

Office of the Secretary of State

Bev Clarno
Secretary of State

Jeffrey Morgan
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

503-986-2255

July 15, 2020

David Gerstenfeld, Acting Director
Oregon Employment Department
875 Union St. NE
Salem, OR 97311

Dear Mr. Gerstenfeld:

In January 2020, prior to the COVID-19 pandemic, the Oregon Secretary of State Audits Division began an information technology (IT) audit of the Oregon Employment Department's (OED) Modernization Program. Our audit focused on reviewing the status of the program and major risks facing the program and the associated Unemployment Insurance (UI) Modernization Project. This work included a review of program and project documentation, independent Quality Management Services reports, and interviews with OED modernization personnel and external oversight entities.

When the pandemic shut down much of Oregon's economy, OED's response to the unprecedented number of unemployed Oregonians resulted in a shift of resources to address technological challenges in the old system and to process claims. In order to keep our work from placing additional strain on OED, we decided not to continue with a full audit at this time.

Our initial review found the program and UI Project are still in the relatively early stages, with detailed planning required once the UI Project chooses a solution vendor. We concluded actions taken thus far have provided OED with valuable information and served as important groundwork for continuing the program. In addition, OED has developed sufficient controls for managing the program and UI Project, as long as it follows those procedures. The program has also appropriately engaged with various external oversight entities, whose collective objectives are to ensure the program remains on track and is following statewide policies and procedures. As such, ongoing oversight is established and functioning to help ensure the program achieves its goals.

However, the program faces significant risks. In addition to providing information about project history and status, including areas of assurance, this letter highlights risks we deemed to be ongoing and provides suggested actions for continuing to address them throughout the life of the program.

OED is embarking on a modernization program to better support its business

The mission of OED is to support business and promote employment. OED administers programs to pay unemployment benefits, to serve businesses by recruiting and referring job applicants, and to develop and distribute workforce and economic information.

To support the UI program, OED uses a variety of computer systems to perform actions such as collecting wage records and taxes from Oregon employers and processing and paying UI claims submitted by unemployed workers. OED developed the two major systems that perform these

actions in the early 1990s. Previous audits in 2012¹ and 2015² found these systems functioned adequately in general, but also concluded that they were inflexible, poorly documented, and difficult to maintain. Our 2015 audit included a recommendation to prepare for replacement of these systems.

In 2009, the U.S. Department of Labor distributed \$85.6 million in specific, one-time UI funds to OED. These funds were allowed to be used for a variety of possible purposes, including for application development and other technology that support modernization of UI and employment service delivery. OED used a small portion of these funds on UI benefits payments, but ultimately decided to reserve most of them to support a major effort to modernize the agency's aging computer systems.

The OED Modernization Program is a multi-year initiative focused on transforming the agency's business processes and core technology systems. The program began in the 2015-17 biennium and is expected to last through the end of 2025; this timeframe includes post-implementation stabilization and closeout activities. The program is supported by a business case, which identifies opportunities for improvements in customer service and operational efficiencies, as well as an increased ability to respond to economic cycles, and more flexible and scalable systems. OED is funding the program through a variety of sources, including the federal one-time funds discussed above and other funds available to the agency as allowed or required by state and federal law.

The UI Modernization Project, which is intended to replace the aging computer systems supporting receipt of UI taxes and payment of UI benefits, is the first project chartered under the Modernization Program. The project is also intended to transform business processes to take advantage of opportunities and benefits available through new system capabilities. This project began in 2018; OED currently estimates UI tax implementation will be completed by the end of 2021, and UI benefits implementation will be completed by the third quarter of 2024.

The Modernization Program is also expected to include a second project to modernize OED's Workforce systems. This project has not begun as of June 2020 and was not included in the scope of our review, but is relevant when considering the overall budget and timing of the program as a whole.

Current program status reflects a deliberate pace and a focus on due diligence

OED originally received federal funding that could be used for modernization in 2009. This was during a period of high unemployment and OED was still managing an increased workload and the multiple benefit programs in place under state and federal unemployment insurance extensions. Management indicated that after the volume had been reduced, leadership changes at OED caused some delays in launching the program.

Even after launching the program in 2015, OED only spent a portion of their allocated budget during the 2015-17 and 2017-19 biennia. Actions during these biennia focused on significant research and planning, but meant that the agency is only now, five years after the program launch and more than ten years after the U.S. Department of Labor distributed funds for this purpose, preparing to hire a vendor to replace the first of the computer systems in scope for modernization.

¹ [Audit Report 2012-25: "Computer Controls for the Oregon Benefit Information System Need Attention"](#)

² [Audit Report 2015-31: "Computer Programs for Unemployment Tax Returns and Claims Need Attention"](#)

Until recently, this deliberate pace for implementing system improvements to the UI program was not overly problematic. Unemployment was at record low levels and the timing appeared ideal for embarking on the UI Project. OED management indicated in January 2020 that their focus over the last few years had been on learning as much as possible from other states and more recently from the vendors whose products they were evaluating. This emphasis on due diligence was intended to help make an informed decision regarding which vendor's product to procure.

The environment changed dramatically in March 2020, when initial unemployment claims increased at an unprecedented rate due to the COVID-19 shutdown. The inflexible and dated legacy systems require OED employees to perform some actions manually and they have been unable to keep up with the surge of unemployment claims. OED has also experienced challenges in updating the eligibility rules built into the computer systems that needed to be modified under the CARES Act, and in building a new UI program that did not previously exist, the Pandemic Unemployment Assistance program. These issues resulted in a large backlog of unprocessed unemployment claims from March to June 2020, even though OED added hundreds of staff to help manage the surge.

The Modernization Program began in 2015 and OED has conducted important groundwork, but it remains in the planning stage

In 2015, the Oregon Legislature authorized funding to begin the modernization initiative. However, work on the first phase of modernization did not begin until February 2016. The first dedicated modernization staff hires took place in late 2016.

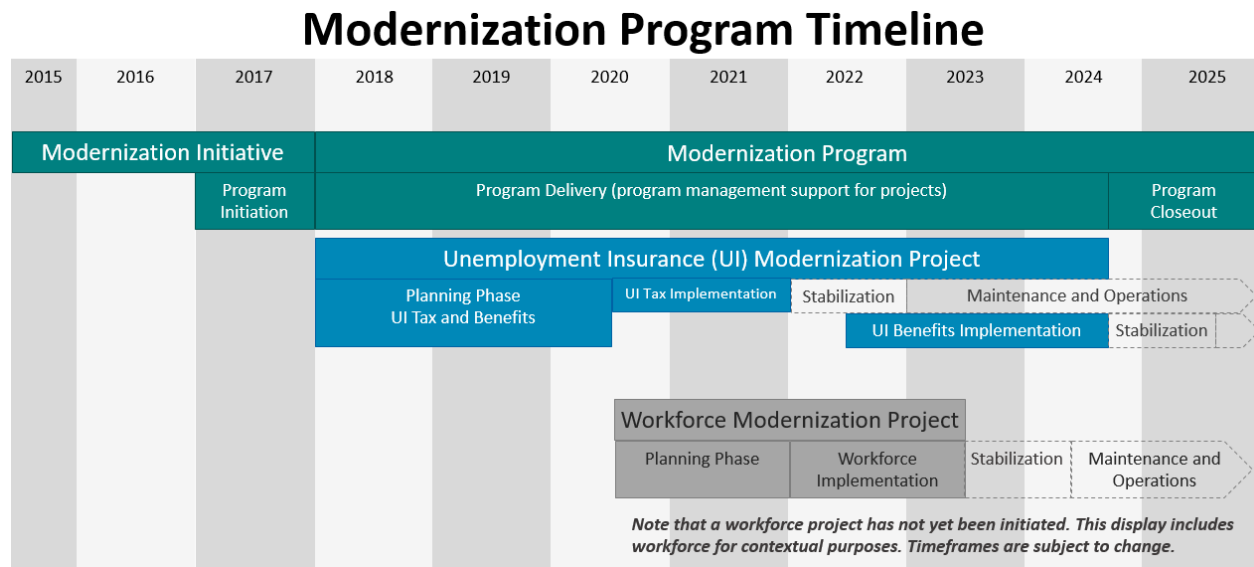
After the initial steps, OED embarked on an extensive initiation phase. In November 2016, OED hired a vendor to conduct a feasibility study. The study included "as is" and "to be" analyses, a gap analysis, an initial technical assessment, and identification of high-level requirements for a new system. It also included an analysis of alternatives that included reviewing approaches other states had taken for modernization. The vendor completed the feasibility study in January 2018.

Ultimately, this study served as a major input for the detailed business case and associated alternatives analysis. The analysis showed that the best approach of all the evaluated alternatives for UI Modernization was to purchase an existing, commercially available solution that had been successfully deployed in other states, based on the benefits and risks analysis.

During 2018, OED made decisions regarding the sequence of the modernization effort, engaged with business partners, and developed foundational program management documents to prepare for the next phase of the project. Business staff also worked on documenting process maps and defining the scope of the UI Modernization Project.

In 2019, OED began the planning phase, engaged with an independent Quality Management Services vendor, and issued the Request for Proposal for the UI Project. The agency received responses from five potential vendors and began evaluating them in November 2019; evaluation has continued into 2020. After contract negotiations, the vendor is expected to begin work by November 2020. OED plans to begin the execution phase for the UI Project by the end of 2020 or early 2021.

Figure 1: The overall Modernization Program timeline reflects the deliberate pace of program initiation activities



Source: Adapted from OED timelines presented to legislative committees, last updated December 2019.

The program is operating within its early budget estimates

As of May 2020, OED did not have an estimate regarding the total cost of the Modernization Program or the UI Project. As a starting point, the feasibility study included a range of cost estimates for different approaches to modernizing the UI and Workforce systems. The business case further refined the potential range for the UI Modernization Project specifically and estimated the total cost to be between \$80 million and \$123 million. However, this range does not include the total expected cost of the modernization effort since it does not include all projects to be covered under the program.

Relative to the budget range for the UI Modernization Project, OED's budget and spending thus far has been low. OED has requested and been approved for budgets for each biennium that reflect the initiation and planning activities and has spent less than its budget for each biennium.

Figure 2: Program budget and expenditures as of April 2020 are low in comparison to the expected \$80 to \$123 million range for just the UI Project

Biennium	Budget	Expenditures
2015-17	\$4,032,659	\$1,240,818
2017-19	\$5,371,161	\$3,581,349
2019-21	\$19,953,564	\$3,114,210
TOTAL	\$29,357,384	\$7,936,377

Source: Modernization Program Steering Committee Budget Report

The approved budget for the 2019-21 biennium does not include all expected costs since the costs for the UI vendor are not yet known. Once OED completes negotiation with the vendor, the agency intends to request additional funds from the Legislature for the 2019-21 biennium.

The expenditures to date reflect a mix of the modernization funds received from the U.S. Department of Labor and other funds. As of April 30, 2020, the remaining balance of the modernization funds from the federal government was \$81,697,283.

The program is properly engaging with external oversight entities and has developed management controls

Our initial review concluded that OED has appropriately engaged with external entities and has developed a reasonable set of controls for managing the program. Oregon state government has established rules to help ensure large IT projects follow best practices and that they are monitored throughout the life of the project. This includes requiring that agencies engage with various state and external entities who oversee aspects of the project and requiring that they develop foundational project management plans to provide defined controls the agency will follow.

OED is following leading practices for project oversight

Oregon executive branch agencies that engage in IT projects with an estimated total budget of \$150,000 or greater must notify the Office of the State Chief Information Officer, Enterprise Information Services (EIS). Based on an EIS assessment, the project may be subject to Stage Gate Oversight, a joint process between EIS and the Legislative Fiscal Office. Agencies with projects subject to Stage Gate are required to deliver project documents at certain key points, known as gates, for EIS review and approval. Legislative Fiscal Office analysts also review project documents at each gate, provide recommendations regarding funding, and update the Legislature on project status. If IT project budgets exceed \$5 million, agencies are also required to hire a vendor to perform independent Quality Management Services (iQMS). The OED Modernization Program and its associated projects are subject to both of these requirements.

Figure 3: Oregon's Stage Gate review process contains four gates



Source: EIS Stage Gate website

We found OED has followed the required processes for Stage Gate approval. The Modernization Program as a whole passed Stage Gate 1 in January 2018 and the UI Modernization Project passed Stage Gate 2 in February 2019. The agency expects to submit documents for Stage Gate 3 approval later in 2020 or early in 2021, after hiring and conducting initial planning with the UI tax and benefits solution vendor. OED has also engaged with other state resources tasked with ongoing oversight.

OED also hired an iQMS vendor in May 2019. The iQMS contracted deliverables encompass several areas. The bulk of the ongoing work consists of monthly quality control reviews, which are currently focused on the UI Modernization Project. These reviews provide an overview of the current project health and status as it relates to quality and risk assessments and track and analyze risks identified by the iQMS vendor. Another review area consists of quality control reviews of various program documents. To date, this has included reviews of many of the program

management plans, business and technical requirements, and the UI Modernization Request for Proposal. It is expected to later include items such as implementation plans, system testing plans, and user acceptance testing plans.

Through discussion with oversight entities and review of deliverables, we determined that OED has appropriately engaged with the required oversight groups and is maintaining ongoing communication with them. Entity representatives attend monthly Executive Steering Committee meetings for the program and receive and review associated status reports. These entities have generally agreed that the program issues and risks that they have observed are captured in iQMS or OED risk and issue reports.

The program has also defined multiple internal oversight entities involved in managing and monitoring the program and the associated projects, consisting of senior agency leadership as well as business sponsors. We determined that this level of internal participation is appropriate based on the overall organizational structure and the overall scope of the modernization effort.

Program management plans adequately define how the program will be controlled

Successful programs and projects use appropriate, generally recognized best practices for each project. These consist of a combination of processes, inputs, tools, techniques, and life cycle phases to manage the project to help ensure its success.

The Modernization Program developed a standard set of program management plans required for Stage Gate approval. Based on our high-level review of these documents, the controls described are sufficient to provide adequate management of the program, if they are followed. These documents encompass plans for: budget management; organizational change management; communications and outreach; contract management; governance; procurement management; quality management; risk and issue management; scope management; staff management; change control for these program management plans; and associated supporting documents such as risk registries, communication registries, stakeholder registries, and various program and project charters.

In particular, the Risk and Issue Management plan appropriately defines controls associated with identifying, analyzing, mitigating, and monitoring risks and issues. The risk registry outlines mitigation strategies, updates, and risk priority. A Risk and Issue Management team monitors and updates mitigation strategies for high risks in monthly meetings, with lower-level risks receiving attention at less standard intervals. Based on evaluation of these controls and processes, OED is following best practices associated with risk management.

In addition to our high-level review, several oversight entities have concluded the control framework for the program is sufficient, though they have made suggestions for improvement. This

State resources are engaged in ongoing oversight

- **EIS Oversight analysts** review and recommend approval or rejection of Stage Gate documents.
- The **EIS Senior IT Portfolio Manager** assigned to OED consults with the agency on planning and works with the oversight analysts to decide whether the program should proceed.
- **EIS Quality Assurance analysts** administer the iQMS contract.
- **Legislative Fiscal Office analysts** advise legislative committees of the progress of the program and make judgments regarding the sufficiency of Stage Gate documents.
- **Department of Administrative Services Chief Financial Office analysts** consult with other analysts above, evaluate project documentation to ensure funding is adequate, recommend approval for spending authority, and ensure policies are in alignment with the Governor's priorities.

included the formal Stage Gate endorsement from EIS, an analysis prepared by the Legislative Fiscal Office, and iQMS review of 10 of the 15 major program management plans, with additional plans in scope for later review.

As part of its ongoing review, the iQMS vendor also analyzes whether modernization processes and standards are implemented and followed, whether deliverables meet project requirements and standards, whether project performance is accurately tracked and reported, and whether activities efficiently support business objectives. As such, the iQMS vendor monitors adherence to the plans on an ongoing basis.

The UI Project has significant risks and issues to manage

The program has developed sufficient management controls, but these controls do not mean that significant risks or issues have been fully mitigated. As of May 2020, the program's risk and issue management process was monitoring and managing eight open issues and 36 open risks for the UI Project, 10 of which were rated as high priority.³ As of April 2020, the iQMS vendor was tracking six high-risk areas, most of which overlapped with the risks identified by the program. These issues and risks collectively combined to assign the project a high overall risk rating. In review and discussion of the highest risks with OED and with external oversight entities, we identified four major categories of risk that require particular attention from the program. While these are not the only categories of risks and issues the agency needs to manage, they appear the most pressing.

Shifting agency priorities have caused challenges, made worse by COVID-19

The business case indicates that modernization is one of the top priorities of the agency. However, recent events have served to increase the priority of other business needs that were not present when the program began, which has an uncertain effect on the progress of the program and project in the near future, and potentially in the years to come. These competing priorities could have a significant effect on staffing, schedule, and budget.

The most pressing recent challenge is that OED has needed to shift resources in order to process a sudden, unprecedented spike in unemployment claims during the COVID-19 pandemic. This has required assigning some newly hired UI Modernization Project resources to assist in processing claims. It has also had an effect on planning activities associated with legacy systems for UI Modernization, because the expertise of the same individuals performing that work is also needed to program legacy system changes required to cope with the spike in unemployment claims.

In addition, the Legislature passed House Bill 2005 in 2019, which created the Paid Family and Medical Leave Insurance Program at OED. This program is intended to provide partially or fully compensated time away from work while the covered individual is on family leave, medical leave, or safe leave. OED created a new business division to manage the new program. OED and the iQMS vendor identified risks that there may be future competing priorities with filling positions in the new Family Leave Program while UI Modernization is also recruiting for new positions.

The program staffing plan also assumes that agency operational staff will be brought onto project teams at various times during the project to provide subject matter expertise, perform user

³ As defined by the program, "risk" is "an event or condition that, if it occurs, could impact the program's or project's success" and "issue" is "an event or condition that has occurred and should be actively managed. Many times, an issue is a risk that has been triggered and requires resolution."

acceptance tests, and other activities. If these staff are not available at key times, it could affect the progress of the project.

There is also potential for program budget sources to be affected by these priority changes. While OED plans to fund UI Modernization primarily from dedicated federal funds, these funds are not expected to cover the entire cost of the UI Modernization effort. Therefore, OED has used additional funding sources for some of the modernization work. Given the budgetary challenges caused by the COVID-19 crisis, these additional funding sources may need to be shifted elsewhere, though they are not subject to direct cuts because they are not General Fund dollars. Budget planning has been generally identified as a risk and mitigation strategies indicate OED is developing contingency plans. However, this may require additional attention as modernization continues due to the priority changes.

While these priority changes represent risks to the Modernization Program and Project, the reasons for modernization are more pronounced than ever, given the recent, well-publicized challenges in processing the massive increase in UI claims. More than anything, these challenges help illustrate the need to upgrade to more flexible information systems that are capable of handling larger volumes and can be more easily adjusted due to new state or federal rules. As such, modernization remains a high priority within the agency, but the initial implementation timelines are still likely to be affected.

Modernizing is critical

While COVID-19 has changed OED's immediate priorities, the reasons for modernization are more pronounced than ever.

» ***We suggest OED update its program management plans and schedule to address possible contingencies associated with changes in agency priorities.***

Legacy systems planning is behind schedule and is being further impacted by priority changes

Entities that wish to modernize systems must ensure they have a solid understanding of their current “legacy” environment. This is to ensure that required functionality from existing systems is incorporated into a new system and to facilitate planning for the transition to a new system. This includes properly identifying what changes need to be made to existing systems that need to continue operating in some capacity during or after the transition period. Delays in this area have the potential to affect the overall project timeline if new systems are ready for implementation but legacy systems are not ready for the transition. Therefore, including legacy system planning, especially at the outset of the project, is important to ensuring project success.

The initial planning for UI Modernization included work to identify the systems and data interfaces likely to be replaced or impacted by modernization. As of December 2018, OED identified 103 systems supported by the agency that helped support the UI tax and benefit functions. Of these, 31 systems would be replaced, 48 would be impacted, and 24 would not be impacted. OED also identified hundreds of data transfers and reports that were in scope for replacement.

While this work served as an important foundation for planning, OED has recognized that additional planning is needed. Significant details will not be known until the UI solution vendor is chosen, but preparatory work is critical to help ensure work on the project is not stalled by the need to further document or define existing processes.

OED opened an issue in November 2019 that indicated legacy planning activities were taking longer than expected. A work plan indicates that several steps to mitigate the risk have been completed or

were underway in January 2020, including analysis of staffing needs and other preparatory work. The iQMS vendor noted in January 2020 it had no concerns regarding the progress of the action plans at that time and would continue to monitor the situation. However, legacy planning work was slowed significantly in March 2020 due to the COVID-19 crisis.

OED has sought assistance related to legacy systems readiness and planning. In October 2019, the agency hired a vendor to perform IT maturity benchmarking services and perform an IT skills assessment. The initial deliverable from February 2020 included findings that OED was waiting to define or determine certain elements until it had hired a UI tax vendor. It also notes there is incomplete analysis of subsystems for UI tax and benefits and that documentation on system jobs, processes, and data is likewise incomplete. These findings reflect the need for significant further planning.

Depending on how long these plans are delayed based on critical work being done to support current systems, there could be significant overall project delays.

- » ***We suggest** OED ensure its detailed planning consider the effects of possible delays in legacy system planning and the effects on the overall timing of the program.*

Staffing challenges represent a significant risk area for the program and project

A common risk factor associated with major projects is staffing. Ensuring qualified individuals are hired, team workload and continuity is appropriately managed, and staff roles and responsibilities are properly defined are all important to helping ensure projects are successful.

The program's staff management plan generally describes its expected hiring strategy. OED has hired various Modernization Program staff since the program started activities in 2016. This includes hiring efforts in the first quarter of 2020 to populate the project team that will focus on UI Modernization. The program also developed a roles and responsibilities document, as well as defining various roles and responsibilities in the context of other plans.

Despite the development of these general plans, several of the issues experienced thus far in the program relate to staffing. In particular, of the 14 issues that have been opened over the life of the program, five related directly to staff turnover or staff capacity in key positions. Some turnover has been fairly recent. From January to April 2020, staff filling six positions on the Modernization Program team have left, though two of these positions have since been filled. In addition, on July 1, 2020, the OED Modernization Director left the program.

Management has indicated they are taking steps to determine patterns and whether there were underlying issues behind the departures. They also indicated they are taking steps to identify whether current project team members feel appropriately engaged, but these steps had not yet been completed as of May 2020.

In addition to turnover within the program, OED executive leadership has changed multiple times, most recently at the end of May. These changes have the potential to delay program timelines and alter priorities and vision for the program.

- » ***We suggest** OED evaluate potential root causes for staffing departures and take steps to address any patterns that might lead to future turnover.*

Program schedule and milestone estimation represent a major risk

Another common area of risk for major projects relates to scheduling and estimating timelines. Estimating how long it will take to perform various project activities and translating those into meaningful and accurate milestones is challenging. When estimates are inaccurate, it can have major implications on project costs and on other less tangible metrics, such as team morale or diminished confidence in the project team by external entities.

OED has already experienced challenges in estimating project timelines. Four of the 14 issues opened since the program began relate to certain activities taking longer than expected. For example, in February 2019, OED estimated it would issue a request for quote in June 2019 to hire a vendor to assist the agency with organizational change management. Instead, the request was not posted until January 2020 and then reposted in March 2020. In addition, the original schedule indicated the notice of intent to award the UI Modernization vendor contract was expected in September 2019. OED indicated it had completed vendor evaluations in May 2020, but as of early July 2020, it was unclear when the notice of intent to award would be finalized.

Oregon's Stage Gate oversight process recognizes that estimation in the planning stages of a project is difficult. Stage Gate 2 guidelines indicate budget and schedules can be within a 50% margin of error. Once a project passes Stage Gate 3, the margin of error changes to 10%, with variations beyond that range requiring re-approval by EIS. Since the UI project has not yet passed Stage Gate 3, it is not yet subject to the more restrictive margin of error.

Even though OED has been able to complete the early planning stages within the allowed margin of error, project oversight entities have expressed concern over OED's estimation methodologies. The iQMS vendor originally identified the need to improve the methodology and to develop a more robust preliminary planning "baseline" for the budget and schedule in their August 2019 report. OED indicated it intended to develop a preliminary baseline for the planning phase by April 2020, but this expected deadline was moved to June 2020.

As OED chooses its UI Modernization vendor and begins its detailed implementation planning, building a realistic timeline and associated milestones will remain a major risk. The risk is also increased due to the other circumstances associated with shifting priorities, legacy system planning delays, and staffing issues. If the methodology for building the more detailed schedule does not sufficiently account for complexity and contingencies, OED risks committing to a schedule it cannot keep. This can then affect program funding and require additional planning to address the discrepancies.

- » ***We suggest OED ensure the estimation methodology used for scheduling considers potential contingencies identified in other areas, such as agency priorities, legacy system planning activities, and staffing.***

Overall, OED appears to have conducted sufficient initial work to prepare for its Modernization Program, though issues and risks will exist throughout the life of the program that it will need to manage. OED may have been more prepared to handle the sudden onslaught of new claims with newer, more flexible computer systems in place. A newer system would have enhanced OED's ability to respond to the changes to UI rules, but we noted that some other states with modernized systems have also struggled with the unprecedented increase in unemployment. We also recognize that there will likely always be a percentage of claims that require significant manual intervention, no matter what system is in place, and the current spike in unemployment would have taxed OED's

ability to respond even with a new system. However, a new system would likely have helped OED to better manage the current crisis.

We appreciate your staff's assistance and cooperation during this review. Should you have any questions, please contact Teresa Furnish, Audit Manager, or Erika Ungern, Principal Auditor at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

A handwritten signature in dark ink, appearing to read "K. Memmott", with a stylized flourish at the end.

Kip Memmott
Director

Cc: Jeannine Beatrice, OED Deputy Director
Renee Royston, Interim OED Modernization Director



Oregon

Kate Brown, Governor

Employment Department

875 Union St NE

Salem, OR 97311

503-947-1394

TTY-TDD 711

www.Employment.Oregon.gov



July 13, 2020

Kip R. Memmott, Director
Oregon Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97301

Dear Kip:

Thank you for the opportunity to participate and respond to the draft management letter for the Oregon Employment Department's Modernization Program. We appreciate your review of the agency's program focused on modernizing customer experiences, business processes, security, and technology. As you and other partners and oversight entities have found, the Oregon Employment Department's approach to modernizing is deliberate, focused on due diligence, and is using best practices for project oversight and the state's Stage Gate controls. These measures create an excellent foundation, but as you have also noted, requires continued attention and planning to ensure progress and sustainability.

We are highlighting the four following suggestions embedded in the management letter and have included our initial responses below.

1. ***We suggest** OED update its program management plans and schedule to address possible contingencies associated with changes in agency priorities.*

Agreed - Now, more than ever, Oregon needs and deserves agencies to stand ready with contingency plans and agile resources, ready to face the predictable and the unprecedented. The program's governance plan was last revised January 2020. The team is revising the plan now to capture COVID-19 related pressures on the program; a strong governance plan with deliberate leadership, ensures resources and priorities are balanced. A dedicated team is also reviewing all program and project plans including, but not limited to the staff management plan, risk and issue management plan, procurement plan, schedule management plan, and contract management plan.

Every plan is under review not just due to COVID-19 related pressures, but also in preparation for the progressing through the state's Stage Gate process.



2. ***We suggest** OED ensure its detailed planning consider the effects of possible delays in legacy system planning and the effects on the overall timing of the program.*

Agreed – Every thoughtful assessment and plan needs to consider the legacy system. We are inventorying legacy data dependencies. This includes identifying where legacy systems meet. For example, the Unemployment Insurance tax legacy system shares a “seam” with the Unemployment Insurance benefits legacy system. Identifying these seams informs us how to plan and resource to ensure systems are synchronized, not disjointed throughout the replacement process. This activity is critical and is occurring now.

As with all planning, the legacy system work going forward must include planning for COVID-19 related pressures. The impact on timelines is difficult to predict in a pandemic, but that does not mean we won’t continually frame and reframe the planning work; we are building time into the planning to include constantly reassessing the risks and pressures from the pandemic.

3. ***We suggest** OED evaluate potential root causes for staffing departures and take steps to address any patterns that might lead to future turnover.*

Agreed – When a large-scale program or project is challenged to build or sustain an intact qualified team, and shows stress with departures, a root cause review is a good place to start. However, we do not agree that the recent agency and program leadership changes will delay program progress or change priorities for the program. We reintroduced Renee Royston to lead the Modernization Program on July 7, 2020. Renee successfully led the agency through the state’s Stage Gate processes and remained engaged with the program overtime. We are confident that her track record and leadership in this program will maintain a steady pace, bringing the team, partners, and oversight entities with her.

The Oregon Employment Department is invested in the team. Renee and her colleagues on the Employment Department’s executive team are taking a hard look at the Modernization program’s make up and acting quickly. Reviewing the documents and revising them as needed to reflect COVID-19 pressures goes hand in hand with connecting, listening, empowering, and engaging with the team members. The Department will be evaluating the needs of the program, and of the team members there, to ensure we build and retain the best skilled employees for this essential work.

The program needs and Oregonians demands, leadership across the agency and within the program that can build and empower teams to move the work. No one can be left behind; the employees on the team, customers and partners, and the external oversight entities need to be confident that the Oregon Employment Department’s Modernization program has a strong foundation and is sustainable.

4. ***We suggest** OED ensure the estimation methodology used for scheduling considers potential contingencies identified in other areas, such as agency priorities, legacy system planning activities, and staffing.*

Kip Memmott

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July 13, 2020

Agreed – The schedule management processes developed to support modernization projects is based on and adheres to Project Management Institute's (PMI) Project Management Body of Knowledge (PMBOK). However, large-scale information technology projects in the public sector have particular scheduling considerations. Additionally, COVID-19 is acting as a new component placing pressure on the Modernization program and needs to be considered with the master schedule.

The team is actively revising the schedule management plan. As outlined with the first listed suggestion, the Oregon Employment Department is reviewing program and project artifacts with the public sector requirements and COVID-19 pressures at the forefront. Examples of public sector requirements include recruitment, procurement, legislative, and funding considerations. And these must be included in the scheduling methodology to lend to accurate estimations. This is a timely exercise as we prepare for the state's third Stage Gate, which requires a margin of error of 10% or less.

Sincerely,

A handwritten signature in blue ink, appearing to read 'David K. Gerstenfeld', with a large, stylized initial 'D' and a long, horizontal flourish extending to the right.

David K. Gerstenfeld
Acting Director
Oregon Employment Department