



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
BURTON M. CROSS BUILDING, 3RD FLOOR
78 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0078

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

JANET T. MILLS
GOVERNOR

KIRSTEN LC FIGUEROA
COMMISSIONER

February 25, 2021

Christopher Curtis
SVP, Global Professional Services
Workday, Inc.
6230 Stoneridge Mall Road
Pleasanton, CA 94588

Re: Workday Professional Services Agreement # 162150 & Statement of Work # 163462

Dear Chris,

This letter is in regards to the services being provided by Workday, Inc. (“Workday”) for the State of Maine (“State”) pursuant to the Master Agreement, Professional Service Agreement, and Statement of Work dated October 16, 2018, as well as any attachments, appendices, addendums, amendments, and associated change orders thereto (the “Contract”). For the reasons set forth below, Workday has failed to meet its obligations under the Contract. This letter hereby provides Workday notice that should it fail to remediate the following incidents of default within thirty (30) days, the State will proceed with immediate termination for cause of the Professional Services Agreement and Statement of Work, as well as all associated change orders, on March 26, 2021.

First, Workday has failed to provide a Labor Cost Distribution solution that meets the requirements as set forth in the Statement of Work. This has resulted in significant delays in the project and Workday’s proposed “final” solution, which was not a Labor Cost Distribution feature but a finance module work-around, was not provided until all testing phases had been closed for the 4/1/2020 proposed go-live date. To date, this item is yet to be successfully and completely configured.

Second, pursuant to the Statement of Work, Workday is required to provide ad-hoc reporting capabilities. Contrary to Workday’s representations and the terms of the Contract, the State has learned that ad hoc reporting is not achievable under the system as it is intended and required to operate. Instead that functionality could only be achieved if all security roles were removed, which risks exposure of confidential and personally identifiable information to all users; an unacceptable option.

Third, Workday failed to notify the State in writing regarding the lack of a Department Process Advisory Committee, a critical component of the Workday implementation methodology as noted in the Statement of Work, Appendix A #3.6. This resulted in configurations being developed that did not fully meet State needs, as uncovered during subsequent testing.

It has caused significant delays due to extensive rework and revisiting of configuration decisions, as well as requiring sweeping review of business processes.

Fourth, Workday has breached its performance obligations under the Contract by halting and refusing to perform any services as of February 12, 2021, at five o'clock pm. Such action is not permitted under the terms of the Contract and was done despite the State's written warning that such action would be considered event of default and breach of the Agreement.

Throughout this contractual relationship, the State has relied upon the expertise and word of Workday. However, Workday has consistently operated in bad faith and has knowingly misled State of Maine officials:

- Workday has misrepresented not only the availability, status, and completion of project deliverables, but also the accuracy of testing relevant to those deliverables, as well as steering the State to solutions based on required level of effort instead of following best practices.
- Workday has repeatedly pressured the State to accept an incomplete and premature go-live as well as sign off on other incomplete deliverables.
- Most recently, Workday, without the State's knowledge and contrary to express orders from State leadership, pressured Andrea Chudy of IJA Strategies to impermissibly release independent findings to Workday prior to disclosure of such information to the State.

Such behavior does not comport with Workday's obligation to perform its obligations in a professional and workmanlike manner as Workday warranted to do pursuant to Section 6.1 of the Professional Services Agreement, and, such behavior is a material breach of such obligations.

Workday must remedy all issues related to Labor Cost Distribution, ad-hoc reporting, and performance of work under the Professional Services agreement within thirty days. Failure to do so will result in the State moving forward with immediate termination of the Professional Services Agreement. At such time Workday is to remit \$22,164,755 (see attached schedule for calculation of costs) due to incomplete deliverables and failure to meet the State's requirements.

Pursuant to Workday Order Form #161951 for subscription services, the State has contracted with Workday for Software as a Service for the following modules: Human Capital Management, Cloud Connect for Benefits, Recruiting, Payroll for the United States, and Time Tracking. If Workday is unable to provide an acceptable Labor Cost Distribution solution within thirty days, a critical component of the aforementioned modules, the State may choose to proceed with termination of the subscription for the Payroll and/or Time Tracking modules. However, the State will maintain subscription to the remaining modules. At such time, Workday will repay a pro-rated amount for any subscription fees already paid by the State related to the Payroll and/or Time Tracking modules and will reduce future subscription fees commensurately.

Any questions regarding this notice should be directed to Heather L'Hommedieu Perreault, Deputy Commissioner of Finance.

Respectfully,



Kirsten LC Figueroa
Commissioner

cc: Emily Atkins, Assistant Attorney General

Professional Services Agreement –

Section 6.1 – “Workday warrants that (i) it shall perform the obligation described in each Statement of Work in a professional and workmanlike manner...”

6.2 Warranty Remedies – Workday’s breach of the above referenced warrant constituted a material breach of the Agreement and the State elects to terminate the Agreement in accordance with Section 9.4 - Termination for Cause.

- pursuant to section 9.4 the State may terminate this Agreement and any Statement of Work for cause upon 30 days prior written notice to Workday of a material breach, if such breach remains uncured at the expiration of such notice period.

Human Resources Management System Project (HRMS)

Workday implementation

Reimbursement

Payments for Workday Professional Services to be reimbursed due to incomplete deliverables and failure to meet the State's requirements	\$ 7,490,914
State project costs to be reimubursed, due to necessity of re-performing work that was done in conjunction with Workday Professional Services, due to incomplete deliverables and failure to meet the State's requirements	12,516,088
State estimated costs to maintain legacy HR/payroll systems significantly past end of life due to Workday Professional Services incomplete deliverables and failure to meet the State's requirements	<u>2,157,753</u>
	<u>\$ 22,164,755</u>