

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

DISCUSSION ITEM

For Meeting of January 16, 2019

UCPATH UPDATE

EXECUTIVE SUMMARY

This update focuses on UCPATH operations and provides an update on student pay issues that have surfaced with UCPATH deployment, including underlying causes, actions taken, and upcoming steps and challenges. The report also includes a brief update on the UCPATH deployment schedule and implementation costs. The project is scheduled to complete deployment in December 2019 and remains within budget.

BACKGROUND

The term UCPATH contains an acronym of its core service components – payroll, academic personnel, timekeeping,¹ and human resources. UCPATH replaces UC's 35 year-old legacy payroll system (PPS), which is at risk of payroll failure and does not meet UC's business needs. UCPATH provides a common administrative platform, shared services model, and consistent business practices. With modern technology, UCPATH improves the quality of employee, job, and payroll data and supports UC's complex and diverse workforce.

Furthermore, the strategic value of the UCPATH implementation goes beyond transforming payroll, human resources, and benefit services. In addition to upgrading supporting technology, UCPATH introduces a shared services framework, providing a foundation for future services that will drive additional operational efficiencies and contain administrative costs.

The UCPATH Center has evolved from a conceptual blueprint to a vital systemwide operation, and varied campus human resources and payroll business processes are similarly evolving into common practices that leverage UCPATH technology. UCPATH deployment is approaching the end of Pilot deployment, prolonged with UCLA's deferral from the January 2018 deployment at UC Merced, UC Riverside, and the Associated Students UCLA (ASUCLA). UCLA and UC Santa Barbara deployment followed in September 2018. With Pilot deployment, UC successfully implemented new UCPATH functionality that supports its academic and health system employees and a new user interface that benefits all employees.

¹ Planned as a next phase of the project

STUDENT PAY IMPACTS

As a significant business transformation, UCPATH deployment is disruptive, especially in the stabilization period immediately following cutover. Much of the disruption is a consequence of the deployment process, but some unintended impacts are also typical and expected, and multiple teams are assigned to identify and resolve problems as soon as possible. They give immediate priority to any issue that affects employee pay.

Causes

Of the student pay errors following UCPATH deployment at ASUCLA, UC Merced, and UC Riverside in January 2018, 80 percent were caused by 12 system defects that were immediately corrected once discovered. Unfortunately, these defects disproportionately affected the pay of one of UC's most vulnerable employee populations, student employees, for whom small pay inaccuracies can pose significant hardship. The remaining pay issues resulted from campus and UCPATH Center process and data errors.

In September 2018, UC completed the Pilot phase of work with UCPATH deployment at UCLA and UC Santa Barbara while also increasing the scale of UCPATH from 16,000 to 77,000 employees. While defects no longer contributed to student pay errors, the scale and complexity of this deployment resulted in student pay issues at UCLA and UC Santa Barbara. However, the percentage of students affected by pay errors was lower than that following deployment at ASUCLA, UC Merced, and UC Riverside.

The intricacies of student pay are a significant contributing factor to pay issues due to multiple appointments, multiple pay sources, and frequent funding and job changes.

The UCPATH system is designed to be compliant with government and policy requirements. The system is also designed to precisely calculate pay and benefits eligibility. As a result, accurate and timely data inputs are critical for accurate pay. The combination of student pay complexity and need for accurate and timely data, coupled with the learning curve for UCPATH system and process changes resulted in additional pay errors. For example:

- Late or missing campus time files can result in late or missing pay
- Variation from established processes or sequence can result in inaccurate benefits eligibility, underpayments, overpayments and/or loss of benefits
- Inaccurate or obsolete home addresses result in delayed or lost paychecks for employees without direct deposit
- As large numbers of campus users learn to use the UCPATH system, data errors can result in pay and other errors.
- In a large, decentralized campus, students and department employees did not always know how to get help with pay issues, which delayed resolution and sometimes compounded employee impacts and the extent of the underlying problem.

Corrective and Preventive Actions

With every payroll, UCPATH Center staff tests for potential issues and implements corrective actions to resolve pay issues as quickly as possible and follow with preventive actions to minimize recurrence.

When errors surface after a payroll run, the UCPATH Center staff respond by:

- Determining the cause of the error and identifying the appropriate correction
- Correcting pay with daily off-cycle payrolls
- Issuing instant pay cards, subject to union restrictions
- Issuing same-day checks via campus accounts payable in urgent situations
- Implementing 24-hour electronic payments for students enrolled in direct deposit
- Sending checks via overnight delivery for students who do not use direct deposit

In addition, the UCPATH Center staff has implemented several preventive measures:

- Created detailed reports for campus review before paychecks are final
- Assigned UCPATH Center employees to provide additional training and support on campus during the stabilization period
- Partnered with UCLA to temporarily transfer initial contact for UCLA pay issues to UCLA staff
- Partnered with graduate and undergraduate student associations to learn from their perspectives and collaborate on student employee communications
- Developed communication resources for distribution to student employees
- Created a “student fast lane” for immediate pay corrections
- Created a special unit within the UCPATH Center to address high-priority pay issues

UCPATH-Campus Partnership

Accurate employee pay is the result of an effective partnership between the UCPATH Center and each location. As each UC location progresses with UCPATH deployment and business transformation, there will be challenges as they navigate through the learning curve. The transformation is already resulting in added pay precision, improved regulatory and policy compliance, and a foundation of collaboration and communication.

DEPLOYMENT SCHEDULE AND STATUS

Deployment Schedule

The next deployment group consists of four locations planned for production in March 2019, as shown in Table 1 below. The final six locations will deploy UCPATH in December 2019. This schedule reflects two changes from the previous schedule, approved by UCPATH governance in December 2018. First, UCPATH governance unanimously approved reducing the size of the March 2019 deployment to mitigate risks associated with known conversion defects and other

factors. As a result, UC Irvine agreed to postpone deployment in March and deploy by December 2019. In addition, UCPATH governance approved a three-month shift in the final deployment, from September 2019 to December 2019 to reduce the amount of overlapping work between the two deployments.

UCPATH governance will continue to leverage the program’s implementation readiness methodology at multiple checkpoints for both upcoming deployments. In addition, the UCPATH Center will identify additional readiness measures to ensure it is able to successfully serve additional employees with each deployment.

Next Deployment

The next UCPATH deployment will take place in March 2019 and includes UC Agriculture and Natural Resources (ANR), UC Berkeley, and UC Davis. With this deployment, the UCPATH Project Management Office will introduce two optional modules to support recruitment and performance management. Project teams are engaged in testing through mid-February. Employee training and communications are in progress, and location teams are working with the UCPATH Center to align business processes for UCPATH operation. Stakeholders are evaluating implementation readiness in a series of checkpoints, leading to go/no-go decisions in February.

Final Deployment

The final deployment is planned for December 2019 with UC Irvine, UC San Diego, UC San Francisco, UC Santa Cruz, UC Hastings College of the Law, and Lawrence Berkeley National Laboratory (LBNL). These project teams are working on interface development and process design activities in preparation to start testing in May 2019.

Table 1: Remaining UCPATH Deployments

| Remaining Locations | | Scheduled Deployment | Cumulative Employees |
|----------------------------|---------------|-----------------------------|-----------------------------|
| Next Deployment | UC Davis | March 2019 | 135,000 |
| | UC Berkeley | | |
| | UC ANR | | |
| Final Deployment | UC Irvine | December 2019 | 229,000 |
| | UC San Diego | | |
| | UCSF | | |
| | UC Santa Cruz | | |
| | LBNL | | |
| | UC Hastings | | |

BUDGET

Financial Forecast

In the last report to this Committee in November 2018, implementation costs were reported at \$547 million, including a contingency of \$18.7 million. The three-month schedule change for the final deployment will absorb almost all of the contingency. Still, the total forecast remains the same, as shown below in Table 2.

Table 2: UCPath Implementation Costs

| Forecast (in \$ millions) | Previous | Current |
|----------------------------------|-----------------|----------------|
| Implementation Costs | 528.5 | 545.7 |
| Contingency | 18.7 | 1.5 |
| Total | 547.2 | 547.2 |

Table 3 below shows actual project costs through June 2018 and forecast costs for FY 2019 and FY 2020, in addition to campus implementation costs. Project office costs are funded by campus assessments. Campus costs are as of January 2018 and net of reimbursement from project funds.

Table 3: UCPath Capital Costs

| (in \$ millions) | Actuals | Forecast | | Total |
|----------------------------------|----------------|-----------------|----------------|--------------|
| | | FY 2019 | FY 2020 | |
| Project Office Costs | 456.1 | 57.2 | 33.9 | 547.2 |
| Campus Costs (as of 8/18) | 120.8 | 70.2 | 23.3 | 214.3 |

Key to Acronyms

| | |
|------|--|
| ANR | Agriculture and Natural Resources |
| HR | Human Resources |
| LBNL | Lawrence Berkeley National Laboratory |
| PMO | Project Management Office |
| PPS | Payroll Personnel System |
| UCLA | University of California, Los Angeles |
| UCOP | University of California Office of the President |