



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Tom Kitsos, Director Financial Services & Chief Financial Officer

Date to Council: March 26, 2024

Report Number: FS-2024-02

Subject: Payroll/Human Resource Information System Process Review – Tender Award

Recommendations

It is recommended:

That Council Report FS-2024-02 “Payroll/Human Resource Information System Process Review – Tender Award” **be received;**

And that the tender for the Human Resource Information System (HRIS), Payroll, Time and Attendance software solution in the amount of \$245,000 including implementation and other first year costs, excluding HST, **be awarded** to Ceridian Canadian Limited Inc.;

And further that the Mayor and Clerk be authorized to execute an agreement, satisfactory in form to the Town’s solicitor, with Ceridian Canadian Limited Inc.;

And further that funding for the software implementation and other first year costs **be accommodated** as follows:

- Technology and Client Services (TCS) Lifecycle Reserve \$150,000
- Tax Rate Stabilization Reserve \$95,000

Executive Summary

During the 2020-2022 timeframe, several process reviews had been undertaken by the Town with the intent of identifying areas for modernization and efficiency improvements.

Two reviews in particular and relevant to this report include:

- Human Resources Service Delivery Review
- Payroll Process Review

These reviews were conducted by third-party consultants who specialize in the particular areas above and resulted in final reports presented to Council including recommendations that would improve process efficiency and effectiveness.

Common to the two reviews was a recommendation to source and implement new technology, ideally fully integrated, between Human Resources and Payroll.

Administration conducted several related exercises following these recommendations that led to the issuance of a Request for Proposal (RFP) for a Human Resource Information System, Payroll, Time and Attendance solution.

The RFP was issued and closed during Q3 2023 and included product demonstrations during Q4 2023 and follow-up meetings with proponents in Q1 2024. Administration concluded scoring of RFP proponents in Q1 2024 with the results and recommendations included within this report.

Background

Administration undertook a payroll process review in Q4 2021 to investigate opportunities to modernize service delivery processes with the objective of finding savings and efficiencies.

This exercise is documented in Council Reports:

- CAO-2021-05 Municipal Modernization Program – Intake 2
- FS-2022-02 Payroll Process Review
- FS-2022-09 Payroll Process Review Update

The Town's current payroll process is characterized by two observations:

- The current process includes several manual exercises, including the completion of physical timesheets and re-keying of timesheet data into our payroll software, which present opportunities for efficiency improvements, and

- The Town's continued growth has increased the volume of work in payroll to the point where our existing staffing resources are beyond capacity. Failure to find efficiencies will result in the need for additional permanent staffing resources.

The Town issued an RFP in July 2021 to secure consultant services to perform the service delivery review and the review was complete by January 2022.

The recommendations in the Consultant's report focused primarily on two areas:

- Investment in new technology, i.e. automation of time capture, electronic workflow/approval and acquisition of a time capture solution, and
- Investigation of enhancement potential, or replacement, of the Town's existing financial software.

Administration forwarded the consultant's report to our financial software provider and arranged for a business specialist to review our process and system configuration with the intent to provide recommendations to improve efficiency. The business specialist review was conducted in Q4 2022 and found that our financial system configuration was optimal to the best of its capacity and therefore no measurable enhancement potential exists with our current financial system.

A capital budgetary provision of \$50,000 was established through Council Report TCS-2022-03 2022-2026 TCS Capital Works Plan: "One recommendation from the recently conducted Payroll Optimization Review was to automate the method by which time and attendance is tracked for employees with regard to an overall improvement to the Human Resource Information System. Estimated funding in the amount of \$50,000 is included in order to resource."

Administration conducted research on potential time capture solutions including informal product demos. This research commenced in Q3 2022 and extended into early 2023. While researching potential solutions, it became evident that although stand-alone time capture solutions exist, an ideal solution would include full integration of Payroll, Human Resources (HR) and Time capture.

This is consistent with the findings of the Town's Human Resources Service Delivery Review, conducted in 2020 and The People Strategy (2022), which noted lack of full integration between Payroll, HR and time management as an area for improvement.

Council reports:

- CAO-2020-08 Human Resources Service Delivery Review
- CAO-2022-07 The People Strategy

Administration from Finance, People and Culture (P&C), and Technology & Client Services (TCS) formed a team to participate in the product research exercise and

developed an RFP for a Human Resource Information System (HRIS), Payroll and Time and Attendance Solution. The RFP was posted and closed during Q3 2023.

The RFP allowed for fully integrated and stand-alone solutions, with a preference for fully integrated solutions. The RFP provided for an initial review of submissions with the top three candidates advancing to formal product demonstrations with the team.

Three submissions were received. All three submissions proposed fully integrated solutions, were deemed qualified and advanced to formal product demonstrations. Formal demonstrations were held virtually during November and December of 2023. The Town's review committee consisted of employees from Finance, P&C and TCS.

The review committee rankings are as follows:

Rank	Proponent score
First	Ceridian - 87
Second	UKG - 80
Third	Nortek - 60

Administration recommends Ceridian Canadian Limited Inc. Supporting rationale is included in the Comments section of this report.

Comments

The current state of the Town's HRIS, Payroll and Time and Attendance process is labour-intensive with segregated systems that are prone to greater probability of error and lower level of service.

With the implementation of virtually any fully integrated software solution, the future state will be less labour-intensive, will reduce probability of error and will provide a better level of service.

Current state vs Future state:

Human Resources Information System (HRIS)

Currently the P&C department utilizes a Human Resources (HR) module within the Town's Enterprise Resource Planning (ERP) System to store basic demographic data on employees that is linked to the ERP payroll system. The system has limited capacity to gather information and does not easily provide reports. Current record keeping including personnel files, health & safety information, time and attendance, and benefit information is manually tracked, filed and is not integrated. Recruit Right, the software

traditionally utilized for recruitment activities, was retired in December 2023. The Town has secured a one-year contract with Jazz HR to process online recruitment activities as an interim solution. The software however is a stand-alone solution that is not integrated into other HR or payroll processes.

The future state of an HRIS is a software platform that seamlessly integrates HR processes from start (staff requisition) to finish (off-boarding). The recommended platform integrates HR functions with payroll to reduce processing times and improve communication with the Finance team and individual employees. The software will store all components of HR documentation in one central database which will increase efficiency, reporting and transparency. Employees will be able to access self-service modules to maintain their personal information including emergency contacts, personal information, leave requests and benefits. The future state will include digital records that can be accessed remotely reducing manual processing and filing. As the system will track all components of an employee lifecycle there will be enhancements to the department's ability to provide statistical information and make recommendations for improvements based on trends. The future state of the software will serve as a technological foundation for growth and turnover of Team Tecumseh much more efficiently and effectively compared to current labour-intensive manual processes.

Payroll

The Town currently processes payroll in-house through our Payroll module within our ERP System. Our payroll process includes many manual exercises, including the completion of physical timesheets, timesheet data input into spreadsheets and once again into our Payroll module, manual input of payroll data into spreadsheets for budget variance analysis, manual tracking for vacation, sick, lieu and overtime and manual year-end reconciliation exercises. Most elements of payroll distribution involve paper.

The many manual exercises are due in part to two primary factors. One is the complexity of our current system, which includes multiple unions, volunteers, part-time staff, employees with multiple roles (eg. Full-time position and volunteer firefighter) and several different payment cycles. The second factor is limitations with our current payroll software, which does not have a suitable electronic time and attendance feature, has limited reporting capabilities partly due to the complexity of our payroll structure and has limited integration with our HR module.

As the Town has continued to grow, we have reached a point where the inefficiency of our current payroll system has placed undue pressure on our staff to complete important payroll processes in a timely fashion.

The future state of payroll includes full integration with HR, which will reduce employee set-up time through integration with HR, reduce potential for input errors by minimizing or eliminating the need for keying of data, automate the vast majority of the process including electronic routing of timesheets and timesheet data captured directly into payroll, reduce the amount of paper used, and standardize processes throughout

departments. The new software solution will include an employee portal that will allow all employees access to current payroll data and will also allow employees to update select personal information themselves.

Technology

Combining the advantages of a cloud-based HRIS with Information Technology security features creates a comprehensive solution for managing human resources while safeguarding sensitive data. Currently our HRIS, Payroll and Time and Attendance applications are a hybrid of being hosted on-premises and in the Cloud. Looking forward as part of this RFP, proponents were asked to outline the advantages of a Cloud hosted solution in addition to meeting the Town's security assessment requirements. Vendors were able to demonstrate the following:

Advantages:

Accessibility: Employees can access HRIS data from anywhere with an internet connection, enabling remote work and facilitating collaboration among distributed teams.

Scalability: Cloud-based HRIS systems can scale up or down easily to accommodate changes in workforce size or organizational needs without requiring significant IT infrastructure investments.

Subscription model: Subscribing to a cloud-based HRIS eliminates the need for on-premises hardware, software, and maintenance costs.

Automatic Updates: Cloud-based HRIS providers handle system updates and maintenance, ensuring that the software remains up-to-date with the latest features, legislative changes, performance enhancements, and security patches.

Enhanced Collaboration: Cloud-based HRIS platforms provide centralized communication channels and document sharing capabilities, fostering collaboration among HR professionals and employees within the organization.

Security Features:

Encryption: Data encryption ensures that sensitive information stored in the HRIS database is protected from unauthorized access. Encryption techniques are used to encrypt data transmitted over the internet, while at-rest encryption secures data stored in the cloud.

Access Control: Role-based access control (RBAC) restricts access to HRIS data based on users' roles and permissions. Administrators can define access levels and permissions for different user groups, ensuring that only authorized personnel can view or modify sensitive data.

Multi-factor Authentication (MFA): The Town mandates the use of MFA on many applications currently. MFA adds an extra layer of security by requiring users to provide multiple forms of authentication, such as passwords, biometrics, or one-time passcodes, before accessing the HRIS platform.

Audit Trails: Audit trails track user activities and changes made to HRIS data, providing a detailed record of who accessed the system, what actions they performed, and when those actions occurred. This helps detect and investigate security incidents or compliance violations.

Data Backup and Recovery: Regular data backups and disaster recovery measures protect HRIS and Payroll data against loss or corruption due to hardware failures, natural disasters, or cyberattacks. Proponents have identified their backup and recovery objectives and ensured that all data is store on Canadian soil.

Compliance Controls: Cloud-based HRIS platforms often include features to help organizations comply with regulatory requirements, such as GDPR, HIPAA, or SOC 2. These features may include data anonymization, data retention policies, and compliance reporting tools to demonstrate adherence to regulatory standards.

By leveraging the advantages of cloud-based HRIS/Payroll Solution along with robust security features, the Town can effectively manage the human resources and payroll processes while mitigating security risks and safeguarding sensitive employee data.

Preferred Proponent Features Summary:

Administration notes the following Ceridian features as key differentiators with the other proponents:

1. The Ceridian offering includes a Test environment. Our current financial system includes a Test environment, which Administration uses regularly and finds very valuable.
2. The Ceridian offering includes payroll deduction remittances and T4 production. These tasks are currently performed in-house and neither of the other two proponents include this offer. This is an added level of service that reduces risk of late payment charges for the Town for various remittances and should expedite the T4 production and delivery process.
3. Ceridian has a division that is entirely dedicated to government bodies and they are currently partnered with over 500 public sector organizations. Administration expects that the Ceridian Public sector user group forum will be of added value.
4. Ceridian's implementation plan is more robust and thorough as compared to the other proponents. Ceridian uses the services of a third-party consultant who

specializes in implementation utilizing Ceridian with emphasis on full implementation of all product features.

5. At the demonstration follow-up meeting, Ceridian satisfied Administration of its ability to:
 - a. handle complex payroll transactions automatically, that have typically required manual workarounds;
 - b. accommodate data extraction and conversion from our current financial software;
 - c. provide excellent security features (Ceridian has Canadian Cyber Security Centre accreditation)

Implementation fees are higher for Ceridian than the other two proponents and represent the key cost differentiator between the top two proponents, however Administration is confident that the value proposition is worthwhile.

Furthermore, implementation fees are one-time costs. A successful implementation will ultimately garner efficiencies thereby reducing costs. It is not uncommon to hear of implementations of this nature that go poorly and prolong the product delivery, fall short of full product implementation/utilization and increase total project costs.

Consultations

Chief Administrative Officer and People & Culture
Technology & Client Services
Chief Administrative Officer

Financial Implications

Product configuration and implementation will commence in 2024 and is estimated to take 8-12 months to complete. One-time implementation costs are estimated to be \$245,000 with recommended funding from the TCS Lifecycle Reserve of \$150,000 and Tax Rate Stabilization Reserve of \$95,000.

Product go-live date is estimated for Q1 2025. Operating costs are estimated to be \$19.59 per employee per month with an annualized estimate of \$46,000 to commence in 2025. Some cost savings will be achieved through elimination of existing software (ERP Payroll module, ERP HR module, Online third party recruitment software) of approximately \$10,000 for a net increase to the base budget of \$36,000.

Link to Strategic Priorities

Applicable	2023-2026 Strategic Priorities
<input type="checkbox"/>	Sustainable Growth: Achieve prosperity and a livable community through sustainable growth.
<input type="checkbox"/>	Community Health and Inclusion: Integrate community health and inclusion into our places and spaces and everything we do.
<input checked="" type="checkbox"/>	Service Experience: Enhance the experience of Team Tecumseh and our citizens through responsive and respectful service.

Communications

Not applicable

Website

Social Media

News Release

Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

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Reviewed by:

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Reviewed by:

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Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
None	None