

December 28, 2017

Diana Dooley, Secretary
California Health and Human Services Agency
1600 9th Street #460
Sacramento, CA 95814

Dear Ms. Diana Dooley,

In accordance with the State Leadership Accountability Act (SLAA), the Office of Systems Integration submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Matt Schueller, Chief Administrative Officer, at (916) 263-4368, matt.schueller@osi.ca.gov.

BACKGROUND

In 2005, the Office of Systems Integration (OSI) was established within the California Health and Human Services Agency (CHHSA) to manage a portfolio of large, complex health and human services information technology (IT) projects. The OSI provides project management, oversight, procurement, and support services for a multi-billion dollar portfolio of high-criticality projects. In this capacity, the OSI coordinates communication, collaboration and decision making among project stakeholders and program sponsors of the projects. The OSI manages the procurement, contract negotiations and contract management aspects of the acquisition of technology systems and services. After the procurement phase, the OSI oversees the design, development, governance, and implementation of IT systems which serve health and human services programs. Since its inception, the OSI has developed a track record of successfully managing and deploying large, complex, mission critical systems to support health and human services programs at the state, federal, and local levels. These projects include the following:

- Appeals Case Management System (ACMS)
- California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)
- Case Management, Information and Payrolling System II (CMIPS II)
- Child Welfare Services/Case Management System (CWS/CMS)
- Child Welfare Services - California Automated Response and Engagement System (CWS-CARES, formerly New System)
- Electronic Benefit Transfer System (EBT)
- Electronic Women, Infants and Children Management Information System (eWIC-MIS)
- Medi-Cal Eligibility Data System Modernization (MEDS Modernization)
- Statewide Automated Welfare System (SAWS)
- Statewide Fingerprint Imaging System (SFIS)
- Welfare Data Tracking Implementation Project (WDTIP)

ONGOING MONITORING

As the head of Office of Systems Integration, John Boule, Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

EXECUTIVE MONITORING SPONSOR(S)

The executive monitoring sponsor responsibilities include facilitating and verifying that the Office of Systems Integration internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Matt Schueller, Chief Administrative Officer.

MONITORING ACTIVITIES

As a project management organization, the OSI is continually identifying risks and issues and addressing vulnerabilities. The OSI currently leverages a departmental communication plan for monitoring the internal system of controls. Monitoring opportunities consist of the following meetings: Leadership Meetings Executive Staff Meetings Project Status Meetings Division Meetings All-Staff Meetings Town Hall Meetings In addition, there are standing Project Governance meetings and regularly occurring Project Review Board meetings, which serve to highlight specific risks, issues, and challenges with IT projects within the OSI portfolio. These meetings are outlined in greater detail in the Communication section. Prior to this reporting cycle, the OSI had reported as part of the CHHSA submission and not as a separate entity. With this reporting cycle, it was determined that the OSI should report as a separate, distinct entity. Although the OSI is in compliance with the monitoring requirements of California Government Code sections 13400-13407, the office will be documenting the SLAA process as a distinct effort, especially as it pertains to the completion of the required biennial reporting.

ADDRESSING VULNERABILITIES

As risks and issues are identified through the departmental communication process, action items are determined and assigned to the appropriate staff. These action items are then calendared for follow-up at future meetings. The interval and venue for follow-up is determined by the severity and priority of the risks and/or issues and can occur across a variety of departmental meetings, depending on the need.

COMMUNICATION

Again, the OSI currently uses a departmental communication plan for monitoring the internal system of controls. The meetings that occur are also used to communicate information about departmental risks, issues, and the controls to mitigate them, both vertically and horizontally across organizational lines. Monitoring opportunities consist of the following meetings: Leadership Meetings Includes the Directorate, Chief Counsel, Agency Information Officer, and Deputy Directors. Occurs every two weeks. Executive Staff Meetings Includes the Leadership Team, Project Directors, and Administration Division Chiefs. Occurs every two weeks. Project Status Meetings Includes individual project management (including Deputy Director) and Directorate. Occurs monthly. Division Meetings Deputy Directors hold division meetings with staff. Occurs either monthly or quarterly. It is also expected that regular staff meetings occur at the project and unit level. All Staff Meetings Includes all OSI state staff. Fixed agenda with questions and answers. Occurs biannually. Town Hall Meetings Includes all OSI state staff. Open agenda based on questions from staff. Occurs biannually The standing Project Governance meetings occur on a regularly scheduled basis and include project staff, and leadership from OSI, project sponsors, and stakeholders. Project governance is the main vehicle for identifying project risks and issues and is highlighted in greater detail in this report under Risk number one. The regularly occurring Project Review Board meetings include project staff, leadership from CHHSA, OSI, and project sponsors. These Board meetings also serve to highlight specific risks, issues, and challenges with IT projects within the OSI portfolio.

ONGOING MONITORING COMPLIANCE

The Office of Systems Integration is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the Office of Systems Integration systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Office of Systems Integration risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

RISK IDENTIFICATION

The OSI uses the departmental communication plan and the previously mentioned communication opportunities to identify risks. Discussions regarding risks and issues are standing items at these meetings and items are identified that could lead to reduced project functionality, increased cost, project delays, and, in the worst case, failures in project delivery. These include risks and issues within both the projects and administrative areas. Items that cannot be identified adequately and addressed at the lowest level are escalated to executive management for discussion and prioritization.

RISK RANKING

Risk ranking is accomplished through discussion at the Leadership and/or executive level. Prioritization is considered by gauging the impact of risks and issues across the organization, both in severity and breadth. Risks and issues that stand to impact all parts of the organization, or are of such an impact that they could severely impact smaller parts of the organization, are measured, discussed, and decided upon.

RISKS AND CONTROLS

RISK: OPERATIONS -EXTERNAL-OVERSIGHT OF OR PROGRAM COORDINATION WITH OTHERS

Because the projects that OSI manages are large in scope, very complex, and involve numerous sponsors and stakeholders, there is the risk that lack of agreement on project decisions can interfere with project delivery.

Business needs of individual entities and co-dependencies of various other IT systems are just two of the various areas where competing priorities can lead to a difference of opinion on project direction.

Failure to reach agreement among sponsors and stakeholders on project scope, budget, schedule, risks, and issues can lead to insufficient functionality, increased cost, project delays, and, in the worst case, failures in project delivery.

CONTROL A

A governance framework allows for collaboration among departments, agencies, and other organizations by bridging divisions of authority and responsibility. The framework has now been extended to all OSI projects. The governance process ensures issues are assigned and tracked to resolution. This includes escalation, raising issues to management for resolution when resolution cannot be reached at the project level. Governance works across tactical, strategic, and executive levels. The tactical level is responsible for determining approaches and escalating risks/issues that

cannot be resolved. The strategic level is a Project Steering Committee that is responsible for approving recommendations, making decisions, and escalating risks or issues that cannot be resolved. The executive level, an Executive Steering Committee, sets policy, provides direction regarding goals for the support of programs, and makes final decisions at the highest level. One of the most valuable improvements in project governance is greater stakeholder inclusion and, as a result, increased participation, specifically from California's counties and the County Welfare Directors Association.

RISK: COMPLIANCE-INTERNAL-PRIORITIES AFFECTING LAWS OR REGULATIONS

The Child Welfare Digital Services (CWDS) organization was created in January 2016, combining the CWS/CMS and CWS-CARES (formerly New System).

The CWDS is developing a modern replacement for the mainframe-based CWS/CMS in service since 1997. The new solution will be a suite of web and mobile applications (referred to as digital services), which will transform the experience of state and county users, including child welfare workers, tribes, advocates, foster care workers, public health professionals, and other care providers. The focus of the system is on protecting the safety of children and families.

The CWDS leverages an Agile software development methodology and Free and Open-Source Software (FOSS). The project is demonstrating the impact of user-centered design, stakeholder collaboration, operational transparency, and modern application development methodology by using the following:

Modular Procurement – Developing the project as a collection of smaller modules rather than a single large solution reduces reliance on a single vendor and ensures utilization of the most up-to-date technology standards.

Agile Development Methodology – This methodology uses rapid software prototyping and development, user-centered design, and continuous improvement concepts.

Open Source Technology – FOSS licensing allows the acquisition and development of non-proprietary code that can be freely used and modified by the state and can be freely shared with other organizations to quickly provide working functionality.

Because the CWDS is utilizing a modular procurement and an Agile development approach, not having vendors with the right skillset or being able to obtain vendor services in a timely manner could result in the inability to deliver the project as envisioned.

Standard procurement processes, including the evaluation of vendors, and internal review and approval processes were not designed for the Agile, modular approach. Under the traditional state procurement model, vendors making a proposal do not have to demonstrate working software in advance as is required under the Agile approach, and the state therefore relies solely on the evaluation of vendor representations made in written proposals. In addition, traditional timeframes for oversight agency, project sponsor, and internal review and approval do not lend themselves to the Agile, modular approach and take longer than necessary to get from solicitation to contract execution.

Utilizing standard procurement processes to deliver on Agile, modular approaches risks having to rely on a single vendor that is difficult to replace for issues of non-performance, not getting the proper, modern skillsets needed to perform the work, and having delays to the project schedule because of untimely procurements or vendors not having the right skillsets.

CONTROL A

In 2016, the OSI, the Department of General Services (DGS) and the California Department of

Technology (CDT) created the Agile Development Pre-Qualified vendor pool (ADPQ), which increases access to competent, user-centered Agile development resources while reducing solicitation time and cost by discovering vendor capabilities and verifying user-centered design experience ahead of a solicitation. To prequalify for the pool, vendors were required to demonstrate capabilities and processes through the delivery of a working prototype, the working source code, and a description of the approach. Actual users were recruited to test the prototypes by completing tasks. This extra screening process helped to eliminate bidders that might have initially appeared to be qualified, but could not demonstrate the capability to produce user-centered, usable software. Not only is the potential for quality increased by this approach, but the new pool uses a contracting process that brings in qualified vendors faster than a traditional request for proposal (RFP) process. Having multiple qualified vendors allows underperforming vendors to be replaced more easily.

CONTROL B

As the project has moved to the Agile, modular approach and has utilized the ADPQ, the internal review process at both the OSI and at the CDT have undergone adjustments to shorten the timeframe from solicitation to contract execution. This business process reengineering has been undertaken to mitigate risk by balancing the need for proper review and oversight with the need for a speedier process (Please see Risk number four for additional controls in this area).

RISK: COMPLIANCE-INTERNAL-PRIORITIES AFFECTING LAWS OR REGULATIONS

Government Code (GC) section 19130 establishes standards for the use of personal services contracts. Proper compliance with GC 19130 requires that the applicable conditions are met and thoroughly documented. Failure to verify compliance with the conditions or to adequately document them could result in personal services contracts being voided.

The verification and documentation process for GC 19130 needs to adequately define the conditions under which the OSI is seeking a personal services contract, contain the detail of how those conditions are determined, and contain validation that those conditions are met. While the OSI has long had a process to accomplish this, there was not, until recently, a template to assist in the gathering of information. As a result, the verification and documentation that the information had actually been gathered was limited.

If GC 19130 conditions are not met and not thoroughly documented, then there is the risk that requirements for the use of personal services contracts are not being met. Failure to meet these requirements could result in personal services contracts being voided. Because the OSI relies on the use of specialized IT personal services contracts to deliver projects, the voiding of contracts could lead to insufficient functionality, increased cost, project delays, and, in the worst case, failures in project delivery.

CONTROL A

This risk has been mitigated with a revised GC 19130 verification and documentation process. Not only has a verification template been implemented, but there is also specific review from both the OSI Human Resources Division and the OSI Legal Division. Prior to the establishment of the OSI Legal Division (referenced in the 2015 SLAA report for CHHSA), there was no legal review to ensure full conformance with GC 19130. Not only is the information now adequately verified, but there is proper documentation for audit purposes.

RISK: OPERATIONS -INTERNAL-OVERSIGHT, MONITORING, INTERNAL CONTROL SYSTEMS

The OSI manages the procurement, contract negotiations and contract management aspects of the acquisition of technology systems and services that support the delivery of health and human services to residents of California. These procurements and contracts are highly complex and represent a significant

investment of public funds. Because of the complex nature, a robust, timely, and accurate review and approval process for procurements and contracts is essential to protect the state's interest and fulfill the mission of the OSI; to manage and deliver IT systems. There are various, separate areas of the OSI that need to participate in the review and approval process. Coordinating this effort without an adequate process introduces risk.

The OSI did not have an adequate manual process in place, but has, since the last reporting cycle, made significant improvements in that area. However, until recently, the process was still manual and still had inherent risks related to timeliness and accuracy.

Failure to review and approve procurements and contracts in a timely and adequate manner risks delays in project schedules and ultimately delays the delivery of systems and services to those who depend on them.

CONTROL A

This risk has been mitigated with a new "red folder" process to manage the internal review and approval of procurement documents. This process has recently been automated, which has even further reduced risk in this area. The automation has provided for the reduction of risk by lending transparency and accountability to the manual process. Not only are manual documents no longer lost in transit, but there is traceability, and thus accountability, for where they are at any given step of the process. Electronic notifications are sent to reviewers, actions and edits are monitored for timeliness and recorded, and dashboards allow for metrics to be gathered and assessed.

CONCLUSION

The Office of Systems Integration strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

John Boule, Director

CC: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency