

**Office of State Human Resources**

**ROY COOPER**  
*Governor*

**BARBARA GIBSON**  
*Director, State Human Resources*

**MEMORANDUM**

**TO:** Joint Legislative Oversight Committee on General Government, N.C. General Assembly  
Fiscal Research Division, N.C. General Assembly  
**FROM:** Lockhart Taylor, Legislative Affairs Director, Office of State Human Resources  
**DATE:** December 29, 2023  
**RE:** Quarterly Report on the Status of the Human Capital Resource Management Project

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In accordance with the provisions contained in Section 29A.1A.(b) of S.L. 2023-134, the Office of State Human Resources (OSHR) submits the following report on the status of the Human Capital Resource Management project as of January 1, 2024.

In April 2023, OSHR provided a project overview document to the House and Senate Appropriations Chairs as well as Chairs of the House Appropriations Committee on General Government and Senate Appropriations Committee on General Government and Technology (attachment 1). This document detailed the business need, scope, and the strategic objectives of the project.

OSHR worked with agencies across the State to understand the challenges agencies were facing with their software solutions impacting recruitment, retention, and employee onboarding. Beginning in 2019 with a public Request for Information (RFI) directed to vendors, OSHR has worked with stakeholders, including the Office of State Controller (OSC), the Department of Information Technology (DIT), and Cabinet and Council of State agencies, to gather requirements. Those requirement discussions continue through today. In 2023, OSHR developed a Request for Proposal (RFP). Many of the specifications in this RFP come directly out of the conversations with other agencies about their needs. OSHR continues to work with its stakeholders, including OSC, which provided comments to OSHR on December 13, 2023, that OSHR plans to fully incorporate in the final RFP solicitation.

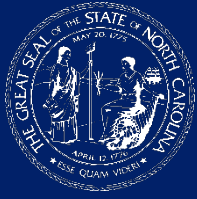
Due to the inadequacies of the multiple Human Resources systems in place, and the pent up demand within agencies for alternate solutions to streamline the employee experience and provide robust, consistent reporting, many stakeholders have embarked on a piecemeal approach to meet their business needs. The challenges have grown, the labor market remains tight, and it is clear that current technology must be upgraded to competitively recruit. The State needs a modern, comprehensive Human Capital Management (HCM) system, or the State will continue to struggle to fill vacancies and retain its workforce. Thus, OSHR is embarking on a process to procure a Statewide system, rather than duplicative piecemeal systems at different agencies, and to prioritize agencies' greatest needs in determining which components of that system will be ready first. While procuring the rights to license a complete enterprise HCM solution over time, OSHR will utilize the initial phase of the Project to

implement Recruitment/Applicant Tracking and Onboarding/Offboarding (including the HR processes, forms, and workflow required to operate these components). This approach would ensure efficiency with the allotted funding for both licensing costs and implementation. In August 2023, we provided Chairs in the House and Senate an addendum to the April document detailing the change in the initial phase of the project (attachment 2).

As mentioned above, OSHR has drafted an RFP, working closely with staff at OSC, DIT, and many agencies across the State. OSHR submitted the draft RFP for DIT review on November 22, 2023. The draft RFP is now in Stage 4 of the NCDIT procurement process: awaiting approval of the solicitation document and sourcing event. Within Stage 4 of the process, this document has been approved by the Enterprise Project Management Office, the Enterprise Statewide Risk Management Office, and the Enterprise Architecture team. It is now with the Statewide IT Procurement Reviewer and will come back for final alterations before going to legal review. Barring any concerns, we expect to release the RFP in the first quarter of 2024.

OSHR staff would welcome the opportunity to meet with the Chairs of the Joint Legislative Oversight Committee on General Government, or their designees, to answer any questions at any time. We met with Katherine Tamer and Aaron Cornell from Fiscal Research on November 20, 2023, and we appreciate them making time for that meeting. We are confident you will find that this project to procure a comprehensive HR solution will align with other Statewide initiatives, while being fiscally responsible to the taxpayers of our State.

## Attachment 1



# Office of State Human Resources

## HR Digital Transformation Project

### Business Need

OSHR has requested funding in this FY23-25 biennium for an HR digital transformation project. The objective of the HR digital transformation initiative is to solve for the complex architecture we have acquired as the result of multiple product implementations over time. This has resulted in a disjointed HR 'system of record' with interfaces going into and out of multiple enterprise-wide applications as well as the shadow IT applications which have been adopted in other agencies. The SAP infrastructure, which is the core of the State's Human Capital Management (HCM) system, was released in 2005. The State went live on ERP Central Component (ECC) 6.0 in 2008. The last major release of the product was enhancement pack 8, in 2016, which the State is currently utilizing. In early 2020, SAP announced that mainstream maintenance for ECC 6.0 would conclude at the end of 2027, though premium maintenance would be available for three additional years while customers implement alternative solutions. SAP is encouraging its ECC 6.0 customers to move to SAP S/4 HANA. At this time, SAP continues to provide security and regulatory updates to ensure the applications remain supported and compliant; however, SAP is no longer providing any HR-related functional enhancements.

Procurement of a new Human Capital Management (HCM) system would be done through a competitive RFP as part of the State's IT Infrastructure update initiatives. The objective is to replace the existing disparate systems supporting OSHR with a single integrated solution (or as few solutions as possible); thus, eliminating the need for multiple vendor contracts and licensing agreements.

### Scope

A new HCM system would include components such as Organizational Management, Personnel Management, Position Management, Classification & Compensation, Benefits Administration, Time and Labor, Absence Management, Recruitment/Applicant Tracking, Onboarding/Offboarding, Learning Management, Performance Management, and Workforce Planning. The solution should also include EEO, Health & Safety, Grievance Tracking and Organization Charting capabilities, along with Employee and Manager Self-Service (ESS/MSS). The platform must also include Business Analytics & Reporting, Mobility, Social Collaboration, and Artificial Intelligence while ensuring security, compliance and integration to the State's other enterprise solutions as designated.

*Note: This recommendation includes the assumption that the new HCM Solution will be interfaced to the State's SAP payroll solution as designated by The Office of the State Controller (OSC). The State's Payroll system will be interfaced to Oracle Financials later this year.*

### Strategic Objectives

- ✦ Eliminate Shadow Systems in multiple agencies, reducing technical debt across the state
- ✦ Provide data analytics and insights for more informed decision-making
- ✦ Deliver a common, consistent, intuitive user interface across all integrated HR functional modules
- ✦ Provide ability to configure new business requirements with more agility and less complexity
- ✦ Reduce business process cycle times, which could be achieved in a wide variety of cases through built-in automated workflow technology, robotic process automation (RPA) and artificial intelligence (AI). These features are offered by most cloud-based HCM solutions today
- ✦ Replace at least 5 current systems with a new Human Capital Management system of record
- ✦ Secure, built-in integrations providing a single source of truth
- ✦ Increased functionality to support a contingent workforce (Temporary Solutions)

### Funding

[The Governor's proposed budget](#), includes IT reserves of an additional \$180 million for critical replacement IT projects - chiefly ERP 2.0 composed of human capital management, budget, and grants management, as well as a timely replacement of the state's tax administration system. This budget Fully funds the replacement of the State's Human Capital Management System. Funds for this project are provided in the Information Technology Project Reserve and will be allocated to the department over the life of the project. Funds shall be allocated based on documented needs. Funds transferred to the Information Technology Reserve are appropriated in the year in which they are transferred. This project is not currently included in [House Bill 259, 2023 Appropriations Act](#), released on March 29, 2023.

### Procurement

OSHR would like to condense the RFP process by combining the request for software solution and integrator into a single RFP; however, allowing vendors to submit bids with multiple system integrators. This will position OSHR to choose the best combination of integrator and software for the State.

### Governance

The established [ERP 2.0 Oversight Committee](#) shall be responsible for the initiative identified as part of ERP 2.0 and shall consist of the following members: the State Chief Information Officer (CIO), the State Budget Director, the State Controller and the Director of State Human Resources. A Steering Committee will also be established to consist of the agency head, or agency head designees, of the agency or agencies responsible for the project, along with key stakeholders impacted by the projects, a representative from the Office of State Budget Management, and a representative from the Department of Information Technology.

### Timeline - Proposed

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|---|------|
| • Pre-Implementation activities – Finalize Requirements and vendor demo scenarios, Establish RFP Evaluation Criteria and Assumptions, Begin RFP Development and Funding Request | FY23 |
| • Complete Development of Solution/Systems Integrator RFP, Execute RFP Process; Evaluate Solution Gaps; and Execute Contract(s)   | FY24 |
| • Implementation Underway; Organizational Change Management Begins  | FY25 |
| • Implementation Continues; Go-Live Targeted for June 30, 2026  | FY26 |
| • Post-Go-Live Stability – 6 months   | FY27 |

Questions?

Contact Lockhart Taylor, OSHR Legislative Services, at 984-236-0806



# Office of State Human Resources

## HR Digital Transformation Project

### Current & Future Investment

Since 2019, the State Office of State Human Resources has made a significant investment in evaluating and documenting HR functional requirements, evaluating product solutions, preparing the requirement traceability matrix and demo scripts, as well as beginning development of an RFP. The systems in consideration as part of the HCM solution were procured between 2008 and 2014, and some of those systems have received IT exceptions to extend the contract up to as many as 4 times. For this reason, OSHR would need to release an RFP for the following products over the next 3 years if we do not receive the funding to pursue a holistic approach to a new HCM Solution.

- ✚ 2025: Applicant Tracking, currently 11 years old & extended 4 times.
- ✚ 2025: Position Description Software, 8 years old & extended 3 times.
- ✚ 2026: Learning Management and Performance Management, 9.5 years old & extended 2 times.
- ✚ The Org Chart software would come with the core applications we are seeking. The application we are using now is no longer under contract and is end of life. It is 13 years old.

***Procurement of the replacement of these individual solutions will still require an investment by the State and significant resources to procure and implement.***

### Additional Business Justification

The demand for a new solution has increased tremendously. OSHR conducted a survey with agency HR Directors (HRDs) and their direct reports/subject matter experts (SMEs) in early February 2023. The survey received 85 responses for a participation rate of 86%. Of the respondents, 84% of them use the HR systems more than 16 times per month and more than 91% have been using the system for more than six years. A few take aways from the survey results include:

- ✓ 83% would like to see improvements in talent management and recruiting and onboarding.
- ✓ 90% would like to see an increased level of automation to support business process improvements.
- ✓ 65% of HRDs think that the HR systems are disjointed and outdated.
- ✓ 75% of agencies reported they have implemented, are implementing or **planning to implement separate solutions to meet their HR process needs.**

### Summary Overview of Existing System Gaps

- ✚ Disjointed and inconsistent onboarding and offboarding processes
- ✚ Limited ability to support contingent workforce (temps and contractors)
- ✚ Org Charting is no longer supported and at risk of failure
- ✚ Disparate user experience with multiple logins and navigational methods
- ✚ Lack of flexible configuration to easily enable new data elements and fields
- ✚ Lack of workforce scheduling capabilities leading to staffing shortages
- ✚ Unable to produce decision-driven dashboards
- ✚ Significant reporting challenges
- ✚ Shadow systems in other agencies

Challenges with the existing Integrated HR/Payroll System date back as far as August 2017 when joint sessions were held with the Office of State Human Resources (OSHR) and the Office of the State Controller where 36 pain points were identified with the system. To date only 5 items have been somewhat addressed, and no items have been completely addressed. There are numerous new issues that have arisen since that time (remote work, hybrid work, COVID, etc.) We are also unable to leverage the capabilities that new and modern technology makes available.

### The Top 10 Pain Points are noted below

- 1) No systemic creation of graphic org charts and or structures other than current – requires separate tool and data reentry
- 2) No key event "reminders" to proactively alert users when necessary
- 3) Cannot see all relevant job experience, standards skills, training, certifications, etc.
- 4) Data structures are not consistent across applications – very difficult to match and integrate data
- 5) PCR notes/comments do not flow to PA action - requires reentry (2 steps). No systematic check for data consistency
- 6) Delayed integration with other HR related systems (i.e., Cornerstone Learning Management System (LMS) and Employee Performance (NCVIP), NEOGOV, & People Admin
- 7) Pre-hire data not integrated with payroll for new hires
- 8) Org changes (moving individual to different org) is difficult, complex, error prone
- 9) Salary reserve does not reflect pending approvals/actions - encumbrance must be managed outside system
- 10) No systematic process for forecasting talent requirements based on known or predictable workforce changes (e.g., retirements)

Questions?

Contact Lockhart Taylor, OSHR Legislative Services, at 984-236-0806

## Attachment 2



# Office of State Human Resources HR Digital Transformation Project

## Update to the OSHR Digital Transformation Project Summary

Over the last four months, OSHR has been working with agencies across the State to address the challenges agencies are facing with their technology for recruitment, retention, and employee onboarding. Due to the inadequacies of the current systems, agencies are seeking alternate solutions to meet their business needs, whether they come through a statewide Human Capital Management (HCM) information technology solution. Rather than allowing agencies to purchase independent solutions to meet their needs, OSHR supports a shift in the initial phase of the HCM project to procure an enterprise HCM solution to meet these needs. This will ensure efficiency in cost and implementation.

The challenges have grown: the labor market remains tight, and it is clear that current technology must be upgraded to competitively recruit. The State needs a modern, complete Human Capital Management (HCM) system and we should start that project with Applicant Tracking, Onboarding/Offboarding, and Electronic Forms. Otherwise, the State will continue to struggle to **fill vacancies** and **retain its workforce**.

- If the State does not provide full funding for a new HCM system at this time, OSHR has identified a potential modified approach that would:
  - Be compatible with the request of the Office of State Controller (OSC) to start with ancillary systems instead of the core human resource management system.
- Thus, OSHR will start the HCM Project with a new Applicant Tracking System, Onboarding/Offboarding, and Electronic Forms.
  - Many agencies, including DPS, DAC, and Commerce, have reached out about pursuing their own additional, one-off solutions for Applicant Tracking, Onboarding/Offboarding, or Electronic Forms.
    - 75% of all agencies reported they have implemented, are implementing, or are going to implement additional solutions to meet their HR information technology process needs.
    - OSHR understands the urgency of their recruitment needs.
    - OSHR's plan would mean a Statewide system that meets the immediate needs of the State, rather than having to use staff time and state dollars integrating multiple custom one-off solutions for individual agencies.
- A statewide RFP will be the fastest, most cost-effective way for agencies to systematically meet these Human Resources needs.
  - This will allow OSHR to seek competitive bids for a long-term, cost-efficient system under the state's procurement process.
  - OSHR would proceed as needed and planned with a competitive RFP for a new HCM solution.
    - OSHR would negotiate pricing for the license subscriptions for all HCM modules and establish the vehicle by which to procure; however, the state would initially only license and implement Applicant Tracking, Onboarding/Offboarding, and Electronic Forms.
    - This would allow OSHR to issue an RFP with partial funding at this time.
    - It also creates the contract vehicle to obtain the remainder of the HCM system as funding allows without having to go back to RFP.
    - It would eliminate the need for agencies to procure interim solutions, as the implementation for the state's long-term solution could begin as early as July 2024.

Questions? Contact Lockhart Taylor, OSHR Governmental Affairs, 919-971-1959 (cell)