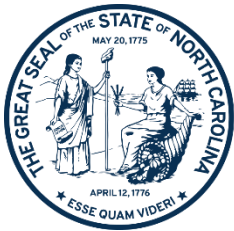


HUMAN CAPITAL MANAGEMENT PROJECT



NORTH CAROLINA Office of *State Human Resources*

REPORT ON THE PROGRESS ON THE HUMAN CAPITAL MANAGEMENT PROJECT
to the Joint Legislative Oversight Committee on General Government &
the Fiscal Research Division, pursuant to S.L. 2023-134, Sec. 29A.1A(b),
for the Period of April 1, 2025, through June 30, 2025.

July 1, 2025

Staci Meyer | State Human Resources Director

This report was produced by the North Carolina Office of State Human Resources.



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EXECUTIVE SUMMARY

In accordance with [Section 29A.1A.\(b\) of S.L. 2023-134](#), the N.C. Office of State Human Resources (OSHR) submits the following quarterly report on the Human Capital Management (HCM) project covering the period from April 1 to June 30, 2025. The full project is designed to replace existing human capital resource management components including recruitment, applicant tracking, organizational management, and personnel management.

OSHR began Phase I of HCM implementation in the first quarter of the 2025 calendar year and progress continued into the second quarter. Phase I replaces legacy systems for recruitment, applicant tracking, employee onboarding and offboarding, position description management, and organizational charts.

Significant activities during the second quarter include hosting two Customer Confirmation Sessions to validate the system design decisions, building two system prototypes, validating and testing data, identifying reporting needs, and designating security roles. In addition, OSHR completed the first of two rounds of systems integration testing (SIT testing), which included 13 agency representatives. As of the end of June, the second round of SIT testing is underway and includes over 75 agency representatives from the participating agencies. OSHR is on track to complete the second round of SIT testing in July, begin user acceptance testing (UAT) in August, and facilitate end-user training in August and September 2025. The project remains on time and within budget for an October go-live. However, as described below, funding is needed to continue the new HCM's operations after the go-live date.

This quarter's significant expenditures include project management services, Workday advisory services fees, Deloitte services, HCM infrastructure, and hardware to facilitate the integrations between Workday HCM and other existing systems. To date, OSHR has expended \$3.9 million from a combination of non-recurring Information Technology Reserve funds and support from divisions and departments participating in the project. The remainder of the available funding, all of which is nonrecurring, will be spent by June 2026. Recurring funding is required for the ongoing software subscription and maintenance costs.

Future phases, which would replace other existing human resource systems with Workday, are possible under pre-negotiated cost structures that remain locked until June 2028. Future phases will require additional funding.

We look forward to continuing our partnership with the N.C. General Assembly to ensure the success of the HCM initiative and would be happy to speak with legislators or legislative staff at any time about the project.

If you have any questions, please contact **Wesley Davis, OSHR Legislative Director, at (984) 236-0806 (office) or (704) 214-1572 (cell).**

HCM PROJECT BACKGROUND

In 2023, the North Carolina General Assembly appropriated \$5.6 million in nonrecurring funds for the 2023-24 fiscal year “to plan and design a system to replace the currently used human capital resources management (HCM) components, such as recruitment/applicant tracking, organizational management, and personnel management, under the purview of [the Office of State Human Resources].” NC Sess. Law 2023-143 § 29A.1A.(a). It did not include the existing enterprise payroll, accounting, and finance system operations and functions under the purview of the N.C. Office of the State Controller. However, it did require that the State Controller and the State Chief Information Officer be joint approvers with the N.C. Office of State Human Resources on the selection of final system function and information technology vendors.

The appropriations session law required, beginning January 1, 2024, that the N.C. Office of State Human Resources provide quarterly reports and, ultimately, a final report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on its progress in implementing the appropriation.

On December 13, 2024, the joint approvers unanimously selected and contracted with Workday as the software solution provider for an integrated, cloud-based human resources solution. Employers have adopted Workday broadly across the country, including ten other state governments and thousands of businesses. The 10 states that use Workday as a statewide solution are Washington, Oregon, Nebraska, Iowa, Oklahoma, Georgia, Maryland, Vermont, Maine, and Rhode Island. Twelve other states use Workday in at least one agency. Deloitte Consulting was unanimously selected as the implementation services provider, bringing extensive experience in implementing Workday software and detailed knowledge of North Carolina’s specific needs.

To effectively manage the timing, staffing, and budget, the project was broken into phases. The first phase replaces recruitment, applicant tracking, onboarding, offboarding, position description management, and organizational chart systems. Future phases are necessary to replace learning management, performance management, and other legacy systems.

HCM PROJECT OBJECTIVES AND ANTICIPATED BENEFITS

The project's underlying objective is to replace multiple human resources information systems with a single, integrated solution. It anticipates processing 489,000 job applications per year, continuously supporting 55,000 employees, and providing back-office functions to the human resources professionals at every participating agency.

As an enterprise system, the project provides benefits to the State's business operations, human resource functionality, and employee experience. Phase I's completion by October 2025 will positively impact recruitment, applicant tracking, onboarding, offboarding, position description management, and organizational charts. The platform and the Phase I configuration will prepare North Carolina to take advantage of additional benefits as the state implements future phases. The full implementation of the Workday system through the multi-phase process will benefit:

Business Operation

- **Time and cost savings** – automating repetitive tasks reduces manual effort and reduces expensive errors
- **Enhanced recruitment** – speeds up recruitment, provides a better candidate experience, and improves the quality of hires
- **Centralized data management** – stores all employee information in one place, making it easy to access and update
- **Enhanced compliance** – helps agencies stay compliant with labor laws and data protection policies
- **Data-driven decision-making** – provides analytics and reporting for better workforce planning, turnover analysis, and performance evaluation
- **Scalability** – supports adaptations to changing human resource needs
- **Improved accuracy** – minimizes human errors in record-keeping and compliance documentation with appropriate checks and balances in one system.
- **Enhanced security** – protects sensitive employee data through encryption and access controls
- **Improved Navigation** - simplified, clear navigation with tool tips and process help throughout the business cycle

Human Resource Functionality

- **Better talent management** – streamlines recruitment, hiring, onboarding, performance tracking, and retention; allows for pooled hiring from qualified applicants in pools from previous job postings; provides enhanced support for temporary workers
- **Improved employee onboarding** – handles online forms including I-9 E-Verify integration, document submissions, training schedules, and initial assessments

- **Learning and development** – provides easy access to training materials and measures the effectiveness of learning and development programs
- **Employee self-service portals** – allows employees to manage their own personal information, benefits, and other human resource tasks; frees up human resource staff time and reduces processing delays
- **Data management and analytics** – provides insights into workforce trends, performance metrics, and compliance issues that are crucial to strategic planning and decision-making
- **Automation of administrative tasks** – reduces manual workload, minimizes errors, and gives human resource professionals time to focus on more strategic areas
- **Legal compliance** – simplifies updates to systems in response to new laws and maintains proper records for audit trails
- **Improved communication** – centralizes information, provides messaging options, and can incorporate feedback tools that resolve human resources issues faster and with increased engagement
- **Performance management** – tracks employee goals, performance, and reviews to support employee development and align individual goals to State’s objectives

Employee Experience

- **Efficient onboarding** – allows new hires to access necessary documents, training materials, and schedules that helps them settle into new roles more comfortably and quickly
- **Easy access to information** – employee self-service portals allow individuals to access and manage their own information delivering increased transparency, control of personal data, and speed of processing
- **Career development** – provides a way to set goals and tailor learning for new or improved skills that can advance careers

HCM PHASE I STATUS AS OF JUNE 2025

Phase I implementation began on January 6, 2025, with the selected solution provider, Workday, and the implementer, Deloitte. HCM's go-live remains on target for October 2025.

As part of the Phase I implementation, OSHR planned and executed the following events for the quarter ending June 30, 2025:

- Performed two Customer Confirmation Sessions
- Held weekly project team meetings
- Built two system prototypes with data validation and unit testing
- Held two rounds of Systems Integration Testing (second round in progress on this report's date)
- Developed and released the Workday HCM Toolbox
- Developed User Stories (e.g., test scenarios) - 500+ to date
- Released the Change Impact Assessment Survey
- Performed Security Role Mapping

OSHR completed several Phase I deliverables this quarter, including the Requirements Traceability Matrix, Business Process Workbooks, Process Analysis, Data Gathering Workbooks, and the Gap Definition Document. These documents are instrumental in shaping the final system design. The team completed the following deliverables that were initiated in the previous reporting period: the Reporting Strategy, Testing Strategy, Tenant Management Plan, Change Impact Assessment, and Knowledge Transfer Plan.

Additionally, OSHR has completed significant work to integrate existing systems with Workday HCM. The project scope includes integrations with the following:

- From SAP HR/Payroll to Workday
- From Workday to:
 - Single Sign-On (SSO) - configured and successfully tested
 - "Apply with LinkedIn" - configured and validated
 - Microsoft Outlook – for calendaring of candidate interviews
 - Microsoft Teams – for facilitation of candidate interviews
 - DIT ServiceNow – for IT requests for equipment, email, NCID, etc.

[Appendix 1: Additional Information](#) provides more details on project deliverables and key activities, integrations, and provides further explanation of key governance terms and roles within the HCM project.

Our governance updates and organizational change management efforts for this period are shown in Table 1. See Appendix 1 for definitions of project governance and change management terms.

Table 1: Governance and Change Management Activities, April-June 2025

Activity	Date
Steering Committee Meeting	04/03/25
Executive Governance Council Meeting	04/17/25
Steering Committee Meeting	05/01/25
Change Coalition Meeting	05/01/25
HCM Town Hall Meeting #1	05/22/25
Steering Committee Meeting	06/05/25
Executive Governance Council Meeting	06/12/25
Change Champion Network Meeting	06/12/25
HCM Town Hall Meeting #2	06/19/25

In the next quarter, Phase I actions will include:

- Completion of Systems Integration Testing (SIT) Cycle 2
- User Acceptance Testing (UAT)
- Train-the-Trainer
- End-User Training
- Knowledge Transfer Sessions
- Change Readiness Assessments
- Sustainment Planning to include the Post Go-Live support model
- Planning for Cutover for Go-Live in October, including the detailed Cutover Checklist

HCM PHASE I FUNDING AND 2025-27 BIENNIAL BUDGET NEEDS

The HCM project is funded by a combination of Information Technology Reserve funds appropriated to OSHR (see [S.L. 2023-134, Sec. 29A.1A](#)) and support from divisions and departments impacted and included in the HCM initiative. OSHR has expended \$3.9 million on the HCM project since its authorization. Appendix 2 provides budget and expected expenditures through June 30, 2025.

For the 2025-27 biennium, OSHR requested positions and funding to support HCM implementation; application management; software and subscription fees; and the Human Asset Research Project (HARP), totaling \$1.81 million in FY 2025-26 and \$2.47 million in FY 2026-27. Both the Senate and House budgets recommend HCM funding. Table 2 provides a comparison of OSHR's budget request and legislative recommendations.

Table 2: Comparison of HCM Project Funding Request and Legislative Recommendations

	<u>FY 2025-26</u>			<u>FY 2026-27</u>		
	FTE	Recurring	Nonrecurring	FTE	Recurring	Nonrecurring
OSHR Request	5	360,937	1,448,000	5	2,466,405	-
Senate Budget	0	0	1,172,527	1	1,992,534	698,000
House Budget	1	141,000	1,172,527	1	1,992,534	698,000

Currently available funding is nonrecurring and expected to be spent by June 2026. Lack of additional funding and positions in FY 2025-26 increases the risk of post implementation agency support challenges and limits OSHR's ability to enhance Workday to meet agency onboarding and offboarding needs. Lack of funding for FY 2026-27 and beyond could cause significant disruptions in essential recruitment and hiring functions.

HCM FUTURE PHASES

Once Phase I implementation is complete, OSHR will work with the HCM Steering Committee and Executive Governance Council to determine the scope of future phases.

Future phase(s) of the HCM solution could include the following additional components:

- Talent Optimization
- Performance Management
- Learning and the Development
- Benefits Administration
- Time and Labor Tracking, including Leave Administration
- Scheduling
- SAP Integration for Time Keeping and Leave Administration
- People Analytics

Additional funding is needed for future phases. The N.C. Office of State Human Resources expects to have a more definitive direction on future phases and be able to identify the funding needed for contracted project management services to develop a Request for Proposal (RFP) for Phase II implementation in time for the FY 2026-27 Short Session. There are two sets of costs for future phases: implementation costs and software costs.

- For implementation costs, the N.C. Office of State Human Resources plans to seek the best pricing by issuing a RFP on a specific scope of services. Those costs cannot be fully determined until the RFP process is complete.
- For software, the Workday contract includes an option with pre-negotiated fixed rates, for subscription fees if future phase procurement proceeds before June 30, 2028. If future phases of the Workday software are exercised after June 30, 2028, the option will remain available at a higher cost.

CONCLUSION

The need for an intuitive, engaging, and efficient solution remains critical to the state. OSHR is excited about the progress on this initiative. The project team, including agency HR Directors and subject matter experts, are working diligently to achieve the targeted Phase I go-live date in October 2025. The project remains on time and on budget for that go-live date.

A source of recurring funding is needed to allow the new system to operate beyond June 2026. As shown in Table 2 on page 9, the House and Senate budgets would appropriate recurring funding for a substantial portion of OSHR's funding request regarding the new system. OSHR also looks forward to planning for future phases to ensure North Carolina has a modern and efficient HCM solution that meets the needs of all state agencies.

APPENDIX 1: ADDITIONAL INFORMATION

Deliverables and Key Activities

- **Change Readiness Assessment** - identifies how ready, willing, and able an organization is to adopt business process and system changes across several key metrics. The CRA is a moment-in-time assessment conducted to identify effectiveness of communications, engagement, and training related activities to proactively mitigate people-related risks.
- **Change Impact Assessment** - measures the level of change across people, technology and processes to determine the insights, analytics, and action plans to position the organizational change for success.
- **Customer Confirmation Sessions** - facilitates a demonstration of the system design as it relates to the business process decisions designated by the state to ensure the accuracy of the systems' configuration and functionality to meet the State's business needs.
- **Data Gathering Workbooks** - provide data-gathering templates for documenting legacy setup values for review and analysis. It also provides inputs for Workday values that may not be part of legacy system data.
- **Gap Definition Document** - is a software solution gap inventory that provides the Solution Gap Summary, which contains a list of high-level gaps that surfaced during initial design workshops, and recommended solution(s). A gap is defined as anything that is not a delivered functionality.
- **Knowledge Transfer Plan** - provides a documented strategy designed to capture and convey critical knowledge from one individual, team, or department to another within an organization. It addresses both technical and functional turnover and knowledge transfer, including resources, staffing, training, methods, milestones, and tasks.
- **Reporting Strategy** - addresses how Reporting & Analytics will be deployed as part of the implementation of Workday. The Reporting Strategy has three principal objectives: The first objective is to establish the scope of Workday reporting. The second objective is guidelines on how to capture reporting & analytics requirements and build Workday reports & analytics for use in production. The last objective is to provide an overview of Workday reporting & analytics tools.
- **Requirements Traceability Matrix** - allows the project team to outline and track how requirements are delivered throughout the lifecycle of the Workday implementation project.
- **Reporting Strategy** - addresses how Reporting & Analytics will be deployed as part of the implementation of Workday. The Reporting Strategy has three principal objectives: The first objective is to establish the scope of Workday reporting. The second objective is guidelines on how to capture reporting & analytics requirements and build Workday

reports & analytics for use in production. The last objective is to provide an overview of Workday reporting & analytics tools.

Integrations

- **“Apply with LinkedIn”** - is an integration that allows LinkedIn members to easily apply for jobs directly from a career site. When a LinkedIn member clicks the **Apply with LinkedIn** button, their profile data is pre-populated in the job application fields, and their profile becomes available to the employer, subject to their privacy settings.
- **Single Sign-On (SSO)** - is authentication schema that allows a user to log on with a single ID to any of several related, yet independent software systems.

Governing Bodies

- **Change Agents** - facilitate change within the organization and act as a catalyst for improvement in systems, processes, culture, and other outcomes.
- **Change Champions** - actively support and promote organizational change, acting as a bridge between management and staff and helping to ensure the successful implementation of new initiatives.
- **Change Coalition** – facilitates and supports changes related to the implementation of the new HCM system leveraging Change Agents and Change Champions who work together to facilitate and support changes related to the implementation of the new system. The coalition helps employees embrace the process changes and new systems more efficiently, leading to a successful transition from the current state to the desired future state.
- **Change Champion Network** –serves as a foundational network of employees who champion transformation, foster communication, increase awareness, solicit feedback, build readiness, and drive buy-in.

APPENDIX 2: HCM BUDGET THROUGH JUNE 2025

Expenditures and Funding Sources

Fiscal Year	Expenditures	Funding Sources
FY 2023-24	\$1,055,851	- OSHR IT Reserve Funds - OSHR Divisions: NC Flex (\$29k), Temporary Solutions (\$255k) - External departments: DOT (\$500K)
FY 2024-25	July 2024-March 2025: \$1,133,549	- OSHR IT Reserve Funds - Temporary Solutions (\$782.6k), - External Departments: DOT (\$500k), DAC (\$1m), DHHS (\$500k)
	April - June 2025: \$2,782,021	
	Total: \$3,915,570	

Uses of Funds

FY 2023-24

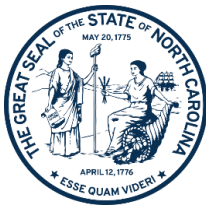
- Project management services
- Data cleanup and automation
- RFP development
- Facilitated vendor solution demonstrations and oral presentations
- HCM procurement-related activities, including vendor negotiations

FY 2024-25

- Project management services
- HCM procurement-related activities, including vendor negotiations
- Workday subscription fees
- Workday Advisory Services Fees
- Workday training credits procured
- Deloitte services (deliverables-based payments)
- HCM infrastructure needs for implementation
- Hardware-related expenses required for implementation
- DIT expenses to run ServiceNow ticketing for customer service sustainment

Note: Appendix 2 excludes expenditures incurred in project planning prior to the \$5.6 million appropriated to OSHR for the HCM solution in SL 2023-134. Prior to the appropriation in the 2023 budget, OSHR expended \$810,871 of funds available to the Office on project management, the identification of functional and technical requirements across business areas, and HR system surveys.

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NORTH CAROLINA Office of *State Human Resources*

1331 Mail Service Center, Raleigh, NC 27699-1331

www.oshr.nc.gov | 984-236-0800

Staci Meyer | State Human Resources Director

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