



STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



RICK SNYDER
GOVERNOR

MAURA D. CORRIGAN
DIRECTOR

February 27, 2012

Mr. Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, the Department of Human Services is enclosing a summary table identifying the department's responses and the corrective action plans to address recommendations identified in the Office of the Auditor General's Performance Audit of the Project Management of the Bridges System for the period of September 2009 through June 2010. The response and corrective plan were developed in conjunction with the Department of Community Health and the Department of Technology, Management and Budget.

Questions regarding the summary table or corrective action plans should be directed to Cindy Osga, CGFM, at osgac@michigan.gov or 517-335-4087.

Sincerely,

Signature Redacted

Maura D. Corrigan

c: Executive Office
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
House and Senate Appropriation Sub-Committees
House and Senate Standing Committees



State of Michigan
DEPARTMENT OF HUMAN SERVICES
Response to the Auditor General's Report
Performance Audit of the Bridges System Project Management
OAG Reference No. 431-0592-10
DHS Reference No. 2010-059

1. Findings Complied With
1a, 3
2. Findings To be Complied With
2
3. Findings Disagreed With
1b

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View Audit 2010059 Finding 01a - 1/25/2012


Audit Title	BRIDGES-PROJECT MANAGEMENT		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	9/1/2009
Report Issuance Date	10/28/2010	End Date	6/30/2010
Finding Description	Project Administration-Governance Structure		
Administration Area	PROJECT FINANCING		
Report Implementation Date		Status Requested	
Status Contact	weberh	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding No. 1a: Project Administration-Governance Structure The departments did not clearly define and document the governance structure over Bridges. The OAG notified the departments of the need to improve the governance structure in the 2007 preliminary review, but they had not corrected these weaknesses. Specifically, the departments did not:</p> <ol style="list-style-type: none"> 1. Define and document the key stakeholders' roles, responsibilities, and authority over the governance of Bridges. 2. Define and document individual roles, responsibilities, and authority over the governance of Bridges. <p>Response: DHS, DCH, and DTMB agree with the finding, in part.</p> <p>The departments agree the governance structure over Bridges was not clearly documented. However, the departments disagree that they did not implement an effective governance structure to oversee the Bridges project. The Bridges project management team and executive sponsors made key strategic decisions throughout the development process to address external factors not foreseen or anticipated when the Bridges project began in 2005.</p> <p>The executive level interdepartmental relationship of DHS, DCH, and DTMB is functioning well, although the governance structure needs to be formally documented to ensure that all stakeholders are clear about their respective responsibilities and decision making, and to ensure that any changes in the makeup of executive leadership within each department will not adversely impact the ongoing operations and maintenance of the system.</p> <p>Corrective Action Plan: The governance structure documentation is maintained and monitored by the DTMB PMO. The PMO ensures that the right technical and business staff are involved at the executive, operational, and project governance levels.</p> <p>Monitoring Activities: See above.</p> <p>Actions Taken for Deficiencies Cited in the Finding: n/a</p> <p>Anticipated Implementation Date: implemented</p> <p>Barriers: None</p> <p>Responsible Administration: DHS, Bureau of Technology and Project Services DTMB, Agency Services DCH, Bureau of Medicaid Program Operations and Quality Assurance</p> <p>Responsible Individual(s), Name(s), Title(s): Teresa Spalding, Director, Bureau of Technology and Project Services, DHS Jim Hogan, Information Officer Supporting DHS, DTMB Terry Geiger, Director, Customer Service Division, Bureau of Medicaid Program Operations and Quality Assurance, DCH</p>		
Recoupment Recommended	N/A		
Recoupment Comments			
OIA Status	Approved		
OIA Comments			

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Audit Title	BRIDGES-PROJECT MANAGEMENT		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	9/1/2009
Report Issuance Date	10/28/2010	End Date	6/30/2010
Finding Description	Project Administration-Project Scope		
Administration Area	PROJECT FINANCING		
Report Implementation Date	11/1/2010	Status Requested	
Status Contact	weberh	Last Updated	
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding No. 1b: Project Scope-Project Scope The departments' decisions to change the project scope resulted in increased costs. For example:</p> <ol style="list-style-type: none"> The departments planned for and established funding for 30,000 hours for each of the first four years of the contract totaling \$8.1 million for system enhancements and services beyond the defined scope of the project. However, the departments made changes to the scope of the Bridges project which increased the cost of the system enhancements by 477 percent from \$8.1 million to \$46.9 million. The cost of enhancements totaled 39 percent of the total development and maintenance contract. The development contract signed in 2006 included \$7.1 million for the development of client self-service. However, in late 2007 the departments determined that client self-service was no longer needed and removed client self-service from the contract requirements. In mid-2009, the departments added back some of the client self-service functionality in change notices 7 and 8, with an additional cost of \$5.4 million. <p>Response: DHS, DCH, and DTMB disagree with the finding.</p> <p>The departments acknowledge that nine change notices have been issued for the development contract that increased contract costs \$50 million over the initial contract cost and extended the development time frame by nine months. The DHS, DCH and DTMB project management team and executive sponsors identified external factors that, if not addressed during system development, may have resulted in significant additional costs to re-engineer the production Bridges system. These external factors included significant increases in client caseloads, resulting from economic deterioration in Michigan, and numerous changes in federal legislation. As a result of these factors, the departments incurred costs greater than originally anticipated. Such cost increases were necessary to ensure that the system would address the federal mandates and help workers manage significantly increased caseloads. Project control is intended to allow flexibility in maintaining project progress while evaluating changes and making project adjustments based on business needs and risk assessment. DTMB Administrative Guide 1310.07 includes directives on project controls and states, Project control in information technology is a combination of formal and informal processes that work together to keep a project moving forward while evaluating changes, redefining planning efforts, and making decisions that could effect the outcome of the project as a whole. Each contract change notice submitted by the departments to the state administrative board for approval included a business case analysis and risk assessment.</p> <p>Corrective Action Plan: None. The departments disagree with the finding.</p> <p>Monitoring Activities: n/a</p> <p>Actions Taken for Deficiencies Cited in the Finding: n/a</p> <p>Anticipated Implementation Date: n/a</p> <p>Barriers: n/a</p> <p>Responsible Administration: DHS, DHS, Bureau of Technology and Project Services DTMB, Agency Services DCH, Bureau of Medicaid Program Operations and Quality Assurance</p> <p>Responsible Individual(s), Name(s), Title(s): Teresa Spalding, Director, Bureau of Technology and Project Services, DHS</p>		

Jim Hogan, Information Officer Supporting DHS, DTMB
Terry Geiger, Director, Customer Service Division, Bureau of Medicaid Program Operations
and Quality Assurance, DCH

Recoupment Recommended

N/A

Recoupment Comments

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OIA Comments

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Audit Title	BRIDGES-PROJECT MANAGEMENT		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	9/1/2009
Report Issuance Date	10/28/2010	End Date	6/30/2010
Finding Description	Bridges Maintenance		
Administration Area	PROJECT FINANCING		
Report Implementation Date	10/1/2015	Status Requested	
Status Contact	weberh	Last Updated	
Status	Open	Last Updated By	osgac
Corrective Action Plan	<p>Finding No. 2: Bridges Maintenance DHS, DCH, and DTMB did not ensure the State was able to independently maintain and operate Bridges. As a result, the departments contracted for approximately \$20 million for development and maintenance subsequent to the implementation of Bridges.</p> <p>The departments entered into a four year contract in February 2006, effective through February 2010. Subsequently there was a nine month extension, effective through November 2010, with a contractor for the development of Bridges.</p> <p>Although some knowledge transfer has occurred, the contract required the development contractor to transfer knowledge and skills to the State to enable State employees to provide ongoing maintenance and operations of Bridges. Because the contractor did not transfer knowledge and skills to the State, the departments are not in a position to independently maintain Bridges. The departments stated they plan to continue contracting for these services, resulting in significant additional costs to the State. Furthermore, DHS did not allow enough time to transition to a new maintenance and operations contract. As a result, the departments will have very limited time to obtain federal approval, solicit and review bids, procure a vendor, and enter into a contract. Consequently, the State will find it difficult in this short time frame to procure a contract for maintenance and operations.</p> <p>Response: DHS, DCH, and DTMB agree with the finding.</p> <p>DHS, DCH and DTMB agree that the departments are not yet able to independently maintain the Bridges system. The departments' plans to hire new staff to conduct transition activities during Bridges development were adversely impacted by hiring freezes imposed under executive directives. Also, existing DTMB employees were dedicated to maintaining several critical DHS legacy applications (CIMS, ASSIST, LOA2) during the conversion process, as well as system development and testing for necessary changes to those legacy applications. Knowledge transfer activities began in October 2009. DTMB's ability to fully maintain and operate Bridges will be predicated on the department's ability to successfully recruit the appropriately qualified technical staff. In the interim, vendor assistance will continue to be required. The departments also acknowledge that limited time exists to procure a new contract for maintenance and operations, but are diligently working to meet the necessary timelines.</p> <p>Corrective Action Plan: A contract for maintenance and operations has been awarded. DTMB and the contractor are working in partnership to maintain and enhance the Bridges system. As part of the activities DTMB staff is working with contractor staff as part of the knowledge transfer activities to allow less reliance on contractors in the future. DTMB and the contractor have established a transition plan that will have DTMB staff performing 80 percent of maintenance and operations tasks by 2015. DTMB and contractor staff are working in functional units (25) to accelerate knowledge transfer. This plan identifies the transition goals through completion of the knowledge transfer in 2015.</p> <p>Monitoring Activities: See above.</p> <p>Actions Taken for Deficiencies Cited in the Finding: n/a</p> <p>Anticipated Implementation Date: 10/01/2015</p> <p>Barriers: DTMB's ability to fully maintain and operate Bridges will be predicated on the department's ability to successfully recruit the appropriately qualified technical staff.</p>		

	<p>Responsible Administration: DTMB, Agency Services DHS, Bureau of Technology and Project Services DCH, Bureau of Medicaid Program Operations and Quality Assurance</p> <p>Responsible Individual(s), Name(s), Title(s): Jim Hogan, Information Officer Supporting DHS, DTMB Teresa Spalding, Director, Bureau of Technology and Project Services, DHS Terry Geiger, Director, Customer Service Division, Bureau of Medicaid Program Operations and Quality Assurance, DCH</p>
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Audit Title	BRIDGES-PROJECT MANAGEMENT		
Auditing Agency	OFFICE OF THE AUDITOR GENERAL	Begin Date	9/1/2009
Report Issuance Date	10/28/2010	End Date	6/30/2010
Finding Description	Implementation Review		
Administration Area	PROJECT FINANCING		
Report Implementation Date	7/1/2011	Status Requested	
Status Contact	weberh	Last Updated	9/20/2011
Status	Completed	Last Updated By	osgac
Corrective Action Plan	<p>Finding No. 3: Implementation Review</p> <p>DHS, DCH, and DTMB did not conduct an implementation review of Bridges. Without a formal implementation review, the departments cannot determine if Bridges was successfully developed and implemented to meet the goals and objectives of the project. Consequently, it will be difficult for the departments to determine the appropriateness of expending additional funding on new functionality of Bridges if Bridges does not meet the defined goals.</p> <p>DTMB Administrative Guide 1310.06 and the State's Project Management Methodology require completion of a post implementation review during the final phase of system development. Conducting an implementation review would provide the departments with information about the success and shortcomings of Bridges in terms of anticipated goals, objectives, and cost; plans to address system deficiencies and inefficiencies; and plans for ongoing assessment of overall performance.</p> <p>An implementation review can be completed during project closure but may also be done as project phases are completed. The departments have implemented, statewide, the three major functionality releases of Bridges. Therefore, an implementation review would be appropriate and beneficial to the departments. The audit noted:</p> <p>a. The departments did not assess whether goals and objectives of Bridges were achieved. The OAG noted during its 2007 preliminary review of Bridges that the departments did not clearly define the Bridges' three project goals and eight objectives. DHS and DTMB awarded over \$207 million in contracts for the Bridges project and expended \$175.2 million from fiscal year 2004-2005 through February 2010. However, they did not assess whether they achieved the goals and objectives of the Bridges project. The primary goal of Bridges was to reduce work load to maximize worker effectiveness and efficiencies. However, as noted in the 2007 preliminary review of Bridges, the departments did not define to what extent Bridges would reduce workload. Bridges training materials indicate that initial client intake may take longer with Bridges than with the legacy systems that Bridges replaced; however, ongoing case management would require less time. The departments should conduct a post implementation review to determine if Bridges has met the primary goal to reduce work load to maximize worker effectiveness and efficiencies. Since the average number of cases per worker has increased from 479 during fiscal year 2004-2005 to 711 as of March 2010, it is imperative that the departments identify if Bridges has reduced caseworker workload.</p> <p>b. The departments did not assess whether Bridges contained the functionality cited as corrective action to remediate audit findings for the single audit for the two years ended 09/30/2006. . Specifically, DHS stated that Bridges would include functionality to record documentation used in determining benefit eligibility; prevent coding errors; and implement a detailed 60-month federal time limit counter for TANF. Conversely, DHS's corrective action plan formal corrective action plan issued to the State Budget Office stated that Bridges would contain functionality reminding the worker to verify within the system that the required documentation has been obtained.</p> <p>Response: DHS, DCH, and DTMB agree with the finding.</p> <p>One of the primary goals of Bridges was to reduce work load to maximize effectiveness and efficiencies. DHS leadership concluded that effective measurement would be best evaluated after workers had sufficient time to become familiar with the Bridges application. The departments have started planning for the post-implementation review to assess the achievement of worker efficiency goal as well as other primary goals of Bridges.</p> <p>Corrective Action Plan: The post-implementation review is 20 percent complete, which includes having a number of major categories identified. Meetings will be scheduled after the January 2011 to complete the review and add the details. The next milestone is to reach 50 percent completion by mid-February 2011. A completed document is expected by mid-2011. A completed document is expected by mid-2011. This schedule is based on the amount of resources required to complete the document and pending retirements that are impacting staff job roles.</p>		

Actions include:

1. An initial list of categories to include in the PIER review has been developed.
2. Discussions with among DTMB, DHS, and DCH are ongoing to ensure the review includes the right participants.
3. A milestone for the next review has been set for February 2011.
4. A milestone to complete the PIER has been set for June 2011.

Monitoring Activities:

Additional PMO resources have been added to help ensure PIER (post implementation evaluation report) processes are followed for all IT projects. The PIER is part of the SUIT process.

Actions Taken for Deficiencies Cited in the Finding:

n/a

Anticipated Implementation Date:

July 1, 2011

Barriers:

Resources needed to perform the evaluation.

Update 09/2011:

The post implementation report has been completed.

Responsible Administration:

DHS, Bureau of Technology and Project Services

DTMB, Agency Services

DCH, Bureau of Medicaid Program Operations and Quality Assurance

Responsible Individual(s), Name(s), Title(s):

Teresa Spalding, Director, Bureau of Technology and Project Services, DHS

Jim Hogan, Information Officer Supporting DHS, DTMB

Terry Geiger, Director, Customer Service Division, Bureau of Medicaid Program Operations and Quality Assurance, DCH

Recoupment Recommended	N/A
Recoupment Comments	
OIA Status	Approved
OIA Comments	