

Payroll crisis causes hardship for Los Angeles teachers

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For several months now, tens of thousands of employees—including teachers, counselors, janitors and other service workers—of the Los Angeles Unified School District (LAUSD) have been receiving either no paychecks at all or checks in the wrong amount. Many continue to be underpaid and others have been overpaid. The reason: glitches in the new computer payment system installed about seven months ago.

Whether due to non-payment, underpayment or overpayment, the toll on these employees has been enormous. Thousands have been forced to scale back on expenses, delay bill payments, max out their credit cards or take out loans to pay for the basic necessities of life, including mortgages, rent and groceries.

Many teachers have had to make the arduous trek to the school district's downtown headquarters, where they have been forced to wait for hours to rectify the paycheck blunders. Because of the flaws in the computer system, office personnel often cannot even track down the employees' records.

An August 25 article by Joel Rubin in the *Los Angeles Times* recounts some of the experiences of exasperated educators. One teacher, who had received half the amount she should have, was shuttled among three different employees at the district's office. After seven hours, the problem still had not been resolved; in fact, nobody could find her job assignment. Another teacher had to take out a \$15,000 loan after her third month of not getting paid. Yet another's paycheck fluctuated between \$1,033 to \$3,269 over a four-month period.

It would be a mistake to suppose that overpayments have benefited the teachers in any way. On June 5, the district overpaid thousands of employees, but less than two weeks later it sent them a form letter demanding that they accept one of three options for refunding the

overpayments by June 22.

The bureaucratic burden being imposed on employees to rectify this situation comes under conditions where the system has been plagued from the start by missed deadlines, errors and multimillion-dollar expenditures.

In addition, the foul-ups have skewed determinations of future retirement benefits through the California State Teachers' Retirement System (CALSTRS), which periodically calculates the benefit amounts as a percentage of teachers' paychecks.

The teachers' union, United Teachers of Los Angeles (UTLA), has had little effect in resolving the debacle. The UTLA filed a lawsuit in April, claiming that the ongoing problems were in violation of state education codes and labor law. According to a May 4 "Member Alert," the lawsuit requested that the court "order LAUSD to issue correct, on-time paychecks; pay interest on amounts paid late; and reimburse our members for lost wages, penalties and fees."

The union also voiced its support for a bill sponsored by Assemblywoman Betty Karnette that would create new penalties for school districts. The bill, AB 618, "would authorize the Superintendent of Public Instruction to withhold money from a school district if it does not pay employees accurately or on time. A penalty can be assessed every month there is a problem, but the total amount cannot exceed one half of the annual salary of the superintendent."

In July, attorneys for LAUSD successfully argued before Superior Court Judge Dzintra Janavs that the payroll debacle was not an emergency and should not be resolved in the courts. The union's attorneys have appealed the decision.

By the time of the September 11 School Board meeting, the costs of the payroll program, glitches and overruns included had risen to over \$135 million.

UTLA President A.J. Duffy interrupted a report by District Superintendent David L. Brewer to demand that employees be paid on time and that a third party be brought in to provide oversight and resolve overpayment disputes. He then issued a “phone blast” to all employees, urging them to boycott all unpaid after-school faculty meetings and voluntary after-school activities beginning September 25 in order to “send a message” to the District Board.

On September 19, LAUSD announced that it had hired another firm to help fix accuracy problems in the system. School officials declared their willingness to pay at least another \$37 million to rectify the thousands of problems that have plagued the system from the start.

The problems can be traced back to 2005, when LAUSD contracted Deloitte Consulting LLP, a branch of Deloitte & Touche USA LLP, to install software in its payroll system. The parent firm, Deloitte Touche Tohmatsu, boasts on its web site of its “excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries.”

What Deloitte provided is a monumental disaster. Beginning last February—after Deloitte had already received \$55 million for its services—the glitches began and they have yet to end.

Deloitte & Touche’s record of installing ERP (enterprise resource planning) systems is riddled with cost overruns, bugs and other problems. Deloitte & Touche’s long list of snafus goes back to at least 1995, when it was hired by the Irish Health Service to install an ERP system for \$10.7 million, to be completed in three years. Ten years and \$180 million later, the project was abandoned. Similar horror stories have been reported from the city of San Antonio, LA Community College, the San Bernardino and Minneapolis school districts, and W.L. Gore and Associates, which sued PeopleSoft Inc., Deloitte & Touche LLP and Deloitte Consulting over their poor job of installing an expensive ERP system.

Deloitte was not the lowest bidder on the contract. However, in October 2005, the state legislature, after vigorous lobbying by the industry, passed a law to provide more “flexibility” when contracting with technology firms. Deloitte chose software from SAP Public Services, a client of one of the lobbying firms.



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