STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

RICK SNYDER
GOVERNOR

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DIRECTOR

August 3, 2017

Rick Lowe, Director
Office of Internal Audit Services
State Budget Office
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Technology, Management and Budget, IT Project Management Practices.

Questions regarding the summary table or corrective action plans should be directed to me.

Sincerely,

Signature Redacted

Michael Gilliland, Director
DTMB Financial Services

c: Representative Laura Cox, Chair, House Appropriations
        Senator Dave Hildenbrand, Chair, Senate Appropriations
        Melissa Schuiling, Office of the Auditor General
        Dick Posthumus, Executive Office
        Darin Ackerman, Executive Office
        House Fiscal Agency
        Senate Fiscal Agency
        Brom Stibitz, DTMB   Phillip Jeffery, DTMB
        Eric Swanson, DTMB   Rob Surber, DTMB
        John Juarez, DTMB   Glenn Daffern, DTMB
        Caleb Buhs, DTMB   Kerri DeBano, DTMB
        Mike Williams, SBO

IT Project Management Practices
Agency responses and corrective action plans

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB agrees with and will comply: 1, 2, 3, 4, 5, 6 and 7

2. Audit recommendations DTMB fully complied with: None

3. Audit recommendations DTMB disagrees with: None

Agency Responses to Recommendations

Finding #1. Full implementation of envisioned project management organizational structure needed:

DTMB agrees and will comply with the recommendation to fully implement the envisioned project management organizational structure by May 31, 2018. As referenced by the Office of the Auditor General (OAG) at the beginning of the audit report, DTMB had, prior to the audit, begun to implement its plans to improve project management controls which included: Implementing its envisioned IT project management organizational structure; and further defining and communicating roles and responsibilities including the relationship between the Enterprise Portfolio Management Office (EPMO) and agency Project Control Offices (PCO) to ensure that DTMB has an effective organization structure for IT project management.

In addition, DTMB has developed an IT governance process that encompasses the executive level and includes various management levels throughout the organization. As new PCOs are established or PCO renewals occur, the following guidelines will be adhered to: The services provided by the PCO will be implemented with the oversight of the DTMB Agency Services Business Relationship Manager in partnership with the DTMB EPMO; The authority structures for the PCO resources will follow DTMB responsible authority structures for the associated roles and functions. DTMB's EPMO is ultimately responsible and accountable for program and project management throughout the State of Michigan enterprise.

The EPMO, GM or equivalent, DTMB executives, and Agency stakeholders will collaborate to develop and implement an organizational change management plan that will ensure centralization of IT project and program management. The plan will

encompass a service management organizational model as well as a governance and sourcing model. The organizational change management plan will be delivered by August 31, 2017.

Finding #2. Controls to ensure continuous process improvement needed:

DTMB agrees that controls need to be implemented to ensure continuous process improvement of IT project management. As referenced by the OAG at the beginning of the audit report, DTMB has made substantial efforts to improve project management culture across the State. For example, prior to the start of the audit, DTMB had already begun the process to reestablish and mature the Software Engineering Process Group (SEPG) which is responsible for delivering continuous process improvements. In addition, DTMB has conducted a Lean Process Improvement (LPI) for SUITE. Initial teams for both Process & Product Quality Assurance (PPQA) and Software Engineering Process Group (SEPG) were reestablished on November 20, 2016 and will be led by an experienced PMO Manager who is certified in CMMI, PMP, CSM, ITIL and Six Sigma. The teams are currently developing operating and release plans while completing actions from the SUITE LPI. This will ensure controls are in place, process improvements continue for IT program and project management, areas for improvement are addressed, and independent projects reviews are conducted to ensure compliance.

In February, 2017, the PPQA team began basic PMM audits and the SEPG team created a process improvement backlog and established a monthly release schedule. Process improvement suggestions are submitted to SUITE@michigan.gov. Process improvement requests are evaluated on a weekly basis for value to the enterprise and, if appropriate, are implemented within the monthly release schedule. To fully comply with this recommendation, additional, dedicated, staff need to be hired and properly trained. A comprehensive funding plan and business plan are in progress with a target completion date of May 31, 2017 (in order to be reviewed in the normal SOM budget cycle). The funding plan will include a request for ITIF funds, new money and rate increase funding to support the Enterprise. The business plan will detail the anticipated return on investment and detail the timelines for bringing the PPQA and SEPG teams to the necessary level of performance to realize the expected benefits. The mature PPQA and SEPG teams will ensure proper controls and continuous improvement in IT project management.

DTMB will continue to implement controls to ensure continuous process improvement of IT program and project management. DTMB's EPMO will develop recommendations for improvements, with associated funding requests, for presentation to DTMB senior management. DTMB will comply with the recommendation as management support of the business plan is secured and funding is available. Due to the various types of funding being requested and/or considered, funding may be available at different times and some may not be available until Fiscal Year 2019 (assuming that the funding requests are approved). DTMB will continue to move forward with compliance measures

as outlined in the business plan which is being finalized by May 31, 2017. Assuming the business plan and funding plan are approved, DTMB will be in full compliance with this finding by March 31, 2019.

Finding #3. Consistency needed in executing projects as described in the project management plan:

DTMB agrees and will comply with the recommendation to consistently execute activities described in the Project Management Plan. However, a firm compliance date is not available at this time due to the unknown details related to staff funding as described above. As referenced by the OAG at the beginning of the audit report, in 2014 EPMO implemented a new version of the PMM and distributed best practices for IT project management. In addition, prior to the start of the audit, DTMB had already begun the process to reestablish and mature the Process & Product Quality Assurance (PPQA) team which is responsible for mentoring and conducting quality assurance on SOM projects to ensure compliance with activities described in the project management plan. With the assistance of PPQA coaches, projects will be initiated properly in accordance with the project management methodology. DTMB will enhance existing training and education to ensure staff properly initiate and plan projects in compliance with the methodology.

The Process & Product Quality Assurance (PPQA) team was reestablished on November 20, 2016. The PPQA team has developed a phased quality assurance approach to ensure quality is built into every project and how quality will be addressed throughout the lifecycle of the project. The initial phase, started in February, 2017, consists of reviewing all active projects between $1,000,000 and $10,000,000 for project artifacts including, but not limited to; signed charters, project closure reports, and customer satisfaction surveys. The next phase, will expand that review to all active projects. Future improvements will focus on the quality of artifacts and additional artifacts. However, in order to fully execute the approach, the budget requests submitted by May 31, 2017 must be approved. Additional information about future improvements can be found in the business plan that is being drafted with a target completion date of May 31, 2017.

DTMB will consistently execute activities described in the project management plan. DTMB's EPMO will develop recommendations for improvements, with associated funding requests, for presentation to DTMB senior management. Due to the various types of funding being requested and/or considered, funding may be available at different times and some may not be available until Fiscal Year 2019 (assuming that the funding requests are approved). DTMB will continue to move forward with ensuring the consistent execution of activities described in the project management plan as outlined in the business plan which is being finalized by May 31, 2017. Assuming the business plan and funding plan are approved, DTMB will be in full compliance with this finding by March 31, 2019.

Finding #4. Improved tracking of performance data needed:

DTMB agrees that in the past not all projects were in Changepoint. Changepoint was not the SOM standard PPM tool until May, 2014. Since Changepoint became the state standard, and DTMB moved to a fully rated service model, all employees must record all work activity in Changepoint. Any work performed must correlate to a time boxed task in Changepoint (this also addresses the past issue of having projects with 0 duration). Due to these changes we are confident that all projects are in Changepoint as of October 1, 2016.

It is important to note that during the audit period, DTMB had made a purposeful decision that the PMM tool, Changepoint was not a financial system of record, and tracking budget data in the PPM tool without explicit reconciliation of a financial system of record could create an inaccurate picture of project budget compliance. As a result, DTMB did not require budget data to be entered into the newly implemented project portfolio management tool. Project budget was tracked and measured utilizing actual financial systems of record. The standard at the time was to capture and document project budget data outside of the tool. DTMB's guidance related to budget tracking in Changepoint was that the system was a communication tool and that it was not to be used to measure actual budget performance. Per legislative recommendation, (March 2017) DTMB is making it a practice to also list budget estimates in the PPM tool as a convenience for project planning and communication, even though it will not replace the continued purpose and use of the defined system(s) of financial record for specific budget compliance. DTMB performs a monthly health check on all active projects to ensure budget information is included in the PPM tool and DTMB expects to have budget information for all projects by May 31, 2017 in order to be in compliance with this finding. Additionally, as of January 2017 DTMB offers a monthly Changepoint Budgeting training session for project managers in order to promote a more extensive use of the budget tracking features in Changepoint.

As referenced by the OAG, DTMB will continue to expand its efforts in using an enterprise-wide project portfolio management tool to fully track project performance data to determine whether projects were completed on time, were within budget, and met customer expectations. DTMB will enhance existing training and education to ensure staff know how to track the appropriate performance data. Additionally, the newly established Process & Product Quality Assurance (PPQA) team will conduct audits to ensure compliance so that project performance data is being tracked accurately.

Finding #5. Improved project initiation and planning needed:

DTMB agrees and will comply with the recommendation to properly initiate and plan IT projects in accordance with PMM by August 1, 2017. DTMB will properly initiate and plan IT projects in accordance with the PMM. DTMB has reestablished and will continue to mature the Process &Product Quality Assurance (PPQA) team which is responsible for mentoring and conducting quality assurance on SOM projects and ensuring proper initiation and planning take place in accordance with the PMM. DTMB will enhance existing training and education to ensure staff properly initiate and plan projects in compliance with the PMM.

In February, 2017 the Process & Product Quality Assurance (PPQA) team began conducting quarterly quality assurance sessions with project managers to ensure projects are in compliance with the project management methodology. As stated previously, the PPQA team has established initial quality reviews to ensure that each project has the following artifacts: project charter, project management plan, risk log, issue log, lessons learned, project closure report, and end of project survey in order to promote SUITE project management compliance. In March, 2017 the initial reports were completed and a baseline of compliance scores was established for each area, as well as the enterprise. These reports will be updated on a quarterly basis and will also be used to help identify where improvements or additional training may be required. Finally, the PPQA team began a pilot program to provide mentoring on project tailoring in order to promote consistency and solid project management execution. Based on the success of the pilot, the mentoring activities will be expanded as staff is available in accordance with the overall business plan for the PPQA team.

Finding #6. Enhanced project closure activities needed:

DTMB agrees that all projects should be subject to project closure activities that aid in the determination of the project success and areas for improvement and will comply with the recommendation by August 1, 2017. DTMB will enhance existing training and education to include training on the importance of project closure activities. In addition the newly established Process & Product Quality Assurance (PPQA) team will conduct audits to ensure compliance so that closure activities can help determine project success and identify opportunities for improvement. The current quality assurance reviews do cover project closure and success and will be expanded to all project by August. In addition, the Process & Product Quality Assurance (PPQA) team will be conducting mentoring on how to properly complete the project closure report and capture lessons learned. Ongoing Quality checks will be conducted to ensure that lessons learned are captured and financial records are finalized.

Finding #7. Organizational training plan needs further development.

DTMB recognizes the need to develop and implement an organizational training plan for program and project management staff and agrees that an organizational training plan is needed and will comply by October 31, 2017. DTMB's EPMO will develop recommendations for improvements, with associated funding requests, for presentation to DTMB senior management. In March, 2017 the SUITE Lean Process Improvement (LPI) team presented a training curriculum (relating to SUITE/Project Management) and associated targeted audiences to management. This proposal addresses the project management training needs for the entire organization. DTMB hired two trainers in March, 2017 who have provided additional input on the organizational training plan for project management and have begun streamlining existing project management workshops as well as developing role based training for all levels of the organization, including vendors and customers. They began executing the training plan and conducting classes on April 4, 2017. Additional classes will be added as needs are identified. Plans are underway to implement a learning management system to aid this effort.