

**Report to
The Legislative Finance Committee**

Status Review

**Unemployment Insurance: Tax and Claims System
uFACTS**

June 2012

LEGISLATIVE FINANCE COMMITTEE

Senator John Arthur Smith, Chairman
Representative Luciano “Lucky” Varela, Vice-Chairman
Senator Sue Wilson Beffort
Senator Pete Campos
Senator Carlos R. Cisneros
Representative William “Bill” J. Gray
Senator Stuart Ingle
Representative Rhonda S. King
Representative Larry A. Larrañaga
Senator Carroll H. Leavell
Senator Mary Kay Papen
Representative Henry “Kiki” Saavedra
Representative Nick L. Salazar
Representative Edward C. Sandoval
Senator John Sapien
Representative Don L. Tripp
Representative James P. White

DIRECTOR

David Abbey

Status Review

Debra Goeller, IT Consultant

Senator John Arthur Smith
Chairman

Senator Sue Wilson Beffort
Senator Pete Campos
Senator Carlos R. Cisneros
Senator Stuart Ingle
Senator Carroll H. Leavell
Senator Mary Kay Papen
Senator John M. Sapien

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone: (505) 986-4550 • Fax (505) 986-4545

David Abbey
Director



Representative Luciano "Lucky" Varela
Vice-Chairman

Representative William "Bill" J. Gray
Representative Rhonda S. King
Representative Larry A. Larrañaga
Representative Henry Kiki Saavedra
Representative Nick L. Salazar
Representative Edward C. Sandoval
Representative Don L. Tripp
Representative James P. White

April 25, 2012

Ms. Celina Bussey, Secretary
Department of Workforce Solutions
PO Box 1928
Albuquerque, NM 87103

Dear Secretary Bussey:

The Legislative Finance Committee will be conducting a limited status review of the Department of Workforce Solutions UI Systems Modernization project. The review will be initiated in May 2012 and will be led by Debbie Goeller, whose services have been contracted by the LFC. The review will consist of the following objectives:

- Identify all funding sources and expenditures and identify risks for costs over budget.
- Assess the project's adherence to required timelines for milestones and deliverables.
- Assess overall progress and potential risks to achieving stated project goals for New Mexico.
- Assess the quality of the contracted IV&V services for the project.

We intend to complete the review by June 30 and would appreciate your cooperation throughout the review, including access to project managers and key staff at their convenience, quarterly reports to the DoIT Project Oversight and Compliance Division, updates to the Project Certification Committee, IV&V reports, contracts and contract change orders, as well as the opportunity to observe associated project software, hardware, and architecture with the accompaniment of a project manager or other authorized individual.

Should you have any questions or comments regarding this engagement, please contact Christine Boerner at (505) 986-4556.

Thank you for your cooperation.

Sincerely,

A handwritten signature in dark ink, appearing to read "David Abbey".

David Abbey, Director

Cc: Senator John Arthur Smith, Chairman, Legislative Finance Committee
Representative Luciano "Lucky" Varela, Vice-Chairman, Legislative Finance Committee
Tom Clifford, Secretary, Department of Finance and Administration

Table of Contents

Objectives:	1
Executive Summary:	1
Findings:	2
Background:	3
Revenue Sources and Budget:	5
Timelines, Milestones and Deliverables	6
uFACTS Status:	7
Project Design:	9
Project Contractors:	
Project Timeline & Deliverables	12
Project Risks:	13
Independent Verification and Validation (IV&V) Quality and Services:	14
Appendix A: DWS Request for IV&V Waiver	16
Appendix B: DoIT Response to IV&V Waiver	18

OBJECTIVES:

At the direction of the LFC, a limited status review of the Department of Workforce Solutions UI Systems Modernization project was conducted in June 2012. The review consisted of the following objectives:

- Identify all funding sources and expenditures and identify risks for costs over budget.
- Assess the project's adherence to required timelines for milestones and deliverables.
- Assess overall progress and potential risks to achieving stated project goals for New Mexico.
- Assess the quality of the contracted IV&V services for the project.

EXECUTIVE SUMMARY:

The Department of Workforce Solutions (DWS) is implementing a replacement to aging software and hardware by re-engineering the Unemployment Insurance Tax and Claims systems which will support a reduced dependence on paper and associated manual data entry and provide an Internet-based employer and claimant self service portal and streamlined business operations. The UI Modernization the project began in March 2010 and is scheduled to go-live September 2012.

DWS has received revenue federal funding from the Employment Security Financing Reed Act for \$26,960,000, The American Recovery and Reinvestment Act (ARRA) for \$12,401,000 and the United States Department of Labor (USDOL) for \$6,731,111. The total UI Modernization project was funded for \$46,902,111.

The Agency has defined the following business objectives for the UI Tax and Claims project:

- Improved service to employers and claimants through Internet-based self service
- Streamlined business processes through automation of manual functions
- Reduced data entry through increased electronic filing
- Redesigned problematic functions in current system
- Retirement of the current system that is antiquated and difficult to maintain
- Migration from a mainframe infrastructure that is very expensive to maintain

The UI Modernization Project is known as uFACTS. As of June 2012, the project has completed the design and development phases. Remaining milestones for project completion are: User Acceptance Testing (UAT); Data Conversion; Training of Personnel for new business processes and system use; and the transition of ownership from Deloitte Consulting to DWS for ongoing support and maintenance of the system and infrastructure.

The risks to the agency for a successful transition are: successful conversion of data from the old system(s) to the new databases; user training that includes new business rules as well as a new system, and; the ability of the agency's IT staff to take ownership within a six month to one year timeframe.

Findings:

DWS has been focused on the replacement of its legacy systems and infrastructure prior to 2011. The original project was to replace the UI Tax portion of the business. It was later expanded to include the Claims side of the business process as well as the implementation of program integrity initiatives mandated by the federal government. Federal funding dictated the original scope for UI Tax. The agency expanded the project to include UI Claims later in the process. Federal mandates for program integrity (fraud and overpayments) expanded the scope even further. DWS was required to react to current changes in New Mexico UI legislation as well as a number of federal extensions for unemployment benefits. These shifts in scope and the requirement to support all efforts with limited staff (IT support staff also performed development work) has attributed to scope creep and extended implementation dates.

The project is in its final 90 days before the planned go-live date. The complete over-haul of hardware, software, infrastructure and system modernization will cumulate in early fall 2012. The final risks to the project, while not unusual in system development efforts, are still major milestones for success: data conversion, training and transition of ownership.

The IV&V quality and its benefits have been debated by the agency. DWS has relied on its project management contractor for more accurate reporting of risks and accomplishments. The requirement to acquire an IV&V contractor is in statute. The agency's ability to contest the quality of those services and find other options needs clarification by DoIT.

Background:

The Department of Workforce Solutions (DWS) began a replacement of the Unemployment Tax and Benefits Systems March 3, 2010. DWS chose to deploy a commercial off the shelf solution (COTS) for Unemployment Insurance (UI) business units. This includes a system that collects unemployment taxes from employers (UI Tax), a process to disburse payments of benefits to unemployed clients (UI Claims), and management of overpayment transactions (Benefit Payment Control) related to normal business and fraud-related overpayments. The new system replaces legacy technology that is beyond its service life.

In 2010, DWS awarded a contract to Deloitte Consulting LLC and began the process to implement a new unemployment insurance (UI) tax system.

In November 2010, the agency signed an amendment to that contract adding scope for a new UI Claims system. The combined system, known as uFACTS (Unemployment Framework for Automated Claim and Tax Services), would serve New Mexico employers and beneficiaries for all unemployment insurance needs through a streamlined process.

The USDOL granted DWS two separate supplemental budget requests (SBR) in 2009 and 2011 to design, implement, and carry out the identification, collection, and management of overpayments and to participate in specific and well-defined USDOL Program Integrity Initiatives.

Extensions and Scope Changes:

The original project scope was to replace the UI Tax System for system modernization, hardware replacement and software acquisition. In November 2010 an amendment was executed with Deloitte Consulting to add the UI Claims System to the overall project. The combined system would integrate both processes for unemployment insurance. The legacy systems were stand-alone “siloed systems” designs that did not integrate the working functions of unemployment taxes and claims.

In addition to combining the Tax and Claims portions into one design, USDOL mandated in 2011 integrity reporting requirements. USDOL granted two separate supplemental budget requests to design, implement, and carry out the identification, collection, and management of overpayments. This process allows DWS to participate in specific USDOL program integrity initiatives that deal with fraud and abuse.

Legislative changes to Extended Benefits and Tax Rate changes created resource contention for the new development efforts. These changes required additional work for the legacy systems, which affected progress for new development.

The initial contract allowed for minimal testing and training timelines. The older UI Program staff and organizational structure was not properly aligned with the new improved business processes. DWS has been working with the State Personnel Office to modify UI Program

structures and job descriptions. New business rules have been defined and will require adequate training of UI Staff.

The IT staff required additional training for new application components. New system languages and processes would replace the old legacy systems.

The extensions and changes in scope have not resulted in new funding. Project costs have been shifted to other funding sources, including 2010 and 2011 UI base funds that were allocated to the project via the BAR process. The impact has been to incorporate changes in scope and staff training within the funding levels previously allocated and to extent the dates for completion of the development and implementation efforts.

DWS has written into the Deloitte Contract amendment an option for Operational and Maintenance support, which will not exceed an additional one year and not to exceed \$6,720,000. Full operational capability by DWS is estimated December 1, 2013.

The original implementation timeframe has been extended once: March 31, 2012 to September 1, 2012.

Revenue Sources

UI Tax System

Revenues				
Revenue Source	Date	Amount	Certification	Remaining Appropriation not certified
UI Tax				
Reed Act	06/07/2006	\$200,000		
Reed Act	04/07/2007	\$1,750,000		
Reed Act	12/16/2009	\$9,010,000		
Reed Act	06/2010	\$16,000,000		
		\$26,960,000		All Certified by DoIT

UI Claims System

Revenues				
Revenue Source	Date	Amount	Certification	Remaining Appropriation not certified
UI Claims				
ARRA UI Mod	12/15/2010	\$1,882,430		
ARRA UI Mod	12/15/2010	\$5,044,575		
ARRA UI EMG	12/16/2009	\$2,792,995		
NM GF	12/15/2010	\$2,681,000		
		\$12,401,000		All Certified by DoIT

UI Overpayments Module

Revenues				
Revenue Source	Date	Amount	Certification	Remaining Appropriation not certified
UI Overpayments				
DWS Op Bud	3/24/2010	\$137,000		
US DOL	6/22/2011	\$1,242,350		
Base Fed Fund	2011	\$1,437,226		
		\$2,816,576		All Certified by DoIT

UI Program Integrity

Revenues				
Revenue Source	Date	Amount	Certification	Remaining Appropriation not certified
UI Program Integrity				
USDOL	2011	\$3,742,450		
		\$3,742,450		All Certified by DoIT

IVR

Revenues	Date	Amount	Certification	
DWS Op Bid	June 2012	\$172,085		
		\$172,085		All Certified by DoIT

Total				
Revenues		\$46,092,111		

UI Status Review June 2012

Operating Budget

Budget	Description	FY09 & Prior	FY10	FY11	FY12	Fy13 & After	TOTALS
Staff-Internal	UI TAX	\$275,050	\$124,978	\$331,275	\$249,956	\$87,317	
	UI Claims						
	Overpayments						
Consulting Services	UI Tax	\$1,221,555	\$4,288,806	\$10,177,214	\$6,127,715	\$443,603	
	UI Claims (GRT)			\$681,000			
	Contractor Retainage			\$1,250,000			
	Overpayments			\$137,000	\$1,242,350		
Hardware	UI Tax		\$667,524	\$400,000	\$40,000		
	UI Claims			\$750,000			
	Overpayments						
Software	UI Tax		\$2,423,278				
	UI Claims			\$9,720,000			
	Overpayments						
Other	UI Tax (Training)	\$90,577			\$1,148		

Timelines, Milestones and Deliverables

Deliverables	Budget	Due Date	Project Phase
Phase I (UI TAX)	\$10,960,000	02/28/2011	Closed
Phase II (UI Tax)	\$16,000,000	8/31/2012	In test
Phase III (UI Claims w/ Overpayment Module)	\$15,193,446	8/31/2012	In Test
Phase IV (Program Integrity)	\$3,742,450	08/31/2012	Development

uFACTS Current Status:

April 2011 began the shift from development and System Testing to User Acceptance Testing (UAT), Conversion Reconciliation, and Defect management.

The Phase 4 design elements and design issues were assessed – leaving only a small number of issues remaining (i.e., Re-employment related ETA reports, SIDES interfaces, and integration of Phase III and Phase IV Claims Collections).

Conversion reconciliation for Claims continues; however, Conversion remains one of the highest risks for the project. Deloitte and DWS are working to establish the final production environment with a plan to utilize the environment for UAT by June 1.

Deloitte has added 10 individuals to the team for the final ‘go-live’ production push. The focus of these added staff will be on UAT Test preparation, automated test set-up, Production Implementation Planning and tracking, and module readiness assessments/complex testing for high-risk Unemployment Insurance areas (i.e., retro-active payments, special programs, and tax-claims integration).

DWS/Deloitte have completed the 2nd dry run on data conversion with an 81% success rate. DWS/Deloitte will continue to reduce defects through programmatic changes in June; senior management is reviewing how to handle data that simply can't be converted accurately. DWS has completed the production environment, which will be used for UAT until Go-Live. All converted data has been uploaded to the UAT/PRODUCTION environment for testing. UAT has been moving along smoothly, defects are minimal at this point in time.

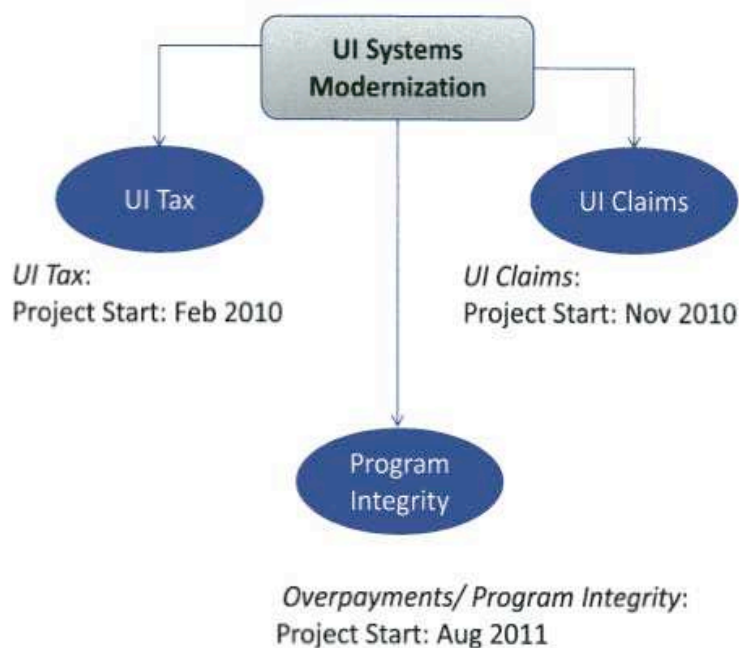
Key Project Risks for this period include the following:

- **Business Process Re-Design:** Activities still continue to modify the business organization. Resistance at this point in the project is normal and is being addressed by DWS management.
 - **Conversion:** Conversion is progressing, but until detailed System and User Testing can progress, there are several unknowns related to the quality of the legacy data and its interactions with the uFACTS database.
 - **Interface Testing:** Partner Testing is a key to assessing production readiness. There are open issues remaining to formally engage all the trading partners for proper testing; testing should take place during the month of June.
- User Acceptance Testing:** UAT started in April and will continue through August. UAT will begin using synthetic data and converted data will be used in June.

REMAINING MILESTONES	STATUS	%	START DATE	ACTUAL START	EST. END DATE	PROJECT PHASE
User Acceptance Testing	In process and ongoing	50	04/30/12	05/07/12	07/24/12	Data Conversion and Development
Data Conversion (Initial Development)	In process and ongoing	50	02/01/12	02/01/12	06/30/12	Data Conversion and Development
Data Conversion (Final Development)	Not Started	0	07/01/12		07/24/12	Data Conversion and Development
Business Process Redesign	In process and ongoing	50	02/01/12	02/01/12	08/31/12	Implementation Planning
Training	In process and ongoing	50	05/21/12	05/21/12	08/31/12	Training
Implementation	In process and ongoing	50	05/01/12	05/01/12	09/03/12	Implementation Planning
Software Development (Agency)	In process and ongoing	50	05/01/12	05/01/12	08/01/12	Data Conversion and Development
Software Development (Contractor)	In process and ongoing	50	05/01/12	05/01/12	08/01/12	Data Conversion and Development

Project Design

uFACTS is an integrated Tax, Claims, and Program Integrity (Overpayments) System that replaces legacy hardware and software. uFACTS expands system automation allowing for online data capture and validation, overpayment processing, fraud detection and reporting to numerous external agencies and employers. uFACTS extends constituent services allowing for online filing for UI Tax and UI Claims.



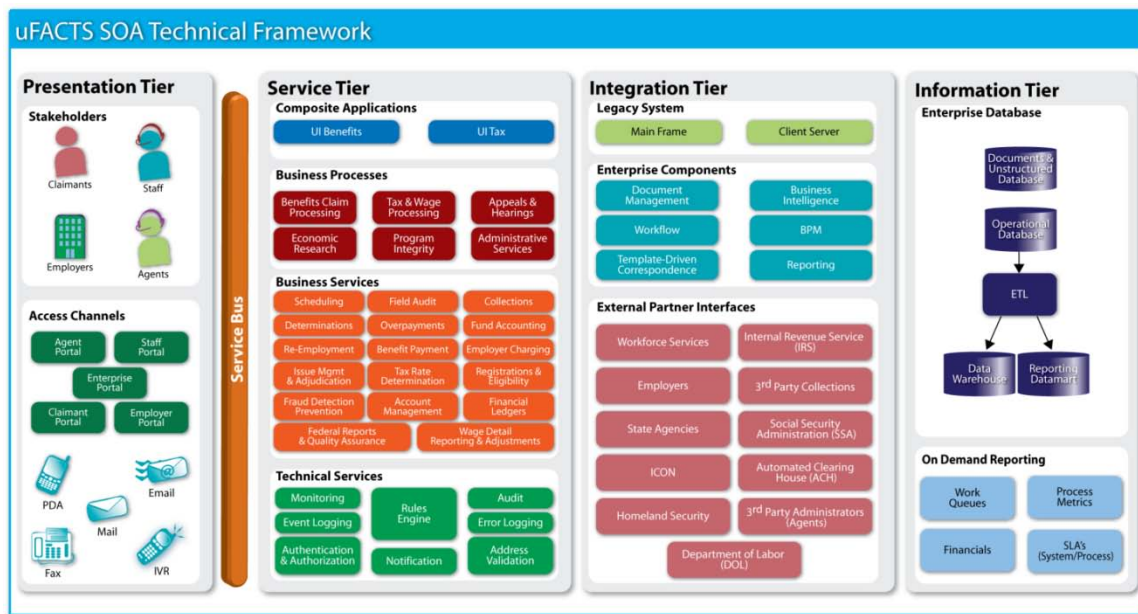
Built on a mature architecture, the uFACTS Solution Framework provides a solution that is based on client needs. The uFACTS Framework is based on a Service-Oriented Architecture and uses .NET/Oracle platform replacing a legacy AIX/Java/DB2 system.

DWS has replaced old mainframe computers with development, test, and production servers. The application has been designed to handle high volumes of traffic and the increased demand for reports and data sharing interfaces.

System Architecture

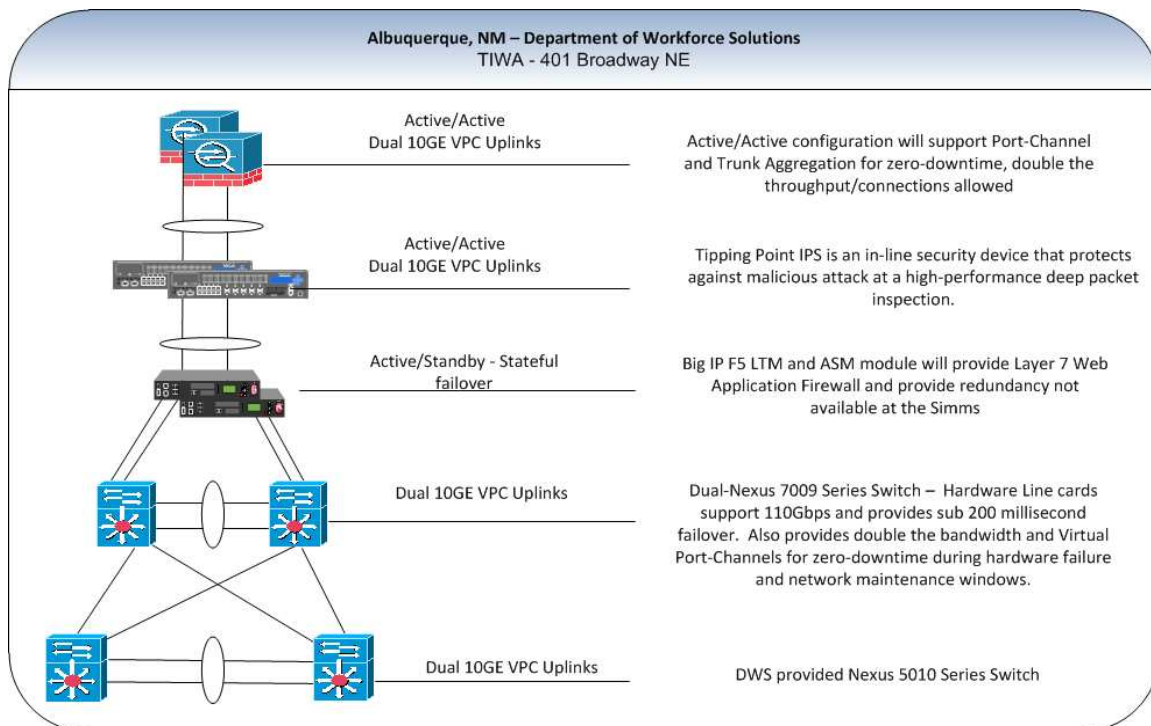
The uFACTS Solution Framework's multi-tiered architecture consists of the following four major tiers:

- Presentation Tier
- Service Tier
- Integration Tier
- Information Tier



System Infrastructure

uFACTS replaces a “single-point-of –failure” network with a dual fail-over uplinks. DWS is subject to federal security requirements that uFACTS is designed to support on four operational levels: Network Security; Application Security; Database Security; and Operational Changes (logging and journaling).



Project Contractors and Price Agreements

Contractor	Purpose	Vehicle	Amount	
Deloitte Consulting	Jan 2010 UI Tax System	RFP	\$17,164,722	
	Oct 2010 UI Claims	RFP Amendment	\$9,719,626	
		RFP Amendment	\$2,258,879	
	Extended Readiness Support	RFP Amendment	\$2,610,000	
	Optional Post-Warranty Maintenance and Operations Support	RFP Amendment (Optional)	\$6,720,000	
			\$38,473,227	
Kemtah Group	Jun 2010 Project Management	RFP	\$845,460	
	Dec 2010 Project Management	RFP Amendment	\$233,873	
			\$1,079,333	
Burger Carroll Assoc	IV&V			
Harris Technologies	IV&V	RFP	\$87,000	
HARDWARE			\$87,000	
EMC	Hardware/Backup/SAN	Price Per License Units		
Hewlett-Packard	Hardware/Servers/Prod Blades	Price Per License Units		
SOFTWARE				
Adobe	Acrobat/Dreamweaver/Robohelp	Price Per License Units		
AltSoft	XML2PDF Server	Price Per License Units		
Computer Associates	Erwin Data Modeler	Price Per License Units		
EMC	Backup Solution Part 2	Price Per License Units		
Enterprise/Team Dev.	Team Developer	Price Per License Units		
Freedom Scientific	JAWS	Price Per License Units		
GlobalSCAPE	Secure FTP EFT Server for Windows	Price Per License Units		
Hewlett-Packard	Load Runner /Quick test pro	Price Per License Units		
IBM Relational	File Net/Relational Clear Case	Price Per License Units		
LLBL Gen Pro	LLBL Gen Pro	Price Per License Units		
Microsoft	MS OPS/ SQL Server/Visio Pro/FileNet	Price Per License Units		
Oracle	DB Prod/Test/Dev	Price Per License Units		
Paragon	Drive Backup	Price Per License Units		
Pitney Bowes Grp 1	Universal Addressing Module	Price Per License Units		
Quest	Toad for Oracle Base Edition	Price Per License Units		
SAP	Crystal Reports	Price Per License Units		
ScaleOut	Session Server	Price Per License Units		
Symantec	End Point Antivirus	Price Per License Units		
UC4	Operations Mgr Modules	Price Per License Units		
			\$3,508,603	License Costs 1 Year
			\$43,148,163	

Project Risks:

The project risks have been identified throughout the project timeline.

- Data Conversion from the legacy applications. A very large amount of data needs to be manually reviewed and cleansed.
- Interface development and data sharing between uFACTS and Virtual One Stop System (VOSS).
- Realignment of job functions, positions, and implementation of new business process flows.
- Short timeline to implement new system and thoroughly train personnel for agency ownership.
- Transfer ownership of system support and maintenance to the agency from Deloitte in six months. This has been mitigated somewhat with an optional extension to the Deloitte contract for ongoing assistance.
- Business Process Re-Design. Activities still continue to modify the business organization. Resistance at this point in the project is normal and is being addressed by DWS management.
- User Acceptance Testing. UAT started in April and will continue through August. UAT will begin using synthetic data and converted data will be used in June.

Independent Validation and Verification: Quality of Services

DWS has had two IV&V contractors over the life of the project. Burger Carroll and Associates provided IV&V from April 2010 to October 2010. Harris Technologies provided IV&V services from November 2010 to June 2011. As of June 2011, Harris Technologies/NMAbilities has submitted its 8th and final report and grades the project as "Green." Risks are reviewed regularly by the project's management team and recorded in the project risk register and managed through monthly risk reviews with the Executive Steering Committee.

As of July 2011, Harris Technologies/NMAbilities IV&V contract has been stopped at the direction of the Department. The Project Manager, CIO, and Cabinet Secretary conduct risk management reviews. Risks are reviewed weekly by the project's management team and at the Executive Steering Committee meetings.

DWS requested a waiver from DoIT on June 23, 2011 (Attachment A) for IV&V services provided by Harris Technology/NMAbilities. DWS's review of the deliverables of the Harris Technology contract determined that the benefit to the Agency and to DoIT was not evident. DWS determined that IV&V tasks are already being delivered through a third party vendor, Kentah and Associates, through their project oversight and management team contracted through a multi-year RFP award. The IV&V tasks were redundant and the quality between the two contractors was not consistent. Kentah was able to provide on site daily oversight while Harris Technologies/NMAbilities was on site once a week. Upon detailed review of IV&V guidelines DWS believes that they are meeting the intent of that statute. On June 10th the Agency formally delivered a 10-day cancelation notice to Harris Technologies/NM Abilities.

DoIT responded approximately six months later, on January 9, 2012 (Attachment B), regarding the waiver. In its response DoIT expressed the general benefits of having an IV&V contractor. The increased project costs (and funding) coupled with scope changes which affected the implementation date of the project has concerned DoIT. DoIT's response was not explicit regarding the use of Kentah as IV&V or use of Harris Technologies or any other IV&V contractor.

Since June of 2011 DWS has not had an "official" IV&V contractor but has relied on Kentah, the Project Management contractor and the Executive Steering Committee to monitor the IV&V tasks for the department.

DWS/IT has conducted and documented in detail, weekly status reports for 2010, 2011, and 2012. Monthly status reports have been submitted and are documented by Deloitte Consulting over the three-year period.

IV&V Contractors

Burger Carroll Associates	Date	Overall Status	Overall Trend
Interim Report	Apr 16, 2010	Not Rated	Not Rated
Interim Report	May 3, 2010	Not Rated	Not Rated
Interim Report	May 31, 2010	Not Rated	Not Rated
Interim Report	Jun 25, 2010	Not Rated	Not Rated
Interim Report	Jun 30, 2010	Not Rated	Not Rated
Interim Report	July 10, 2010	Yellow	Static
Interim Report	Aug 27, 2010	Yellow	Static
Interim Report	Sept 10, 2010	Yellow	Static
Interim Report	Oct 25, 2010	Green	Static
Harris Technology			
Interim Report	Nov 5, 2010	Yellow	Static
Interim Report	Dec 5, 2010	Yellow	Static
Interim Report	Jan 5, 2011	Yellow	Static
Interim Report	Feb 5, 2011	Yellow	Static
Interim Report	Mar 4, 2011	Yellow	Static
Interim Report	Apr 5, 2011	Green	Improving
Interim Report	May 5, 2011	Green	Improving
Interim Report	Jun 3, 2011	Green	Improving

Appendix A: Waiver Request for IV&V

June 23, 2011

UI Systems Modernization Project Oversight and Risk Management

Secretary Ackley,

The New Mexico Department of Workforce Solutions (NMDWS) continues to make progress on the three phases of Unemployment Insurance (UI) System Modernization Project. As we continue to balance limited resources, limited funding, and high workloads our Agency needs a level of project oversight that cannot be provided through a conventional IV&V service. NMDWS under the previous administration showed good faith by procuring an IV&V contractor through Harris Technologies/NM Abilities. However, upon review of the deliverables of that contract it has been determined that the benefit to the Agency, DoIT, and the State of NM simply isn't there, and that continuation of that contract is an improper use of tax payer dollars. Therefore on June 10th the Agency formally delivered a 10-day cancelation notice to Harris Technologies/NM Abilities.

NMDWS understands the need for project oversight, independent risk management, and to meet state statutes and guidelines. Upon detailed review of those guidelines we believe that we are meeting the intent of that statute. Due to a high level of complexity in this project, we believe that this task requires someone working full time, participating in all critical project meetings, reviewing all detailed technical/business/project documents, and adequately trained in order to provide the type of oversight and risk management that is truly beneficial. In order to provide these services through another vendor would be cost prohibitive and will still not deliver the depth and breadth of risk oversight and management we need. We determined that these tasks are already being delivered through a third party vendor, Kemtah and Associates, through their project oversight and management team contracted through a multi-year RFP award.

The Kemtah contract has specific language regarding tangible deliverables that will help us demonstrate and document that these activities are taking place. Kemtah is required by contract to provide the following deliverables to accomplish this:

1. Risk Management and Mitigation Plan
2. Detailed Risk Log showing identified risks and associated mitigation efforts
3. Monthly Project Status reports related specifically to Risk Management as interim reports for this project
4. Oversight reports of the project and of any project Risks and Issues that could affect project Scope, Budget, or Schedule
5. Provide the PCC with quarterly project updates, as needed

6. Continue to demonstrate stakeholder involvement through reporting and presentations to agency management through the project Executive Steering Committee meetings
7. At the close of the project, we will provide a final project report focusing on the management and result and resolution of risks identified throughout the project

NMDWS in conjunction with Kentah and Associates and Deloitte have created an extra set of project reviews and increased levels of project oversight and risk analysis. Kentah contractors have created a series of ad hoc reports, presentations, and analysis highlighting specific areas of concern and projecting out different scenarios, per agency direction. We would gladly send as many examples of Kentah's work as needed, and discuss with them a contract modification/re-wording if necessary.

To date NMDWS has spent \$35K on IV&V services for the uFACTS project, with an additional \$87K set aside to complete IV&V through implementation. We believe that our set of checks and balances through the agency, Deloitte, and Kentah provide us with the highest level of oversight possible given our constrained funding and timeline. We respectfully request your guidance on our request for alteration of our IV&V contract and look forward to discussing any issues, concerns, changes with you.

Celina Bussey, NMDWS Cabinet Secretary

Aaron Hinds, NMDWS CIO

Appendix B: DoIT IV&V Response



State of New Mexico Department of Information Technology

SUSANA MARTINEZ
Governor

DARRYL ACKLEY
Cabinet Secretary

JACQUELINE MILLER
Deputy Secretary

January 9, 2012

Celina Bussey, Cabinet Secretary
Department of Workforce Solutions
401 Broadway NE
Albuquerque, NM 87102

Re: Independent Verification and Validation (IV&V) for UI System Modernization project

Dear Secretary Bussey,

Pursuant to the Department of Information Technology Act, specifically NMSA Chapter 9, Article 27, Section 6, the DoIT is charged with oversight of all Information Technology (IT) projects in New Mexico Executive Branch Agencies. As such, the DoIT monitors agency project status, including the DWS UI System Modernization project, to ensure the successful implementation.

There have been considerable changes to the UI System Modernization project over the last year. The project budget has grown from \$39 million to nearly \$50 million. Approximately 74% of the budget is for the Deloitte integrator contract. DWS recently amended the contract for additional \$2,258,900 to include additional Program Integration enhancements as mandated by the US Department of Labor. Additionally, DWS has either begun or in the process of executing significant engagements with other contractors to address project deficiencies.

Furthermore, the DWS staff has indicated a need for the schedule for the uFACTS component to change in order to provide additional time for software development and testing, end-user testing and training, and to assure both the quality of the software and the effectiveness and efficiency of end-user testing. Based on this postponement, implementation is now planned in September 2012.

In consideration of these changes, the project will benefit from a focused IV&V. In addition to the matters mentioned above, the IV&V contractor should address:

1. Project Integration with DWS staff
 - a. Demonstrated business and technical stakeholder involvement throughout the project from integrator meetings to Executive Steering Committee meetings.

715 Alta Vista Street, Santa Fe New Mexico 87505
505-827-0000
www.doit.state.nm.us



State of New Mexico
Department of Information Technology

SUSANA MARTINEZ
Governor

DARRYL ACKLEY
Cabinet Secretary

JACQUELINE MILLER
Deputy Secretary

- b. Demonstrated understanding of code configuration by the technical team for the UI replacement system, reports, profiling, and interfaces.
- 2. Schedule
 - a. Demonstrated management of the schedule, with milestones, to meet the timeline and the deliverables of the project.
- 3. Budget
 - a. Demonstrated management of the budget in relationship to the receiving of deliverables per each contract.
- 4. Demonstrated risk management including a Risk Management Plan and Risk Log showing identified risks and associated mitigation efforts that could affect project Scope, Budget, or Schedule;
- 5. Verification and validation of quality assurance in regards to software development and testing, end-user testing and training, and to assure both the quality of the software and the effectiveness and efficiency of end-user testing (quality gates).

If you have questions, please have your CIO contact Mike Baca, Director, Project Oversight & Compliance Division.

Sincerely,

Darryl Ackley
Cabinet Secretary & State Chief Information Officer

Cc: Aaron Hinds, CIO, Department of Workforce Solutions

715 Alta Vista Street, Santa Fe New Mexico 87505
505-827-0000
www.doit.state.nm.us