insert these amounts into additional pay in payroll, reducing manual processing. Part of the code required to create this SQR already exists.
- A new “Employee Balance of Payment” page (containing some of the information on “Maury’s page”) will be created. This page will be simple enough that a casual user or employee will be able to understand how his/her pay is calculated. A separate page containing extensive detail will be created for payroll and other power users.

- A link to the “Employee Balance of Payment” page may be added to the Compensation page in the JOB component. Separate navigation will be provided for those employees who do not have access to the JOB – Compensation page.
- The first check of the year will be a full bi-weekly pay, whether the full pay period is worked or whether the employee is new to the District or not. This is a change from previous years.
- Thorough testing of retroactive teacher/assistant principal pay.

Metaformers reviewed key configuration tables in HCM to gain an understanding of how the system is used by the District and validate that non-contract pay configuration is not causing the District’s problems. The contract pay problem does not appear to be related to the District’s configuration.

Recommendations

Metaformers makes the following recommendations with regard to the PeopleSoft HCM solution at the Palm Beach School District.

The District should discontinue use of contract pay functionality in PeopleSoft HCM for paying teachers and assistant principals. The contract pay task force has begun designing a solution to eliminate overpayments to teachers and assistant principals using contract pay functionality.

Metaformers concluded that using contract pay functionality is not the best solution for paying the District’s teachers and assistant principals for the following reasons:

1. The District’s complex business scenarios are not typical of business scenarios of typical contract pay employees at other organizations. The amount of movement into and out of contracted positions and the likelihood of multiple retroactive job actions is not an ideal fit for the functionality provided by contract pay.
2. District users are not computer experts and require solutions that are easy to accurately utilize.
3. The hire and pay business processes the HR and Payroll departments will use to hire and pay teachers and assistant principals will more closely mirror the hire and pay processing for other District employees, making it easier to train and support and simpler overall.
4. Users’ negative opinion of contract pay will be hard to overcome. Using different functionality will provide the HR and Payroll departments, as well as the PeopleSoft system, a “fresh start”.

In various meetings, District staff identified these critical requirements for any resolution to the contract pay issue:

1. Full annual salary must display on the Compensation tab on Job data – even when the employee only works a portion of the contract period.
2. Pay is adjusted for LOA situations.
3. Teachers and assistant principals are paid on an exception-only basis.
4. Flexibility is needed to pay employees before they begin working (this year, work begins Aug 15th, but the District may have to pay teachers for the first two weeks of August as well). This additional 2 weeks will still be included in the 26 equal pays.

The design conceived by the task force is a better fit with the District's business requirements for the following reasons:

- The CTA would like teacher/assistant principal pay to be as consistent as possible, without a great deal of fluctuation. Using a biweekly frequency (instead of contract pay) provides this result.
- Since it is more straightforward, there are less decisions to be made by the HR technicians and fewer points of possible failure in the new business process.
- The new hire business process for teachers/assistant principals is similar to the business process used for almost all other District employees. HR staff will only require a small amount of 'delta' training to be able to effectively support the process.
- Retroactive pays will function much better using the biweekly pay frequency instead of contract pay. This should reduce or eliminate the number of large overpayments.

During our analysis, Metaformers discovered other areas in which the District can make positive changes and have the following recommendations:

- The District needs to deploy an effective strategy for applying PeopleSoft maintenance bundles. The current process of applying small portions of bundles through SQL updates increases risk and maintenance. In addition, these ad-hoc fixes create additional work for the District, as they may need to be removed to successfully apply current and subsequent bundles. Support provided by PeopleSoft GSC is more difficult due to the District's "unique" patch/bundle environment. The level of support if full bundles are applied will be of better quality due to environment standardization. Furthermore, by not applying PeopleSoft maintenance bundles in a timely manner, the District is not taking advantage of software fixes that could positively impact their operations.
- The District should create a lessons learned document based on the PeopleSoft HCM implementation that has been live since July 2006. The District learned many lessons during the initial implementation, go-live and production support. These lessons should be documented so that the District can benefit from this past experience in future implementations.
- Users feel the current District payroll documentation is too technical and not written to the perspective of payroll users. Functional payroll end-user documentation should be developed and distributed to payroll technicians. The new documentation should include error-handling procedures that are first tested and validated in a non-production environment.

Conclusion

Metaformers is pleased to offer our assistance to the Palm Beach District Schools with regards to its teacher/assistant principal contract pay issues. The District has begun designing a new process to pay teachers and assistant principals without using the delivered Contract Pay functionality in PeopleSoft. Metaformers agrees with this direction of the new business process, which will simplify new hire entry,

eliminate the current issues with overpayment caused by multiple retroactive pays, and will help smooth the pay of teacher and assistant principals throughout the year.

Since the new business process and configuration needs to be in place by early July, the District needs to act quickly to provide ample time for testing all facets of this important functionality. Metaformers notes that the “Late Start/Early Term” program will not impact the District until at least the beginning of the school year.

Metaformers looks forward to helping the District successfully implement the pay solution for its teachers and assistant principals.