**PROGRESS REPORT
ON
SELECTED SYSTEM DEVELOPMENT PROJECTS
IN THE
COMMONWEALTH**

FEBRUARY 2014

REPORT SUMMARY

This report reflects our on-going review of $260 million in Commonwealth information technology (IT) systems development projects. Currently there are two projects, the Financial Management System and Unemployment Modernization Project, which are operating without an approved schedule, placing these projects at risk of failure. Virginia Employment Commission (Employment Commission) is the agency responsible for both projects.

We also include a brief discussion of two emerging trends in project management within the Commonwealth. These trends, program management and Agile development methodology, are widely accepted in the project management community. If used properly, both can provide value to the Commonwealth and its agencies.

Our review goal is to detect problems at the earliest possible point and alert decision makers of this information, thereby reducing potential project failures. In this report, we highlight the progress of selected projects we are actively monitoring as well as any recommendations that pertain to improving project management practices.

- T A B L E   O F   C O N T E N T S -

HIGHLIGHTS OF SELECTED SYSTEMS DEVELOPMENT PROJECTS

<u>Financial Management System</u>
and
<u>Unemployment Insurance Modernization Project (UI Mod)</u>
Employment Commission

The Employment Commission continues to manage two projects to replace multiple outdated systems. These projects are the Financial Management System and UI Mod.

Financial Management System

Background

The Employment Commission is replacing its outdated mainframe batch system and databases with Oracle's e-Business Suite Financial Applications, specifically the general ledger, cost accounting to various cost allocations (e.g.; time distribution), accounts receivable, purchasing, accounts payable, time and labor, and encumbrance modules. In May 2012, the Employment Commission signed a contract with Strategic Information Solutions (SIS) for implementation services.

The Employment Commission's project team continues to display the required skills, resources, and commitment to the project. In addition, the project sponsor and executive management continue to remain involved and in support of the projects success. The original implementation schedule for the new system was an aggressive 15 months, with a go-live scheduled for October 2013. However, during the summer of 2013, the Employment Commission and SIS realized that this schedule was unattainable due to configuration and implementation dilemmas.

Since September of 2013, the Employment Commission and SIS have been working on setting a realistic schedule to complete the remaining project development and implementation tasks. The Employment Commission and SIS have continued to make slow progress towards implementation; despite that a plan for completion does not exist. Currently, the implementation schedule that the Employment Commission and SIS are using contains no additional costs or scope changes.

UI Mod Project

Background

UI Mod will replace multiple existing mainframe-based software systems with a web-based platform, changing the way employers interact with the Employment Commission. UI Mod will support the payment of benefits to unemployed workers, the collection of taxes from employers, and the accumulation of wage data. The total budget for UI Mod is $58.5 million with $49.1 million coming from Reed Act federal funds and the remaining $9.4 million coming from the Employment Commission's penalty and interest fund.

The Employment Commission initiated the UI Mod project in 2009. The first phase, Imaging and Workflow, went into production successfully in December of 2011 and was under budget. The

remaining phases of the project, Tax and Benefits, were originally planned to go-live in December 2012 and May 2013, respectively. In order to address schedule changes resulting from the projects complexity and resource turnover, the Employment Commission and its vendor, HCLA, agreed to extend the remaining implementation dates multiple times. The most recent formal contract modification, executed in September 2013, adjusted the go-live dates for both remaining phases to December 2013, with no additional costs or fees associated with the change. However, the project team tested the system in November 2013 and found the core system functionality was not ready for implementation; therefore, the December 2013 go-live was not met, making the contractually defined final acceptance date of February 28, 2014, unobtainable. Currently, the Employment Commission has not incurred any additional contractual costs, but new changes are under negotiation to handle various change requests to include recently enacted changes in Virginia law.

The UI Mod project team, executive management, and the HCLA team continue to remain committed to successfully finishing the project; however, after missing the December 2013 planned go-live date, the Employment Commission and HCLA have still not agreed on a realistic implementation date. The project is faced with various risks including significant HCLA turnover of key project resources and potential budget shortfalls as the project progresses with no schedule.

Risks

Both of the Employment Commission's projects are currently operating without a project schedule. Although the Employment Commission and the vendors have been actively working on developing a realistic schedule, a substantial amount of time has passed and the teams have not been able to determine realistic implementation or conclusion dates for the projects.

Commonwealth Standards, as well as industry best practice, require a realistic project schedule that the project oversight committee should approve. Following and monitoring the schedule helps to determine if the project is progressing appropriately and if project completion will occur on time and within budget. As project dates slip, projects often will require additional staff and/or funding.

Project schedules tend to be living documents and changes are not uncommon. Both of the Employment Commission's projects have encountered changes and management has worked with the vendors to address the changes appropriately. However, the risk of failure is increasing as the projects continue with no schedule. Without a project schedule, the project teams do not know when the projects will go-live; therefore, they cannot determine what impact the extended dates will have on the remaining tasks, budget, and resources. The Employment Commission should take immediate action to rectify this risk.

EMERGING TRENDS

Program Management

Since our last progress report, many Commonwealth agencies have implemented programs as a means to manage related projects. A program is a group of related projects, subprograms, and program activities that are managed in a coordinated way to obtain benefits not available when managing projects individually. Programs provide an additional layer of coordination, control and oversight, and management. This additional layer of governance includes a financial cost, but effective programs provide benefits that outweigh that cost. The use of programs is an expanding and widely accepted practice in the IT project management community.

In its coordination role, programs help to identify cross project dependencies and resource contentions through the development of a master program schedule. This is important because related projects may rely upon each other to provide resources or may both need limited shared resources at critical periods in the development process. Program managers can assess these dependencies and contentions and can then facilitate schedule changes or allocate resources to the most critical projects or tasks first. Program managers can also ensure that communication channels remain open between project stakeholders by facilitating coordinating meetings, providing a shared infrastructure, and a coordinated communications plan.
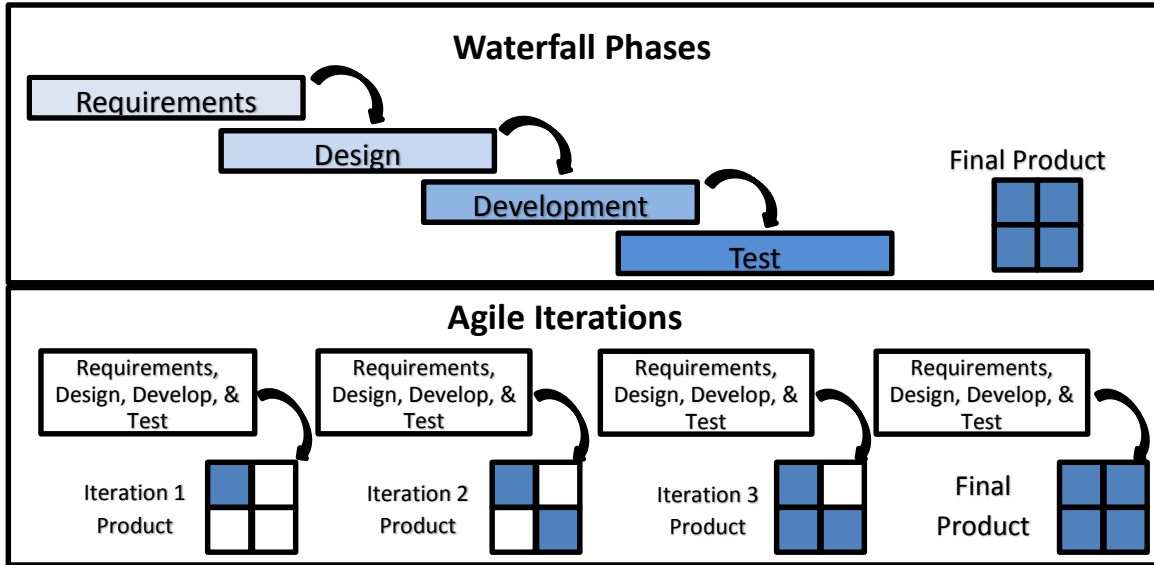
Another benefit of programs is they can reduce the administrative burden on the individual project managers. Programs can create efficiencies by developing many of the project documents once, allowing project managers to then simply adopt the documents directly or modify them to meet their individual projects' needs.

Recognizing this trend and the potential value of programs, the Commonwealth's Chief Information Officer (CIO) instructed his staff at the Virginia Information Technologies Agency (VITA) to develop a program management standard that agencies must follow, with a goal of improving the effectiveness of programs. The Secretary of Technology approved the Information Technology Program Management Standard on July 1, 2013.

Agile Development Methodology

Project management approaches in the IT industry continue to evolve, providing new methodologies for project management. One project management approach accepted by the IT community is the Agile development methodology. Unlike the traditional project management approaches, the Agile approach does not rely on a documented, linear, and sequential approach; but instead, it relies upon breaking the project into smaller, more manageable pieces and developing those pieces independently until the project is completed. Recently, many project managers in the Commonwealth have adopted Agile as their preferred management approach.

Traditional and Agile methodologies are illustrated below.

Waterfall Phases
Requirements
Design
Development
Test
Final Product

Agile Iterations
Requirements, Design, Develop, & Test
Requirements, Design, Develop, & Test
Requirements, Design, Develop, & Test
Requirements, Design, Develop, & Test

Iteration 1 Product
Iteration 2 Product
Iteration 3 Product
Final Product

Traditional methodologies, often referred to as Waterfall, are predictive in nature. Project managers attempt to define all business requirements, design a technical solution, and develop a detailed project schedule prior to beginning development. It assumes that changes to the project will be minimal. Normally, the project manager will provide one major delivery of all services and products to the customer at the completion of project. Because errors and bugs are identified late in the development process, they can be very costly or impossible to correct. This one major delivery at the end also creates a risk that the team will develop a product different from what the customer envisioned. To ensure adequate planning has taken place prior to execution, managers develop a large amount of detailed documentation that guides the development of the project.

The Agile methodology challenges the idea that the project manager can accurately predict all project requirements and accepts the notion that changes will occur. In Agile, high level business requirements are identified and prioritized at the beginning of the project. The team then works in short duration development cycles or iterations. During each iteration, the project team, in collaboration with the customer, will further define the business requirements; design, develop, and test the technical solution; and finally deploy a functional component of the product. This allows customers to determine if their needs are met early in the development and any changes needed may be addressed immediately. This has the potential to save time and money because the earlier a correction is made, the easier and less expensive those changes tend to be.

Because Agile does not require extensive documentation of requirements and planning upfront, the risk of project failure increases if the project customers do not maintain on-going interactions with the project team. To minimize this risk, Agile best practices require that the Agile team, including the customers, have daily standup meetings to provide assurance that the team is developing a solution that provides value to the customers. The current VITA IT Project Management Standard does not address Agile best practices, such as the additional required interactions, and VITA's Project Management Division should consider including these best practices in future Standard updates.

OVERVIEW OF OUR REVIEW PROCEDURES

Objectives and Scope

The APA audits a number of IT development projects across the Commonwealth, and Appendix A has our on-going summary of these projects. Our audit objectives are to determine if:

- the project manager complies with the Commonwealth's Project Management Standards, as issued by the VITA; or, if the an agency is exempt from VITA requirements, that the project manager complies with project management best practices, and

- the project remains on time, within budget, and on scope.

Methodology

We continuously monitor various resources when identifying potential systems development projects, including Legislative meetings, the Appropriation Act and Budget Bill, agency management and systems professionals, VITA's Project Management Division, and other sources. Once we identify a potential systems development project, we maintain a record of that system as it progresses through its development lifecycle.

The volume of ongoing projects dictates that we identify and follow only those that represent the most risk to the Commonwealth. To determine which projects to follow, we create a list of all potential projects from the sources listed above and meet to discuss each project. During that discussion we consider things like project cost and complexity, the agency's success with similar projects, the project team's experience, and the underlying technology being deployed.

Our reviews generally include examining documents such as the project charter, project planning documents, and risk mitigation strategies. We regularly attend project meetings to note any issues affecting the project and meet with project managers to offer suggestions and recommendations based on our experience monitoring system implementations throughout the Commonwealth.

Our goal is to detect problems at the earliest possible point and alert decision makers to this information, thereby reducing project failures as well as costs. During our review process, we also gain an understanding of the system and its controls that will allow us to plan future audit work involving that system. Earlier releases of this report contain a detailed explanation of our review process, which we have not included with this report.

Effective July 1, 2009, the Code of Virginia 2.2-1509.3 began requiring the Budget Bill to include appropriations for major information technology projects. As part of our regular review process, we reconcile projects in the Budget Bill to information we have collected regarding current and anticipated projects. If we identify discrepancies, such as projects not in the Budget Bill but on our list of anticipated projects, we inquire with VITA and the proponent agency to identify why the discrepancy exists. If we cannot resolve the discrepancy and believe the project should be in the

Budget Bill, we bring the matter to the Senate Finance and House Appropriations Committees' staff during the legislative session.

Results

During the year, we report the results of our project reviews in different ways, depending on the circumstances. Often we include project background and status information within the annual audit report of the agency. However, if there is a legislative request that we review a system, we will prepare a written report specifically addressing that request. Finally, if we identify serious project management concerns, which the agency has not resolved in a timely manner, we immediately prepare a report detailing the concerns and any recommended corrective action(s).

The purpose of this report is to provide a progress report of selected projects along with presenting any recommendations we may have to improve project management practices. Specifically, this report highlights the following systems development projects.

- Financial Management System
  Employment Commission

- UI Mod
  Employment Commission

Appendix A contains a background and history of all the projects we are currently following. All agencies with a project included in this report have verified the accuracy of information included in this report. However, since there were no new findings presented in this report, we did not conduct a formal exit conference or receive an agency response. The reader can find previously released reports by searching a specific agency name on the Auditor of Public Accounts' website at www.apa.virginia.gov.

Comprehensive List of Systems Development Projects Currently Under Review

The systems development projects listed below are those projects we are actively monitoring. While this list is not inclusive of all current projects across the Commonwealth, it does represent those projects that we consider of the highest importance due to risk, budget, and/or impact of the system. We discuss emerging project issues within a project's grid and summary below, or within the section above titled, "Highlights of Selected Systems Development Projects."

Agency	System Name	System Budget	Page
Accounts	Cardinal Project – Part 3	$ 60,000,000	8
Employment Commission	Financial Management System	4,948,456	9
Employment Commission	Unemployment Insurance Modernization	58,540,155	10
Community College System	Decision Support System	4,419,734	11
Community College System	Workforce Enterprise System	7,566,378	12
Secretary of HHR	**eHHR Program**		13
Social Services	Eligibility Modernization – Modified Adjusted Gross Income	28,157,425	14
Social Services	Eligibility Modernization- Conversion	16,481,824	15
Social Services	Eligibility Modernization – Program Migration	75,197,063	16
Medical Assistance Services	Rhapsody Connectivity	1,656,000	17
Medical Assistance Services	Birth Registry Interface	1,000,985	18
Medical Assistance Services	Death Registry Interface	1,053,968	19
Medical Assistance Services	Immunization Registry Interface	1,190,144	20
	Total Budget	$260,212,132	

Sponsoring agency and actual cost information detailed in the charts below are as of November 30, 2013. Agency information, specifically Secretaries and Agency Heads, may have changed with the introduction of the new Executive Administration in January 2014. In addition, we have not repeated all projects reported in our March 2012 progress report on the following pages because some of the projects may have ended or have been reprioritized as a lower risk. The reader can find historical information on these and other projects in our previous progress reports available at www.apa.virginia.gov.

Cardinal Project – Part 3

Cardinal Part 3 represents the statewide roll-out of the Commonwealth's new accounting system, which is currently used by the Department of Transportation and the Department of Accounts. At the conclusion of Part 3, the Department of Accounts plans to retire the antiquated CARS financial system.

The Cardinal project team is currently building reports and interfaces, writing and reviewing test scripts and technical design documents, and conducting training sessions for 39 Wave 1 agencies. After the successful implementation of Cardinal at all Wave 1 agencies, Cardinal Part 3 will begin the Wave 2 roll-out to all remaining agencies. Wave 1 agencies are primarily small entities with few interface needs. Wave 2 will be more complex as it involves many agencies that have independent financial systems that must be interfaced to Cardinal. Each interface introduces complexity and risk.

Sponsoring Agency Information	Project Sponsor .... David Von Moll, Comptroller of Virginia Project Manager .... Ned O'Neill, VDOT
Current Phase of Development	Execution and Construction of Wave 1
Project Timeline	Wave 1: .... Through December 2014 ❑ Analysis and Design .... May 2013 ❑ Execution and Construction............................. February 2014 ❑ System and User Test .... September 2014 ❑ Cutover and Go-Live .... October 2014 Wave 2: …………………………………………….. December 2014 – September 2016 ❑ Analysis and Design .... March 2015 ❑ Execution and Construction............................. July 2015 ❑ System and User Test .... January 2016 ❑ Cutover and Go-Live .... February 2016
Total Budget	$60,000,000
Funding	All funding from the Enterprise Applications Program Working Capital Advance established in Chapter 781 of the 2009 Appropriation Act.
Actual Costs (As of 11/30/13)	$13,544,528 of which $10.6 million represents services and $1.6 million represents software
Outside Contractor(s)	Implementation Service Providers: Accenture IV&V Services Provider: CACI
Additional Information	No additional information provided.
Prior APA Report and Issue Date	No previous reports have been issued related to this project.

Financial Management System

The Virginia Employment Commission (Employment Commission) is in the process of implementing a modern, integrated, financial management system to replace their 40-year-old, mainframe batch system. The Employment Commission procured an off-the-shelf solution, Oracle's e-Business Suite's Financial Applications, and contracted with Strategic Information Solutions (SIS) for configuration and implementation. In addition, the Employment Commission has been working on adjusting the Employment Commission's internal business processes to meet the abilities of the solution.

The Employment Commission completed the request for proposal process, identified the top vendor for the project, and submitted the project to VITA for development approval initially in the summer of 2010. However due to hosting issues, the project was put on hold and rebid in the spring of 2011. The Employment Commission began formal execution of the financial management system in the summer of 2012 with an anticipated project duration of approximately 15 months. SIS did not accomplish the planned project implementation of October 2013 and the financial management system has not yet gone live.

For over four months, the Employment Commission and SIS have been working on setting a realistic schedule to complete the remaining development and implementation. The Employment Commission and SIS have continued to make progress towards implementation; however, Commonwealth Standards as well as industry best practices require a realistic schedule and plan.

Sponsoring Agency Information	Secretary of Commerce and Trade .... James S. Cheng Project Sponsor.. Miles Sparkman, Controller, VEC Project Manager………………………….. Kimberly Lee, IT Project Manager, VEC
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... October 2009 ❑ Detailed Planning .... August 2011 ❑ Project Execution... July 2012 ❑ Planned Project Go Live .... October 2013 ❑ Actual Project Go Live………………………………….... TBD
Total Budget	$4,948,456
Funding	100 percent Federal Funds
Actual Costs (As of 11/30/13)	$3,174,648
Outside Contractor(s)	Implementation Service Provider: Strategic Information Solutions IV&V Service Provider: CACI, Inc.
Additional Information	The section above, entitled "Highlights of Selected Systems Development Projects," contains additional information on this project.
Prior APA Report and Issue Date	Virginia Employment Commission Report on Audit, For the Year Ending June 30, 2013 http://www.apa.virginia.gov/reports/VEC13.pdf

Unemployment Insurance Modernization Project (UI Mod)

The Employment Commission is developing an unemployment insurance (UI) system through the UI Mod project. UI Mod will reengineer the Employment Commission's business processes in order to provide expanded customer service, increase efficiency for Employment Commission staff, allow for a more timely response to legislative changes, provide the ability to meet all United States Department of Labor (DOL) reporting requirements, and improve system stability and reliability.

UI Mod will support the UI program, which has three major components: payment of UI benefits to unemployed workers, collection of UI taxes from employers, and accumulation of wage data for all citizens in the Commonwealth. The current systems are 20 to 30 years old and impose risks and limitations to the Employment Commission's ability to administer the UI program adequately. The Commonwealth approved an allocation of $45 million from the UI Trust Fund, under provisions of the Reed Act, to fund UI Mod. The Employment Commission is using penalty and interest funding for the remaining project costs.

In December 2011, the Employment Commission successfully implemented the Imaging and Workflow (IWF) system component of the UI Mod project. IWF is capable of scanning more than ninety-five thousand images a day and the Employment Commission migrated over 8 million documents to IWF during implementation. The remaining phases of the project, Tax and Benefits, were originally scheduled to go live in December 2012 and May 2013; however, the Employment Commission and HCLA have extended the implementation dates multiple times and neither phase has yet been implemented.

Sponsoring Agency Information	Secretary of Commerce and Trade .... Jim Cheng Project Sponsor...................................... William Walton, UI Director, VEC Project Manager .... David Portner, VEC
Current Phase of Development	Execution and Control
Project Timeline	❑ Information Technology Investment Board Approval............ September 2009 ❑ Vendor Selection and Contract Negotiation .... January 2010 ❑ Project Plan Complete .... August 2010 ❑ Project Execution Begins... November 2010 ❑ UI Imaging and Workflow System (IWF) Complete.............. December 2011 ❑ UI Tax and Benefit System Complete .... TBD ❑ Project Execution Completed .... TBD ❑ Project Closeout.. TBD
Total Budget	$58,540,155
Funding	85 percent Federal Funds and 5 percent Special Revenue Funds
Actual Costs (As of 11/30/2013)	$ 36,068,078
Outside Contractor(s)	Prime Development Vendor: HCLA, Inc. National Association of State Workforce Agencies (NASWA), Business Consulting Services IV&V Service Provider: Impact Makers
Additional Information	The section above, entitled "Highlights of Selected Systems Development Projects," contains additional information on this project.
Prior APA Report and Issue Date	Virginia Employment Commission, Report on Audit, For the Year Ending June 30, 2013 http://www.apa.virginia.gov/reports/VEC13.pdf

Decision Support System (DSS)

The Virginia Community College System (VCCS) has acquired a commercially available DSS called Quinn to interact with the Oracle PeopleSoft Campus Solutions (CS)/Human Capital Management (HCM) and Financial Management System systems, as well as other VCCS enterprise or centrally hosted applications. The DSS solution will include a Data Warehouse and Reporting System to enhance the data and analytics support for decision-making for all functional areas within the 23 community colleges and system office.

VCCS is implementing the DSS in 4 modules. VCCS successfully implemented Modules 1 through 3 and module 4 is scheduled to go live in April of 2014. The project team has provided training throughout the implementation and go-live of each module, and each module is continuously monitored and refined as necessary to ensure Quinn will be as easy to use and as valuable as possible. VCCS is on track to complete the project within the planned budget and schedule, and it will meet the business goals associated with the measures of success from the original project charter.

Sponsoring Agency Information	Secretary of Education .... Javaid Siddiqi Project Sponsors .... Dr. Susan Wood, Vice Chancellor Academic Services Project Manager .... Marcy Williams, DSS Project Manager, VCCS
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... April 2012 ❑ Detailed Planning .... May 2012 ❑ Project Execution Begins.. July 2012 ❑ Module 1 – Reports and Dashboard completion..................... September 2012 ❑ Module 2 – Student Module Go Live .... April 2013 ❑ Module 3 – Financial Aid Module Go Live............................ October 2013 ❑ Module 4 – HR Module Go Live... April 2014 ❑ Project Closeout... June 2014
Total Budget	$4,419,734
Funding	73 percent Higher Education Operating Fund and 27 percent Federal Funds
Actual Costs (As of 11/30/13)	$3,509,590
Outside Contractor(s)	Implementation Services Provider: Blackboard Analytics Professional Services IV&V Services Provider: Rodney Fowlkes
Additional Information	No additional information has been provided.
Prior APA Report and Issue Date	No previous reports have been issued.

Workforce Enterprise System (WES)

The Virginia Community College System (VCCS) is developing a WES that aims to modernize and improve the effectiveness and efficiency of the core business functions of Workforce Development Services (WDS). All 23 individual VCCS colleges currently manage noncredit continuing education functions independently using decentralized systems, databases, spreadsheets, and home-grown or vendor-supplied applications. WES will eliminate the variety of systems used throughout VCCS and streamline workflow processes by providing a multifunctional, web-based system for all noncredit course registrations. The intent is to implement an enterprise system that will manage the delivery life cycle of noncredit continuing education workshops, courses, and programs offered by WDS. VCCS has partnered with Augusoft, Inc. to help deliver the WES. The goal is to combine the advantages of Augusoft's enrollment management software system called Lumens with the strengths of Oracle's PeopleSoft already used by VCCS.

The governing committee has extended the detailed planning phase of the project because requests have been made to improve transaction flows, to improve ease of use, and to include training and support. The project sponsor has approved all functional specification and the project team expects to have the technical specifications complete in January. The project team does not expect the extension of the planning phase to have a negative impact on the project budget. The project will move to the execution phase in February 2014. VCCS anticipates WES will be deployed starting in the summer of 2014 and completed by January 2015.

Sponsoring Agency Information	Secretary of Education .... Javaid Siddiqi Project Sponsor... Craig Herndon, Vice Chancellor Project Manager .... Jeffrey Mitchell, VCCS ITS PMO Program Manager
Current Phase of Development	Detailed Planning
Project Timeline	❑ Project Initiation .... February 2013 ❑ Detailed Planning .... March 2013 ❑ Project Execution... February 2014 ❑ Project Closeout... January 2015
Total Budget	$7,566,378
Funding	80 percent General Funds and 20 percent Federal Funds
Actual Costs (As of 11/30/13)	$1,986,066
Outside Contractor(s)	Implementation Services Provider: Augusoft, Inc.
Additional Information	No additional information has been provided.
Prior APA Report and Issue Date	No previous report issued related to this project.

eHHR Program

The seven projects below are all component projects of the eHHR program. We have previously released two detailed reports on the eHHR Program and the most recent report can viewed at http://www.apa.virginia.gov/reports/eHHR13.pdf.

The Secretary of Health and Human Resources chartered the eHHR Program to coordinate projects related to the American Recovery and Reinvestment Act, the Patient Protection and Affordable Care Act (ACA), and the Medicaid Information Technology Architecture (MITA). The eHHR Program works to improve healthcare and human services programs by improving technology and creating an IT infrastructure to support those improvements. The Secretary intends that the eHHR program make its IT infrastructure available to other Commonwealth agencies for use as enterprise solutions.

To date, the eHHR Program has completed three IT infrastructure projects and delivered that infrastructure to the Virginia Information Technologies Agency (VITA) for use as enterprise solutions. The projects include a customer authentication service, a master person index, and a Service Oriented Architecture (SOA). More information about these projects is available in the eHHR report cited above.

The SOA is of special interest to this progress report because all of the seven eHHR component projects currently under development will make use of the SOA. The SOA is a suite of tools that expedites connecting legacy systems, supports sharing and reuse of Web services across agencies, facilitates the automation of business rules, provides a messaging service, and other capabilities. Additionally, the use of the SOA is a requirement to qualify for enhanced federal funding during the development of many of the eHHR projects.

Eligibility Modernization – Modified Adjusted Gross Income (MAGI)

The MAGI Project will implement a single Medicaid case management system for Family and Children's Medicaid and Children Health Insurance Program (CHIP) by improving the Virginia Case Management System (VaCMS). This solution will allow Social Services to comply with the ACA requirement of determining eligibility using a new process commonly called MAGI Medicaid. The new system must interface with a federal data source to validate application data to include: social security number, citizenship, income, and other items. If the federal hub cannot validate applicant data, Commonwealth data sources can be used. After applicant data is validated, MAGI will make an automated eligibility determination. The system will generate a notification letter to the applicant and approve/deny the applicant's case in VaCMS.

The MAGI team originally planned to have one major delivery of all requirements on October 1, 2013, the date required for the ACA implementation. Due to the project complexities and the short project timeline, the MAGI team could not realistically make the full implementation on October 1. In coordination with its executive board and federal officials, the MAGI team scheduled the tasks to ensure that the most critical tasks were accomplished first. Social Services made a major release of MAGI functionality on October 1.

Since the initial implementation, the MAGI team maintains a list of remaining items to be developed. That list is prioritized by committee to ensure that the most important items are developed first. That committee meets weekly to ensure that those priorities remain current. The MAGI team completed the high priority items and is now working on the moderate to low priority items. The project team plans to release project improvements on a monthly basis through March of 2014 and quarterly after that.

Sponsoring Agency Information	Secretary of Health and Human Resources . Dr. William Hazel Project Sponsor.. Paul McWhinney, Deputy Commissioner DSS Project Manager .... Kevin Platea, DSS
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... November 2012 ❑ Detailed Planning .... December 2012 ❑ Project Execution... February 2013 ❑ Perform User Acceptance .... July 2013 ❑ Perform Deployment .... September 2013 ❑ Operational .... October 2013 ❑ Systems Improvement .... October 2013 ❑ Project Closeout.. June 2014
Total Budget	$28,157,425
Funding	87.5 percent Federal Funds and 12.5 percent General Funds
Actual Costs (As of 11/30/13)	$10,017,408
Outside Contractor(s)	Implementation Service Provider: Deloitte Consulting, LLC IV&V Service Provider: Impact Makers.
Additional Information	This project is a component of the eHHR Program.
Prior APA Report and Issue Date	eHHR Program, Virginia's Medicaid Modernization Solution, dated August 2013 http://www.apa.virginia.gov/reports/eHHR13.pdf

Eligibility Modernization – Conversion

Effective April 2014, Social Services is required to perform renewal of eligibility for Families and Children's Medicaid and CHIP using the MAGI criteria. To comply with this requirement, the Conversion project will move active cases from two legacy IT systems to the MAGI module in VaCMS. Case data must be converted at least one month in advance of the renewal month to ensure that Social Service workers have enough time to send pre-populated renewal applications to benefit recipients within federal required timelines.

The Conversion team will move case data on a monthly basis beginning in March 2014. The Conversion team recognizes that potential problems will be identified and corrected in the earlier iterations and that efficiencies are likely to occur as the Conversion team and case workers become more experienced with the process. As such, the project team plans more scrutiny of the process in the earlier iterations. The automated conversion process will provide exception reports for cases that did not successfully convert. These exceptions will require manual intervention to convert those cases.

Upon successfully movement of a case, that case will be locked in the legacy system to ensure that a case is not active in the both the new and old systems at the same time. Upon conversion of all CHIP cases, the Department of Medical Assistance Services will be able to decommission its legacy IT system which houses the CHIP.

Sponsoring Agency Information	Secretary of Health and Human Resources . Dr. William Hazel Project Sponsor.. Paul McWhinney, Deputy Commission DSS Project Manager .... Kevin Platea, DSS
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... November 2012 ❑ Detailed Planning .... April 2013 ❑ Project Development .... June 2013 ❑ Perform User Acceptance .... December 2013 ❑ Deployment Activities .... February 2014 ❑ Project Closeout... October 2015
Total Budget	$16,481,824
Funding	87.5 percent Federal Funds and 12.5 percent General Funds
Actual Costs (As of 11/30/13)	$3,225,069
Outside Contractor(s)	Implementation Service Provider: Deloitte, LLC IV&V Service Provider: Impact Makers
Additional Information	This project is a component of the eHHR Program.
Prior APA Report and Issue Date	eHHR Program, Virginia's Medicaid Modernization Solution, dated August 2013 http://www.apa.virginia.gov/reports/eHHR13.pdf

Eligibility Modernization – Program Migration (Migration)

The Migration project modifies the VaCMS to manage the Aged, Blind, and Disabled Medicaid; Long Term Care Medicaid; Temporary Assistant for Needy Families; Supplemental Nutritional Assistance Program; and the Energy Assistance Programs. The two Medicaid program categories are currently manually processed so the Migration team will be highly dependent upon case workers to develop their automated solutions. The remaining programs are automated in their current IT systems. The related business rules for those processes are currently available to the development team. The Migration team will also deliver a document management and imaging service to the VaCMS, which will serve as a digital repository for supporting documents for program management.

The Migration team selected a phased approach for the development and implementation of this project. The team will develop and implement the Medicaid solution prior to the end of calendar year 2015. The remaining solution will be developed and implemented in 2016. The executive oversight committee approved this approach to provide assurance that enhanced federal funding, which is expected to end in 2015, is used to the full extent possible. The Migration project entered into its execution phase in January and is moving according to plan.

Sponsoring Agency Information	Secretary of Health and Human Resources Dr. William Hazel Project Sponsor... Dottie Wells, DSS Project Manager... Kevin Platea, DSS
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... October 2009 ❑ Detailed Planning.. March 2013 ❑ Project Development .... January 2014 ❑ User Acceptance Testing 1 .... October 2014 ❑ Deployment 1 .... June 2015 ❑ User Acceptance Testing 2 .... August 2015 ❑ Deployment 2 .... January 2016 ❑ Project Closeout... April 2016
Total Budget	$75,197,063
Funding	75 percent Federal Funds and 25 percent General Funds
Actual Costs (As of 9/30/13)	$4,615,638
Outside Contractor(s)	Implementation Service Provider: Deloitte, LLC IV&V Service Provider: Impact Makers
Additional Information	This project is a component of the eHHR Program.
Prior APA Report and Issue Date	eHHR Program, Virginia's Medicaid Modernization Solution, dated August 2013 http://www.apa.virginia.gov/reports/eHHR13.pdf

Rhapsody Connectivity (RC)

The RC project will connect an integration tool to the Commonwealth's Service Oriented Architecture. The Rhapsody integration tool allows data to be transmitted from one IT system to another in a data structure neutral manner. The tool also allows for transmitted data to remain available for an agreed upon period of time if the receiving system is unable to receive the information when transmitted. After the installation, the RC team will assist with integrating the Birth and Death Registry Interfaces with the Rhapsody tool.

To date, the RC team completed the initial installation of the Rhapsody tool and is in the process of integrating the Birth Registry Interface with the tool. Recently, the oversight committee extended the duration of the RC project to accommodate a change in the Death Registry Interface project. The RC project is on schedule with its newest plan.

Sponsoring Agency Information	Secretary of Health and Human Resources Dr. William Hazel Project Sponsor....................Debbie Condrey, CIO, VDH Project Manager: ....Suresh Raju, IT Project Manager, DMAS
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... November 2012 ❑ Detailed Planning............. March 2013 ❑ Project Execution............. April 2013 ❑ Deployment .... November 2013 ❑ Integration....................... November 2013 ❑ Project Closeout............... November 2014
Total Budget	$1,656,000
Funding	87.5 percent Federal Funds and 12.5 percent General Funds
Actual Costs (As of 11/30/13)	$396,312
Outside Contractor(s)	IV&V Service Provider: Impact Makers
Additional Information	This project is a component of the eHHR Program.
Prior APA Report and Issue Date	eHHR Program, Virginia's Medicaid Modernization Solution, dated August 2013 http://www.apa.virginia.gov/reports/eHHR13.pdf

Birth Registry Interface (BRI)

The BRI project will establish a birth reporting service/interface between the Division of Vital Statistics' birth registry database and the Commonwealth's Service Oriented Architecture. Upon completion, authorized agencies with a need for birth information can subscribe, for a fee, to receive periodic birth announcements.

The BRI completed the development and testing of its originally designed interface on schedule. However, the Department of Health added an enhancement late in the development process. The team is awaiting final detailed requirements for that upgrade. Because of this, implementation may be minimally delayed. The project oversight committee is aware of the potential delay and feels the increased functionality exceeds the impact of a potential delay.

Sponsoring Agency Information	Secretary of Health and Human Services .... Dr. William Hazel Project Sponsor... Debbie Condrey, CIO VDH Project Manager .... Suresh Raju, IT Project Manager, DMAS
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... November 2012 ❑ Detailed Planning .... February 2013 ❑ Development.. May 2013 ❑ User Acceptance Testing .... November 2013 ❑ Training .... January 2014 ❑ Deployment .... January 2014 ❑ Project Closeout.. March 2014
Total Budget	$1,000,985
Funding	87.5 percent Federal Funds and 12.5 percent General Funds
Actual Costs (As of 11/30/13)	$239,750
Outside Contractor(s)	IV&V Service Provider: Impact Makers
Additional Information	The project is a component project of the eHHR Program.
Prior APA Report and Issue Date	eHHR Program, Virginia's Medicaid Modernization Solution, dated August 2013 http://www.apa.virginia.gov/reports/eHHR13.pdf

Death Registry Interface (DRI)

The DRI project will establish a death reporting service/interface between the Division of Vital Statistics' death registry database and the Commonwealth's Service Oriented Architecture. Upon completion, authorized agencies with a need for death information can subscribe, for a fee, to receive periodic death notifications.

After development began, the management team determined that the team should use a different data source for the interface. Initially, the team was developing an interface with Vital Statistics' current system. That system is scheduled to be replaced in October 2014 with a system that is currently under development. The executive oversight committee directed the DRI team to connect to the new database. That required the project team to extend the project timeline to ensure that the new source database is operational before completing the DRI project. Changing the source increases the risk of further project delay because the DRI team is dependent upon the success of the other project. This risk is low given the experience and performance record of both project teams.

Sponsoring Agency Information	Secretary of Health and Human Services .... Dr. William Hazel Project Sponsor.. Debbie Condrey, CIO, VDH Project Manager .... Suresh Raju, IT Project Manager, DMAS
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... November 2012 ❑ Detailed Planning .... February 2013 ❑ Project Execution.. April 2013 ❑ Project Closeout.. November 2014
Total Budget	$1,053,968
Funding	87.5 percent Federal Funds and 12.5 percent General Funds
Actual Costs (As of 11/30/13)	$228,036
Outside Contractor(s)	IV&V service provider: Impact Makers
Additional Information	This project is a component of the eHHR Program.
Prior APA Report and Issue Date	eHHR Program, Virginia's Medicaid Modernization Solution, dated August 2013 http://www.apa.virginia.gov/reports/eHHR13.pdf

Immunization Registry Interface Project (IRI)

The IRI Project will create an interface between the Virginia Department of Health's immunization database and Commonwealth's recently deployed Service Oriented Architecture. This interface will allow agencies with a business need to obtain immunization data by querying the immunization database. A private contractor manages the immunization database for Health.

The IRI project is behind its baseline project schedule because it did not have a needed business analyst from another state agency. Because of this, the IRI team was not able to gather the project requirements to design the solution. The project sponsor intervened and an analyst has since joined the team. The IRI project manager kept the oversight committee aware of this issue and will implement a change request for the project schedule when the design plan is created.

Sponsoring Agency Information	Secretary of Health and Human Resources . Dr. William Hazel Project Sponsor.. Debbie Condrey, CIO, VDH Project Manager .... Suresh Raju, IT Project Manager, DMAS
Current Phase of Development	Execution and Control
Project Timeline	❑ Project Initiation .... November 2012 ❑ Detailed Planning .... March 2013 ❑ Solution Design .... November 2013 ❑ Development... Development 2013 ❑ User Acceptance Testing .... February 2014 ❑ Training .... March 2014 ❑ Deployment .... March 2014 ❑ Project Closeout... May 2014
Total Budget	$1,190,144
Funding	87.5 percent Federal Funds and 12.5 percent General Funds
Actual Costs (As of 11/30/13)	$145,144
Outside Contractor(s)	IV&V services provider: Impact Makers
Additional Information	The project is a component of the eHHR program.
Prior APA Report and Issue Date	eHHR Program, Virginia's Medicaid Modernization Solution, dated August 2013 http://www.apa.virginia.gov/reports/eHHR13.pdf

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 6, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
  And Review Commission

We are currently conducting audits of the systems development process for several major information technology projects and submit our report entitled, **"Progress Report on Selected System Development Projects in the Commonwealth"** for your review.

We found that for the major information technology projects included in this progress report, the project managers comply with the Commonwealth's Project Management Standard, as issued by the Virginia Information Technologies Agency or with project management best practices where exempt from the Commonwealth standard. In Appendix A, we provide a summary of each of the projects we are currently following. Further, we include additional information on the projects at the Virginia Employment Commission to highlight unique aspects of their status.

This progress report does not include new audit recommendations for any of the projects we are currently following, but instead describes project history, activities, and status. We verified the accuracy of this information with all of the agencies; however, since there were no audit recommendations, we did not conduct an exit conference or receive an agency response.

AUDITOR OF PUBLIC ACCOUNTS

KKH/clj