

January 7, 2016

Letter Report 2015-039

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

This letter reports on the Financial Information System for California (FI\$Cal) project's significant deviations from its plans as approved in its fifth Special Project Report (SPR) and its resulting need to develop a sixth SPR. It also reports on other challenges facing the project and provides updates on previously reported issues. Below is a list of the highlights contained in this letter:

- The project has experienced significant deviations in its system implementation schedule and scope such that it is required to develop a new implementation plan through a sixth SPR.
- The project has not adequately responded to its oversight entities' concerns and recommendations, many of which have been outstanding for over a year.
- The project continues to report an overly optimistic percentage of completion in its monthly status reports, which are available on the California Department of Technology's (technology department) website.
- The project experienced widespread turnover in its executive management team during 2015, and its staff vacancy rate remains stagnant.

Background

This letter report provides an update on recent events related to the FI\$Cal project. FI\$Cal is a business transformation project for state government in the areas of budgeting, accounting, procurement, and cash management. The technology department provides independent project oversight (IPO), and the project contracts with Public Consulting Group for independent verification and validation (IV&V) services. The text box provides a description of these entities' respective roles. Both oversight entities report their concerns and recommendations to the project monthly. According to the project's fifth and most recent Special Project Report (SPR), released

Roles of Oversight Entities

Independent project oversight provides an independent review and analysis to determine if the project is on track to be completed within the estimated schedule and cost, and will provide the functionality required by the sponsoring business entity.

Independent Verification and Validation

- Verification: The process of evaluating software to determine whether the products of a given development phase satisfy the conditions imposed at the start of that phase.
- Validation: The process of evaluating software during or at the end of the development process to determine whether it satisfies specified requirements.

Source: California's *Statewide Information Management Manual*.

in January 2014, the project plans to roll out FI\$Cal as a series of five “waves,” a “pre-wave” planning phase followed by four implementation waves that deliver incremental functionality to a growing number of departments over four years. However, as we discuss further below, the project plans to revise its schedule and costs in a new SPR, which the project plans to release in January 2016.

The project reported that FI\$Cal went live at five pre-wave departments on July 1, 2013 and at a portion of the 30 planned Wave 1 departments on July 16, 2014. Additionally in Wave 1, the IPO reported that the project was successfully able to leverage the FI\$Cal system to produce the *Governor’s Fiscal Year 2015/16 Budget*. However, as we previously reported, in June 2014 the steering committee voted to defer several departments and certain functions from Wave 1 to future waves. Two of these departments—the California State Board of Equalization and the California Department of Justice—represented roughly half of the total of 1,341 planned Wave 1 users. The project reported that it went live at 45 Wave 2 departments in August 2015, which included departmental accounting functionality. We provide some key facts on FI\$Cal in the text box.

In our January 2015 report we provided updates on the project’s stagnant vacancy rate, our oversight activities, and the potential schedule challenges facing the project in each future wave, such as the high number of large departments planned for Wave 4. In this report, we discuss these and related developments as well as provide updates on the project’s inadequate response to concerns and recommendations reported by its oversight entities, its overly optimistic completion rate, and its continuing staffing challenges.

Finally, in our April 2012 report we made three recommendations for the Legislature to consider related to tracking of costs for state department subject matter expert staff, monitoring the benefits that FI\$Cal is projected to provide, and reporting the cost and reasons for any significant and unanticipated customizations that the project makes to the FI\$Cal software. In its annual report to the Legislature, the project is already required to report, among other things, any significant software customizations and the reasons for them, but not the associated cost. We are unaware of any legislative action taken to address our other two recommendations; however, it will be beneficial for the Legislature to reconsider these recommendations in the context of the upcoming sixth SPR.

Key Facts on the Financial Information System for California

- Total estimated cost of project: \$672.6 million
- Scheduled completion date: July 1, 2017
- Costs through September 2015: \$348.5 million*
- System Integrator: Accenture LLP is the project’s selected systems integrator, with a \$226 million, six year contract
- Independent verification and validation (IV&V): Public Consulting Group has been contracted to provide IV&V services
- Independent project oversight (IPO): The California Department of Technology provides IPO services
- Number of project staff: As of October 2015, 256 of the 288 authorized positions are filled
- Sponsoring departments: California Department of Finance, California Department of General Services, California State Controller, and California State Treasurer

Sources: Fifth Special Project Report, January 2014, and the September and October 2015 IPO Reports from the California Department of Technology.

* According to the October 2015 IPO Report the project was unable to provide financial information for the month of October as a result of issues related to month-end close activities.

Because of Significant Deviations in Schedule and Scope the Project Is Developing a New Special Project Report

We reported in January 2015 that the project was facing potential schedule challenges. The challenges resulted from delays in Waves 1 and 2 activities and caused the project to deviate from its plans as presented in its fifth SPR. We expressed concern that these delays compressed the project's schedule and that they could have a significant negative impact on the implementation of future waves. For example, the IV&V has been reporting since October 2014 that the project's schedule and resource challenges cannot be successfully met without substantial modification of the project's schedule. We also reported in January 2015 that, although FI\$Cal's accounting functions were scheduled to be implemented by the State Controller's Office (state controller) and the State Treasurer's Office (state treasurer) in Wave 1, both departments chose to delay implementation. The state controller began deployment in November 2014 but the state treasurer had not committed to a deployment date.

Since our last report, the IPO has reported that the state controller has decided to not fully utilize the FI\$Cal system until Wave 2 and that the project's steering committee formally moved the state treasurer implementation to Wave 2. In addition, the project encountered difficulties while planning for the implementation of Wave 2, which originally had a launch date of July 2015, according to the project's fifth SPR. Wave 2 was intended to implement accounting functions at several additional departments, including the Department of General Services (General Services). FI\$Cal was to replace General Services' Activity Based Management System (ABMS)—the existing financial enterprise resource planning system—and implement FI\$Cal's statewide procurement function at General Services. However, in February 2015 the IPO reported that the project approved suspension of work related to the replacement of General Service's ABMS as well as the Project Accounting and Leave system (PAL), which is General Services' existing time capture system that is dependent on ABMS. In August 2015 the IPO reported that FI\$Cal's steering committee, through an email vote, moved the launch date for the ABMS and PAL functionality from Wave 2 to Wave 3.

Prior to that, in June 2015, the steering committee decided to expand the project's scope by adding new functionality to the procurement system's vendor portal in Wave 2 and approved splitting the implementation of Wave 2 into two separate and delayed releases. The first release was scheduled for August 2015 and the IPO reported that it was deployed as planned. The second release was scheduled for December 2015, and according to the project director, was largely deployed as planned.¹ However, certain portions of functionality related to vendor solicitations and bids were delayed. Additionally, the IPO reported during the summer of 2015 that as the project was encountering resource challenges preparing for Wave 2, it was also working on design phase activities for Wave 3. According to the IPO, Wave 3 fell significantly behind schedule because the project redirected its resources needed for Wave 3 development to instead focus on delayed Wave 1 and Wave 2 activities. The project ended up revising its Wave 3 implementation schedule in October 2015, extending it by one year until July 2017. It made this revision to provide enough time for the project to complete the design, build, test, and deployment phases of the state controller's and state treasurer's control functionality and to align this phase with an anticipated new SPR.

¹ As of the date of this letter, the IPO Report for December 2015 was not available for us to confirm the project's assertion.

Based on these and other concerns, it became clear during 2015 that the project needed to prepare a new SPR. In February 2015 the project's IPO reported concerns that the project had shifted functionality, departments, and requirements from Waves 1 and 2 to future waves, which created a variance from the fifth SPR. The IPO recommended that the project perform an analysis of work remaining in each wave to determine if the remaining project schedule, cost, and resources are feasible. Further, in May 2015, the IPO suggested that the project document this effort in a new SPR. In July 2015 the technology department sent a letter to the project executive sponsor stating that the project had triggered several reporting conditions that warrant a new SPR under the requirements contained in the *State Administrative Manual (SAM)*. We present these requirements in the text box. The technology department explained that the FI\$Cal steering committee's decision in June 2015 to split Wave 2 into two releases resulted in a 35 percent variance to the Wave 2 schedule in the fifth SPR. In addition, the letter indicated that the project's shift of multiple large departments from earlier waves to later waves and the project's decision to move General Services' ABMS and PAL out of Wave 2 were substantial deviations from the planning assumptions in the fifth SPR. Although it acknowledged that the SAM requires that a project must submit a new SPR 30 days after recognition of a substantial deviation, the technology department gave the project a due date of October 12, 2015 for a new SPR in recognition of the project's workload associated with the deferred Wave 2 activities. Shortly after the project received the letter from the technology department, it shared some information about the upcoming SPR's expected contents with its steering committee and oversight entities. Further, on December 9, 2015, the project submitted a draft version of the SPR to the technology department for its review and approval. The project expects to publish the final version by January 2016. The project director believes the extra time is necessary to craft a quality SPR. An information technology project oversight division branch chief (branch chief) at the technology department who is responsible for reviewing the SPR, agrees with this approach and has allowed the project additional time to make appropriate adjustments to its plans in the sixth SPR. We will review the sixth SPR once it is finalized and report on any concerns, as necessary.

State Administrative Manual Requirements for Issuing a Special Project Report

Section 4819.36—Submission of a Special Project Report to the California Department of Technology (technology department) and the Office of the Legislative Analyst is required if an information technology project (IT project) meets any of the following conditions:

- The total IT project costs deviate or are anticipated to deviate by ten percent or more.
- The last approved overall project development schedule falls behind or is anticipated to fall behind by ten percent or more.
- The total program benefits deviate or are anticipated to deviate by ten percent or more.
- A major change occurs in project requirements or methodology.
- Any conditions occur that require reporting to the technology department as previously imposed by the technology department.
- A significant change in state policy draws into question the assumptions underlying the project.

Source: *California's State Administrative Manual*.

The technology department's *Statewide Information Management Manual (SIMM)* states that the purpose of an SPR is to provide a basis for understanding and agreement among project stakeholders. Furthermore, the project's fifth SPR states that the project leadership made a commitment to be transparent and seek assistance early if the need for changes were identified and

that this commitment would not be upheld if the project leadership does not inform all partners, stakeholders, and the public at large in a timely manner of needed changes to ensure the success of the FI\$Cal project, even when those changes include additional time and increased cost. Given the many significant changes the project has made since its fifth SPR was approved, we agree that it needs to inform its stakeholders about the impacts the changes will have going forward. According to our information technology expert (IT expert), departments scheduled for launch in Waves 3 and 4 may need to adjust their budgets and workload to prepare for a delayed implementation. Further, we believe that the project could have begun this process of notification sooner had it done a better job addressing the early schedule concerns raised by its IPO and IV&V oversight entities.

The Project Has Not Adequately Addressed Concerns and Recommendations From Its Oversight Entities

We continue to track concerns and recommendations raised by the IPO and IV&V and made to the project's managers. Although the project has taken action to address some of the oversight entities' concerns and recommendations, it has left many unaddressed and has addressed others only after considerable delays. By failing to respond or responding slowly, the project exposes itself to risks that could threaten timely, cost effective, and successful system implementation. As of October 2015 the IPO reported that 23 of its concerns were outstanding, with some dating back to 2014. Likewise, the IV&V reported for the same month that 37 of its recommendations were outstanding, with many dating back to 2014 and one dating as far back as 2012.²

Both oversight entities have begun providing some additional context in the form of impact ratings to help the project assess which concerns and recommendations should be given priority. For example, although the IPO has not assigned an impact rating to each of its concerns, as of October 2015 it reported an assigned impact rating of "high" to the four concerns that it chose to rate. Two of these concerns relate to the project's challenges in providing support to state departments for month-end and year-end closing activities, which may lead to delays in the project's Wave 2 and Wave 3 activities. The other two concerns pertain to testing to ensure compliance with the Americans with Disabilities Act and resolving issues in testing the budget functionality. In addition, the IV&V recently began assigning one of four impact ratings to all of its recommendations: minor, moderate, significant, or critical. In its October 2015 report it assigned two of its recommendations an impact rating of "critical," which indicates that "a major disruption is probable and [there is] near certain substantial impact to product quality, manageability, cost, or schedule if action is not taken without delay." For another 20 of its recommendations, it assigned an impact rating of "significant," which suggests that "a major disruption is likely and [there is] a possibility of substantial impact to product quality, manageability, cost, or schedule."

We reviewed the concerns and recommendations reported by the IV&V as of October 2015 and found numerous issues that the project has not adequately addressed. Many of these issues have the potential to negatively and substantially affect FI\$Cal. To avoid the negative impacts that are possible if left unaddressed, we believe the project should work to adequately address the concerns and recommendations as soon as possible. We categorize the critical concerns and a selection of significant concerns reported by IV&V in Table 1 on the following page.

² The most recent IPO and IV&V reports available during our fieldwork were issued in mid-November 2015 and covered the month of October 2015. Subsequently in mid-December 2015 both oversight entities issued their reports for November 2015. We reviewed those reports and updated our information where appropriate.

Table 1
Notable Unaddressed Recommendations the Independent Verification and Validation Service (IV&V) Provided to FI\$Cal, as of October 2015

DATE ISSUED	CATEGORY	CONDITION	IV&V SUMMARY RECOMMENDATION	IMPACT LEVEL	MONTHS OUTSTANDING
July 2014	Security	State personnel have not yet been trained to access production security and usage logs in the event of a security breach.	Request the project's selected systems integrator, Accenture LLP (Accenture), to provide to the State's personnel access to data security and usage logs as well as provide instruction and supporting documentation related to interpreting that data.	Critical*	15
February 2015	Security	The project's consultants submitted the Independent Security Assessment Report which identifies numerous security controls that are planned but not addressed, or only partially addressed.	Address key security issues from the project's consultants' Independent Security Assessment Report before Wave 2 Go Live.	Critical	8
December 2012	Knowledge Transfer to FI\$Cal Personnel	Accenture is making changes to certain key software configuration settings.	Ensure Accenture provides proper knowledge transfer to allow the State to maintain and upgrade FI\$Cal software without the help of consultants after Accenture completes the project.	Significant [†]	34
February 2014	System–Application, Data, and Technology	The budgeting function may not be able to meet budgeting solution scalability and sustainability expectations.	Conduct rigorous performance testing during the Wave 1 testing cycle that will provide benchmark data regarding future budgeting solution performance expectations. Clearly demonstrate the upper limits of solution scalability and performance breakpoints.	Significant	20
March 2014	Knowledge Transfer to FI\$Cal Personnel	The State does not have the ability to independently produce key reports that will identify software changes applied to the production environment.	Request Accenture to either periodically provide software configuration change logs or ensure that State personnel know how to produce such logs when desired.	Significant	19
June 2014	Application–Project Process	The configuration management tool may not be sufficient for FI\$Cal's purposes.	Request Accenture to clarify and confirm how the configuration management tool is used in the management of all FI\$Cal solution software components.	Significant [‡]	16
August 2014	Technology–Project Process	The project may be unable to manage the overlap of Wave 2 and Wave 3 workloads.	Request Accenture to present the environment management strategy that the project will use during Wave 2 and Wave 3 activities.	Significant [§]	14
October 2014	Project Planning	The project is facing ongoing and increasing schedule and resource challenges that were not anticipated in SPR 5, including extensive support for month-end closing activities, delayed and unanticipated extended support for Wave 1 activities, and unanticipated complexity with Wave 2 activities.	Restructure the future delivery schedule to ensure continued successful incremental project progress.	Significant	12
October 2014	State Departments' Accounting Challenges with FI\$Cal		Place Wave 1 activities as the highest priority, including providing support for Wave 1 departments in transaction processing and completing month-end and year-end closing activities.	Significant	12

Source: October 2015 *Independent Verification and Validation Report*.

* **Critical**—Near certain substantial impact to product quality, manageability, cost, or schedule if action is not taken without delay. A major disruption is probable and the consequences could be catastrophic. A different approach is required and work may need to be suspended until the new approach is implemented. Mitigation strategies must be evaluated and acted upon immediately.

† **Significant**—Possibility of substantial impact to product quality, manageability, cost, or schedule. A major disruption is likely and the consequences would be unacceptable. A different approach is required. Mitigation strategies should be evaluated and acted upon immediately.

‡ As of November 2015 the IV&V reported that it downgraded the impact rating of this recommendation to “moderate.” The “moderate” rating suggests that “some disruption is likely and [there is] a possibility of moderate impact to product quality, manageability, cost, or schedule.”

§ As of November 2015 the IV&V reported that it closed this recommendation because it opened a related recommendation which has an impact rating of “moderate.”

The IV&V's two recommendations with "critical" ratings pertain to FI\$Cal's system security. One of these recommendations relates to the IV&V's concern that state personnel have not yet been provided training on certain issues, which, in the event of a breach would result in the State having to rely on Accenture LLP (Accenture), the project's selected systems integrator. The IV&V is concerned about the legal issues that might arise if the suspected cause of the breach was Accenture-related. To mitigate this risk, the IV&V recommends that the State request in the immediate-term that Accenture provide the State with the information it needs so that it can address this issue. As of October 2015 the IV&V reported that the project has taken no significant action to address this concern. The other critical recommendation pertains to the IV&V's concern regarding the project's lack of progress in addressing security findings identified in an Independent Security Assessment Report (security assessment) prepared by the project's consultants. The security assessment identifies numerous security controls that are either planned but not yet implemented or only partially implemented by the project. Apart from updating a plan of action to address this issue in the future, the project has made no significant progress according to the October 2015 IV&V report.

Another longstanding concern relates to knowledge transfer. We reported in February 2014, and again in January 2015, that the project was missing knowledge transfer opportunities, which could result in the State's continued reliance on Accenture or another vendor to maintain FI\$Cal after system implementation is complete. Unfortunately, this situation has not yet been addressed. Ten of the IV&V's open recommendations pertain to knowledge transfer, six of them rated as having "significant" impact. Each one recommends that the State take initiative in performing knowledge transfer activities with Accenture so that the State becomes fully capable of managing the FI\$Cal system on its own. Furthermore, one of these recommendations has been outstanding for 34 months.

The project may continue to experience delays and various challenges if project management does not adequately address the IPO and IV&V's recommendations in the upcoming sixth SPR. The project's new executive management stated it wants to improve how the project tracks and addresses its oversight entities' concerns and recommendations. According to the project director, the project is implementing a new concern and recommendation tracking process. The process will track all IPO and IV&V concerns and recommendations, and if any of them are outstanding for more than 90 days, the project plans to record a reason for why each one was not fully addressed. If implemented and used properly, this new process should help the project to keep better track of and address the oversight entities' concerns and recommendations. The project also asserts that some of the concerns and recommendations will be addressed in the sixth SPR. We will monitor this process and assess if the project is using it effectively, and we will review this aspect of the sixth SPR when it is available.

The Project Continues To Report An Overly Optimistic Completion Rate

The technology department considers FI\$Cal to be a high criticality project and requires the project to report its progress on a monthly basis. The technology department's SIMM states that project status reports are developed to enable the project team to distribute timely information to stakeholders. Since January 2013 we have reported three times on concerns we have regarding the metrics used by the project to report its progress. In our January 2015 report we noted that, under the current reporting metrics prescribed by the technology department, the project reported FI\$Cal was 56 percent complete as of October 2014. We suggested that if the technology department

required the project to use other metrics to measure progress, such as total number of users on FI\$Cal, total departments converted, overall expenditures, or functionality attained, FI\$Cal would be less than 50 percent complete. Although none of these metrics by themselves provide a complete measure of the project's progress, taken together they would provide a more comprehensive assessment of the project's overall progress towards developing and deploying FI\$Cal.

According to the project director, the project prepares these reports in accordance with SIMM requirements set by the technology department. However, those requirements do not provide specific guidance to agencies preparing project status reports. Therefore, the resulting progress measurements may not be as meaningful to external stakeholders who are unfamiliar with an agency's selected reporting methodologies. As the California State Auditor reported in March 2015, it is unclear whether the technology department properly reviews the status reports before approving and posting them, or if the technology department needs to provide more specific guidance for projects to use in tracking project status.³ In fact, as a result of concerns about the monthly completion rate, we recommended that, to ensure the sponsoring agencies' project status reports provide a reliable and consistent assessment of an IT project's progress, the technology department should develop and adopt specific standards that describe how to calculate and report a project's current status. As of its last progress update in September 2015, the technology department has not implemented this recommendation, but says it is progressing in developing and adopting specific standards for project status reports.

As of the October 2015 project status report, which is publicly available on the technology department's website, the project reported FI\$Cal was 65 percent complete. However, we believe this completion percentage overstates the project's progress to external stakeholders when compared to the other measurement metrics previously described. For example, if the project calculated its progress based on the number of departments currently using FI\$Cal, it would be less than 40 percent complete, with many large departments yet to convert to FI\$Cal. Further, the IPO reported as of September 2015—when the project was reporting a 67 percent completion rate—that the project has spent 52 percent of its total budget.⁴ Furthermore, the October 2015 IPO report rated the project's schedule as "red" indicating it is at significant risk and that there has been an overall negative trend regarding the schedule. Yet the project's status report for the same month claims FI\$Cal's schedule is "green" with a less than five percent schedule variance. To avoid these sort of inconsistencies, we believe the technology department should prescribe more meaningful reporting metrics for the project to use when reporting its monthly completion rate so that external stakeholders can be better informed.

The Project Continues to Experience Staffing Challenges

During 2015, the project continued to experience difficulties in retaining staff in key executive positions and in filling vacant positions. Of particular concern, the project experienced turnover in six executive positions this year: the executive partner, the project executive, the project director, the deputy director of the project management office, the deputy director of the technology team, and the deputy director of the business team. See the text box on the following page for

³ *High Risk Update—California Department of Technology: Lack of Guidance, Potentially Conflicting Roles, and Staffing Issues Continue to Make Oversight of State Information Technology Projects High Risk* (Report 2014-602, March 2015).

⁴ According to the October 2015 IPO report, the project was unable to provide financial information for the month of October as a result of issues related to its month-end closing activities.

details of this turnover. According to the IPO, the project has decided not to fill the business team deputy director position. In November 2015, the project executive left the project. According to the project director, the project is seeking approval from the California Department of Human Resources to eliminate the project executive position and formally split the duties of this position between the executive partner and the project director. The project director and the executive partner have already taken over the project executive duties in the interim. We are concerned that this turnover in the day-to-day leadership of the project over such a short period of time poses challenges to maintaining the continuity and consistency of the vision and execution of the project.

As of October 2015 the IPO reported that the project's overall job vacancy rate was roughly 11 percent of total authorized positions, (which amounts to 32 vacancies among the 288 authorized positions). This is a modest improvement from the November 2014 vacancy rate of 14 percent. Despite the project's efforts to actively recruit staff, according to the former project executive, a 10 to 12 percent vacancy rate may become the norm for the project. Nevertheless, these vacant positions amount to roughly 4,100 hours of staff work time per month that the project does not have available for design, development, and implementation (DDI) activities, which contributes to implementation schedule delays. Our IT expert believes that these vacancies also contribute to the project's struggles to perform the multiple concurrent activities that are underway, including supporting existing FI\$Cal users, supporting users and departments as they convert to FI\$Cal, planning efforts for future users, and maintaining and operating the FI\$Cal system.

Additionally, the IPO reported in October 2015 that Accenture continues to staff its team at a level higher than expected—320 actual positions instead of 195 planned positions—with over 58 percent of its team performing DDI activities offshore without direct oversight from state staff. As we discussed earlier, knowledge transfer is an area of significant IV&V concern, and one of those concerns is that Accenture's shifting of staff resources offshore hampers the State's ability to receive critical knowledge transfer of FI\$Cal operations from its systems integrator.

Financial Information System for California Management Positions Experiencing Turnover Between April 2015 and November 2015

April 2015

- Project director left the project.

May 2015

- Deputy director of project management voluntarily left the position and became the scheduling manager.

June 2015

- A new Project director was hired and began work.
- Deputy director of the technology team was reassigned to fill the deputy director of project management position.
- A new Deputy director of the technology team position was hired.

July 2015

- Deputy director of the technology team began work.

August 2015

- Deputy director of the business team retired.
- An acting deputy director of the business team was instated.
- Executive partner retired.

September 2015

- A new Executive partner was hired and began work.

November 2015

- Project executive left the project.
- The acting deputy director of the business team left the project.
 - The project instituted an interim reporting structure whereby the business team will report to the deputy director of the change management office.

Sources: *Independent Project Oversight Reports* from the California Department of Technology, FI\$Cal steering committee meeting minutes, and an email from the former project executive.

State Auditor's Monitoring and Project Oversight Activities

We continue to attend monthly oversight meetings, quarterly steering committee meetings, and, when held, executive working group meetings.⁵ We reported in January 2015 our concern that the executive working group met formally only twice during 2014. According to the project's governance plan, the executive working group is to meet monthly or as needed and is to serve as an avenue for informal escalation of issues stalled within the project. During 2015 the executive working group continued to receive a monthly status report, but only met three times. The project director explained that the executive working group met infrequently in part because of FI\$Cal's leadership turnover in 2015 and in part because the project's steering committee had eleven meetings during the year to discuss important issues. However, our IT expert is concerned about the apparent lack of opportunity for the executive working group to review progress and project issues as a body and at a strategic level, particularly for a project that has been actively encountering schedule and resource issues.

In addition, the technology department has had two staff assigned to perform the IPO services for FI\$Cal in 2015. However, according to the oversight division branch chief at the technology department, one of the IPO staff left in December 2015, and the technology department is in the process of filling the position. Recently, the branch chief has also told us that the technology department is assessing the level of resources it assigns to the role of FI\$Cal's IPO.

Role of the California State Auditor's Office

Pursuant to California Government Code, Section 11864, the California State Auditor (state auditor) is required to independently monitor the FI\$Cal project throughout its development, as the state auditor deems it appropriate. Our independent monitoring includes, but is not limited to, monitoring the contracts for IPO and IV&V services, assessing whether concerns about the project raised by the IPO and IV&V staff are appropriately addressed by the FI\$Cal steering committee and the FI\$Cal project, and assessing whether the FI\$Cal project is progressing within schedule and budget. We are required to report on the project's status at least annually and this is the twelfth report we have issued since we began our monitoring in 2007, and our fifth report since the project began the DDI phase in June 2012.

⁵ The executive working group is a meeting of the project's executives who discuss significant project issues before they are formally presented to the steering committee.

We will continue to monitor and report on these topics in addition to others that come to our attention, at a minimum, on or before January 10 each year.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: January 7, 2016

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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.