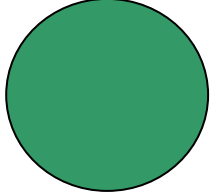


Little Hoover Commission
 Information Technology Progress Update
 August 25, 2011
 Project Overview Report

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| Project Name: Unemployment Insurance Modernization (UIMOD) Project |  <i>Progress Indicator: Green</i> |
| Department/Agency Sponsor: Employment Development Department / Talbott A. Smith | |
| Total Project Cost: \$158,626,917 (Approved by California Technology Agency, November 23, 2009) | |
| Amount Spent vs. Anticipated To Date: \$59,304,349 vs. \$72,437,025 (as of June 2011) | |
| Timeline (# of Fiscal Years to Complete): Ten Fiscal Years | |
| Total Percent Complete: 78 percent | |
| Months Ahead/Behind Schedule: Four months, due to delay in contract award and negotiations | <p><i>The UIMOD project is comprised of two subprojects: The Call Center Network Platform and Application Upgrade Project (CCNPAU) and the Continued Claims Redesign Project (CCR)</i></p> <p>Business Need:</p> <p>The EDD administers California’s Unemployment Insurance (UI) Program, as part of a joint federal state partnership. This Federally mandated program provides temporary, partial wage replacement to qualified individuals who are unemployed due to no fault of their own. California’s UI Program customer base increases with population growth and during economic downturns as the number of unemployed Californians increases. At the same time, reduced federal funding levels require that the State develop new and innovative ways to complete the work with fewer dollars. The UIMOD Project will help meet the goal of improving customer service through automation efforts while staying within the funding resources.</p> <p>From a program perspective, implementation of the UIMOD Project will improve service quality through the use of improved systems to assist our customers, and will help resolve current system limitations. This system will also assist with fraud detection and prevention efforts by providing additional data that can be queried in databases for potential fraudulent trends and patterns.</p> <p>From a customer’s perspective, the UIMOD Project improves customer service by providing the claimant greater access to information on a self-service basis and upgrades the systems that operate the business functions. It further provides new ways for customers to certify for benefits via telephone and the Internet, and allows customers 24 hours access, seven days a week to obtain and view information online regarding their claims.</p> <p><u>The CCNPAU subproject</u> replaced an outdated call center network and addressed four key program goals:</p> <ul style="list-style-type: none"> • Improve customer service by reducing call blockage and wait times to file UI claims or receive claim information. • Safeguard a caller’s identity and protect the UI program from fraud schemes by increasing the amount of information available to agents about a caller and enhancing the call center reporting capabilities. • Increase the reliability of the call center network by migrating from a system that had reached end-of-life to a system that utilizes state-of-the-art technologies with multiple levels of redundancy. • Increase call handling capacity through better system architecture and the addition of nine UI centers to the network. |

With the CCNPAU project, EDD also implemented “EDD Tele-Cert” – a method for most claimants to submit biweekly claim certifications via touch-tone telephone versus mailing in claim forms. The CCNPAU subproject also built an infrastructure for the UI centers to provide increased flexibility in workload management, improved customer service levels, and provides additional capacity for disaster recovery and business continuity.

The CCR subproject replaces the current mainframe continued claims processing system and will address the following:

- Enhance current Web and IVR certification processes to allow nearly all claimants to certify via the Web or IVR.
- Provide claimants with account management capabilities for increased self-service.
- Reduce certification errors that require manual intervention and rework, allowing for a redirection of staff resources to other business functions within the UI Program.
- Reduce some of the most labor-intensive activities inherent in the continued claims paper process, resulting in a decrease in mail processing costs for the department.
- Provide a business intelligence data warehouse, which will allow the collection of information not currently available for detecting potential fraud, profiling, marketing, and reports.

Key Vendors: CCNPAU – Verizon Business
CCR – Deloitte Consulting, LLP

Current Status and Project Phase: CCNPAU – Project Completed
 CCR – Design, Development and Implementation Phase

Milestones and Accomplishments:

| Key Milestones | Target (Baseline) | Forecast (Current Plan) | Status | Cause and Impact to Implementation Date | Date Completed | Delivery Confidence |
|--|-------------------|-------------------------|-----------|---|----------------|---------------------|
| CCNPAU and CCR Feasibility Study Reports (FSR) | Oct 2003 | Oct 2003 | Completed | | Oct 2003 | Completed |
| Project Director Hired | April 2004 | April 2004 | Completed | | April 2004 | Completed |
| Procure Project Office Staff/Hire State Staff | April 2005 | April 2005 | Completed | | April 2005 | Completed |
| Department of Finance (DOF) Project Merge Approval | July 2005 | July 2005 | Completed | | July 2005 | Completed |
| IT Procurement Plan [Dept. of General Services (DGS) Approval] | Sept 2005 | Sept 2005 | Completed | | Sept 2005 | Completed |
| Special Project Report (SPR) #1 Submittal to DOF | June 2006 | June 2006 | Completed | | June 2006 | Completed |
| SPR#1 DOF Approval | Sep 2006 | Sept 2006 | Completed | | Sept 2006 | Completed |
| Request for Proposal (RFP) DGS Approval | March 2007 | March 2007 | Completed | | March 2007 | Completed |
| SPR #2 Submittal to DOF | Aug 2007 | Aug 2007 | Completed | | Aug 2007 | Completed |
| SPR#2 DOF Approval | Sep 2007 | Sept 2007 | Completed | | Sept 2007 | Completed |

| Key Milestones | Target (Baseline) | Forecast (Current Plan) | Status | Cause and Impact to Implementation Date | Date Completed | Delivery Confidence |
|---|-------------------|-------------------------|-----------|---|----------------|---------------------|
| CCNPAU Contract Signed | June 2008 | June 2008 | Completed | | June 2008 | Completed |
| CCNPAU Project Start | July 2008 | July 2008 | Completed | | July 2008 | Completed |
| SPR#3 Submittal to State Chief Information Officer (OCIO) | Sept 2009 | Sept 2009 | Completed | | Sept 2009 | Completed |
| SPR#3 OCIO Approval | Nov 2009 | Nov 2009 | Completed | | Nov 2009 | Completed |
| CCR Contract Award | Nov 2009 | Feb 2010 | Completed | CCR Contract Award took three months longer as a result of the DGS contract negotiations. | Feb 2010 | Completed |
| CCR Project Start | Jan 2010 | Mar 2010 | Completed | CCR design started two months later than scheduled because of delays in contract award. | March 2010 | Completed |
| CCNPAU System Acceptance | Jan 2011 | May 2011 | Completed | CCNPAU System Acceptance was delayed by four months. | May 2011 | Completed |
| CCNPAU Verizon Contract Closeout | Feb 2011 | June 2011 | Completed | This milestone follows the CCNPAU System Acceptance by one month (30 days). | June 2011 | Completed |
| CCR System Acceptance | May 2012 | Sept 2012 | Delayed | CCR System Acceptance has been delayed four months based on the delay to contract award and due to dates negotiated during the DGS Public Contract Code § 6611 process. | NA | Red |
| CCR Deloitte Contract Closeout | June 2012 | Oct 2012 | Delayed | CCR Deloitte Contract Closeout will occur one month following system acceptance as planned. | NA | Red |
| CCR OSI Project Office Project Closeout | Aug 2012 | Dec 2012 | Delayed | CCR OSI Project Office Closeout will occur two months after contract closeout as planned. | NA | Red |
| UIMOD Post Implementation Evaluation Report | Aug 2013 | Dec 2013 | Delayed | UIMOD PIER will occur 12 months after CCR's Project Office closeout as planned. | NA | Red |

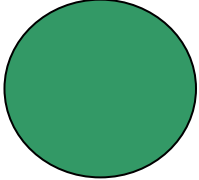
Major Changes:

Project Inception – The State Fiscal Year (SFY) 2003-04 Budget, Chapter 157, Statute of 2003, Item 7100-001-0871-EDD, appropriated federal Reed Act funds for UIMOD projects for the purposes of:

- “Redesigning the Unemployment Insurance (UI) continued claims system,”
- “Improving the service levels at the UI call centers,”
- “Preventing and detecting fraud within the UI system.”

Changes in Special Project Report (SPR) #1 – As part of the SPR #1 approval, the following was established:

- Creation of the Project Office
- Contract for Requirements Definition Vendors – These vendors incorporated analysis of the scope, technical solution alternatives, timeframes, and costs for the CCR and CCNPAU efforts
- Merging of CCR and CCNPAU subprojects
- Detailed Definition of Project Scope and re-estimation of project costs and benefits

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| <ul style="list-style-type: none"> • Revision of Project Timeframes <p>Changes in SPR #2 – As part of the SPR #2 approval, the following was established:</p> <ul style="list-style-type: none"> • Adjustment in the procurement strategy to allow the CCNPAU subproject to procure services through a newly formed CALNET II contracting vehicle. • Reduce the scope of the UIMOD RFP to exclusively procure services for the CCR subproject. <p>Changes in SPR #3</p> <ul style="list-style-type: none"> • Full Identity Management Solution incorporated into CCNPAU • Additional Call Center Agent Seats for CCNPAU due to unprecedented workload increases • Modification of CCR requirements from contract negotiations | |
| <p>Staffing Issues: The UIMOD project has been challenged in the past with staffing issues due to several key projects "in motion" at the same time for the EDD and attrition of staff, typical for long-term IT projects. At present, no staffing issues have been identified.</p> | |
| <p>Other Challenges to Complete: Legislative mandates have necessitated the update of EDD's Single Client Database (SCDB) platform, necessary for the completion of the Alternative Base Period (ABP) Project. These two projects will likely result in further impact to the UIMOD schedule to perform conversion of interfaces to the new SCDB architecture. At this time, we are evaluating the impact of SCDB's architecture on UIMOD. It is too soon to estimate the delay to the schedule.</p> | |
| <p>Lessons Learned: Lessons learned from CCNPAU that are applicable to CCR are:</p> <ul style="list-style-type: none"> • Project documentation review and approval <ul style="list-style-type: none"> ♦ Expand the use of communications tools for tracking and review of issues and action items ♦ Set vendor quality expectations early and insist on a greater level of quality before deliverables are accepted for review ♦ Insist on a vendor team with prior project management experience necessary to lead the effort ♦ Integrate and improve communications among extended and core teams to improve overall performance ♦ Minimize Change Orders until after the schedule is baselined. Baselining a schedule is a moving target if Change Orders are permitted during the process • Applications Quality Build Testing and Acceptance <ul style="list-style-type: none"> ♦ Changes to decision making processes and documentation must be minimized to avoid confusion. ♦ Full time loaned staff can improve quality of product and reduce time required to complete project efforts. • Maintenance and Operations (M&O) Transitions <ul style="list-style-type: none"> ♦ M&O transition strategy should include a proposed M&O organization structure and map to current positions to facilitate M&O transition. | |
|  <p><i>Progress Indicator: Green</i></p> | <p>Justification:</p> <p>The UIMOD project performance is presently within scope and budget. The four-month delay of contract initiation has been managed and project "go-live" has delayed only one month. Project deliverables that seem to be encountering difficulties are being managed through weekly meetings with the vendor to find acceptable solutions. Changes to the project scope are being actively managed via the Change Control Board.</p> |