CITY OF PITTSBURGH

"America's Most Livable City"

Office of Mayor William Peduto

June 20, 2014

The Honorable Chelsa Wagner
Controller, Allegheny County
436 Grant Street
Pittsburgh, PA 15219

The Honorable Michael Lamb
Controller, City of Pittsburgh
414 Grant Street
Pittsburgh, PA 15219

Nicholas D. Varischetti
Chairman, Intergovernmental Cooperation Authority
Burns White, LLC
Four Northshore Center
Pittsburgh, PA 15212

Controller Wagner, Controller Lamb, and Chairman Varischetti:

When I took office in January, we inherited a payroll implementation project that was a year and a half behind schedule, over $1 million over budget, and was threatening to drag on and cost taxpayers even more money. During our short time in office, we have investigated the handling of this project and found examples of gross mismanagement, lack of oversight, and sheer waste of resources. Of particular concern to me are the following:

- The original contract between the City and Denovo was never approved by City Council.
- The original contract amount between the City and Denovo listed a total cost of $263,940, which grew through multiple change orders to a total of $1,252,584 spent so far.
- These change orders were approved by a mid-level manager under the prior administration, Charles Half, who did not have apparent contracting authority on behalf of the city.

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- The original "go-live" date for the payroll system was January 1, 2013; however this date was pushed back multiple times and delayed by a year and a half.

- Despite the direct involvement of the County Controller and City Controller in this process, these massive change orders and delays were never stopped or officially investigated.

- The payroll system still does not work and will still require a significant investment of time and resources to complete.

I am not willing to put my confidence in a system that has been so poorly managed, and has cost the City millions, and I will not wager our employees' paychecks and livelihoods on a contractor that has consistently broken commitment after commitment.

I am ordering the Office of Municipal Investigations to conduct a full and thorough investigation of the handling of this project. Given your direct involvement, I expect your full cooperation.

In addition, I am ordering that the contract for the completion of the payroll implementation project be bid out again in a competitive RFP process. The RFP will be for the completion of the payroll module and for its integration into the JD Edwards ERP system.

My administration refuses to be trapped by the poor decision making of the past, and we will make the right decisions for our city employees and taxpayers alike to build a model payroll processing system.

I am instructing my Chief of Staff, Kevin Acklin, to lead my efforts to manage the payroll implementation project as efficiently and in as timely a manner as is possible.

Sincerely,

William Peduto
Mayor, City of Pittsburgh

CC:
Bruce A. Kraus, President of Pittsburgh City Council
Lourdes Sanchez-Ridge, Esq., Chief Legal Officer of the City of Pittsburgh
Deborah Walker, Manager of the Office of Municipal Investigations, City of Pittsburgh