



ORGANIZATIONAL DEVELOPMENT COMMITTEE

Stan Weisser, RPh, Chairperson, Board President
Amy Gutierrez, PharmD, Board Vice-President

a. FOR INFORMATION: Fee Audit Update

As discussed at previous meetings, the board may need to pursue a fee increase to sustain operations. As a precursor to making such a determination the board pursued a contract for completion of an independent fee audit. The board secured a contract with Macias Consulting Group to complete this independent audit for the board.

As discussed during the January 2015 meeting, the board's president met with the auditors to gain a thorough understanding of the audit process and preliminary findings. Included as part of the audit are projections for a five year period. Based on the preliminary findings of the auditors it is clear that the board will need to increase fees.

Legislation will be necessary to facilitate any fee increase as all of the board's current fees are at their statutory maximum levels.

Update

Board staff is reviewing the contractor's current findings and has some concerns about the methodology used. Board staff is working with the department's budget office to address these concerns. We anticipate that this should be resolved in advance of the April Board Meeting.

b. FOR INFORMATION: New Legal DCA Counsel

In mid-February, board staff was advised that new DCA legal counsel was assigned to our board. We welcome Laura Freedman as our new counsel. Ms. Freedman has worked for the department for a number of years and has significant experience working with other healing arts boards. Michael Santiago will continue to serve as a resource for the board during the transition period.

c. FOR INFORMATION: Update on BreEZe and DCA's Plans for a New Computer System

Attachment 1

Background

As staff has previously advised the board, for a number of years the department has worked to replace and/or enhance its legacy licensing and enforcement tracking systems used by most DCA agencies. The system selected was a Commercial Off the Shelf Product (COTS) that was intended to streamline processes, provide better access for consumers

and licensees and help programs within the department to gain better reporting tools, known as BreEZe. The first release of the system occurred on October 8, 2013, and the department continues to work on additional changes to ensure the system is fully operational for the board's first deployment of the system. Concurrent with those efforts, work started on the second deployment of the system for several additional boards, including our board.

Prior Discussion

During the January 2015 Board meeting the board was advised that as part of our implementation efforts, board staff discovered critical functionality that was not detailed in the original contractual requirements that is essential to the board's ability to deploy BreEZe. As a result our board was removed the second deployment.

Recent Update

On February 12, 2015 the California State Auditor released an audit report concerning how the Department of Consumer Affairs planned, developed, and implemented the BreEZe system. A copy of the summary is included in **Attachment 1**. The full report can be accessed using the following link - - <https://www.auditor.ca.gov/pdfs/reports/2014-116.pdf>. The audit report highlighted several problems with implementation of the new system. Many of the audit findings were not new information to either the department or board staff, but highlight several of the challenges involved in implementing this information technology project.

Subsequent to the release of the audit report, on February 25, 2015, the Joint Legislative Budget Committee denied a request from the department to secure additional funding for the BreEZe project. A copy of the letter is also included in **Attachment 1**.

With these recent events, there is more uncertainty about how and when the board will resume its transition to the new system.

d. FOR INFORMATION: Procedures for Evaluation of the Performance of the Board's Executive Officer

The board's annual performance review of the Executive Officer will be included during the April 2015 Board Meeting. Evaluation materials will be sent to each board member in advance of the meeting.

Attachment 1



California Department of Consumer Affairs' BreEZe System

Inadequate Planning and Oversight Led to Implementation at Far Fewer Regulatory Entities at a Significantly Higher Cost

Report 2014-116

COMMITMENT
INTEGRITY
LEADERSHIP

February 12, 2015

2014-116

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

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning how the California Department of Consumer Affairs (Consumer Affairs) planned, developed, and implemented BreEZe—an information technology (IT) system Consumer Affairs envisioned would support all of the primary functions and responsibilities of 37 of its 40 boards, bureaus, committees, and a commission (regulatory entities). This report concludes that the BreEZe project has been plagued with performance problems, significant delays, and escalating costs, which based on a January 2015 estimate were \$96 million—more than triple the original cost estimate—for implementation of a system at only half of the regulatory entities originally planned for BreEZe. As of that date, only 10 regulatory entities had transitioned to BreEZe, eight more intend to transition to it in March 2016, and it is unknown whether or when the remaining 19 will transition to the system.

Although doing so is critical to the successful development of IT systems, Consumer Affairs failed to adequately plan, staff, and manage the project for developing BreEZe. For example, while an up-to-date assessment of business needs is essential to developing adequate system requirements, Consumer Affairs failed to properly perform such an assessment for the regulatory entities when developing the system requirements for BreEZe, which specify what the system should do. Instead, Consumer Affairs relied on requirements from earlier projects that were abandoned and incorrectly assumed that the entities could use similar business processes to, for example, process license applications.

Further, although staff of the California Department of Technology (CalTech) in its oversight role raised nearly 180 significant and persistent concerns about the BreEZe project in monthly reports between December 2010 and September 2014 in areas including project management, staffing, system requirements, and vendor performance, it allowed the project to continue without significant intervention. We believe the volume and significance of these concerns should have prompted both CalTech and Consumer Affairs to analyze fully the costs and benefits of suspending or terminating the project versus proceeding.

Additionally, during the procurement process for the BreEZe project, the California Department of General Services (General Services) and Consumer Affairs approved revisions to the BreEZe contracts' terms and conditions proposed by the vendor, Accenture LLP, which transferred significant risk to the State. For example, the revised language limited Consumer Affairs' ability to terminate the contracts and eliminated protections Consumer Affairs otherwise would have had against the possibility of intellectual property rights violations. We question the prudence of some of the decisions General Services and Consumer Affairs made regarding the terms and conditions, as they substantially increased Consumer Affairs' financial risks related to these contracts.

Despite assertions by the Board of Registered Nursing (BRN) that it was exceeding maximum time frames for processing certain license applications since implementing BreEZe, we found little evidence that it tracks the information needed to support such claims. In addition, we interviewed executive officers of the 10 regulatory entities that have implemented BreEZe and most told us that they are generally dissatisfied with their BreEZe experience because it did not meet their expectations in a variety of ways, and eight including BRN reported that the system has decreased their operational efficiency.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Summary

Results in Brief

The California Department of Consumer Affairs (Consumer Affairs) encompasses 40 boards, bureaus, committees, and a commission (regulatory entities) that regulate and license professional and vocational occupations to protect the health, safety, and welfare of the people of California. Annually, these regulatory entities process more than 350,000 applications for professional licensure and an estimated 1.2 million license renewals. The regulatory entities establish the minimum qualifications and levels of competency for licensure, register or certify practitioners, investigate complaints, and discipline violators. Although these entities are responsible individually for activities related specifically to the professions they oversee and they are semiautonomous bodies whose members are appointed by the governor and the Legislature, Consumer Affairs establishes general administrative policies for them and provides them with administrative support.

Historically, the regulatory entities have used multiple computer systems to fulfill their required duties and meet their business needs. However, significant issues with these systems reportedly resulted in excessive turnaround times for licensing and enforcement activities, impeding the ability of the regulatory entities to meet their goals and objectives. In 2009, after undertaking several unsuccessful efforts to develop or procure an information technology (IT) system that would improve the capabilities of the regulatory entities it administratively supports, Consumer Affairs proposed, and the California Department of Technology (CalTech) approved, BreEZe—a system Consumer Affairs envisioned would support all of the primary functions and responsibilities of its regulatory entities.¹ Unfortunately, this has not been the case.

The work Consumer Affairs undertook on the BreEZe project has lacked adequate planning. Although an up-to-date assessment of business needs is critical to the successful development of an IT project, Consumer Affairs failed to properly perform such an assessment for its regulatory entities when developing the system requirements, resulting in requirements that did not

¹ Although Consumer Affairs consists of 40 regulatory entities, only 37 of these entities were originally scheduled to implement BreEZe. Specifically, the Bureau of Real Estate and the Bureau of Real Estate Appraisers were brought under Consumer Affairs as a result of the governor's reorganization plan, effective July 2013, after the BreEZe project was approved and underway. According to Consumer Affairs, it planned to implement BreEZe at these regulatory entities once the system was fully implemented at the 37 regulatory entities. Another entity, the Arbitration and Certification Program, does not issue licenses and will not be included in BreEZe.

Audit Highlights . . .

Our audit concerning the California Department of Consumer Affairs' (Consumer Affairs) planning, development, and implementation of BreEZe—an information technology (IT) system envisioned to support all primary functions and responsibilities of its regulatory entities—revealed the following:

- » *Consumer Affairs failed to adequately plan, staff, and manage the project for developing BreEZe.*
 - *It did not effectively assess the regulatory entities' business needs to determine system requirements.*
 - *Inadequate system requirements led to significant delays at key stages of the project.*
 - *It relied on faulty assumptions in selecting a commercial "off-the-shelf" system as the foundation for BreEZe, which contributed to an increase in project costs—from \$28 million in 2009 to \$96 million as of January 2015 for half of the entities originally planned.*
 - *It did not have adequate staffing to execute and implement BreEZe through critical project phases.*
- » *Between December 2010 and September 2014, the California Department of Technology's (CalTech) independent oversight raised nearly 180 significant project concerns, yet both CalTech and Consumer Affairs' officials allowed the project to continue without significant intervention.*

continued on next page . . .

- » *Despite significant problems with the BreEZe project, CalTech approved additional funding for it.*
- » *The California Department of General Services and Consumer Affairs revised the BreEZe contracts' terms and conditions, at the request of the project vendor, in ways that significantly increased the financial risk to the State.*
- » *As of January 2015 only 10 regulatory entities had transitioned to BreEZe, eight more intend to transition in March 2016, and it is unknown if the remaining 19 regulatory entities will implement BreEZe.*
- » *Most executive officers of the 10 regulatory entities that had transitioned to BreEZe reported that it has decreased their regulatory entity's operational efficiency.*
- » *Due to lack of evidence, the Board of Registered Nursing's claim that the implementation of BreEZe caused inefficiency in processing applications could not be substantiated.*

adequately reflect their individual needs. According to our IT expert, system requirements define a business problem to be solved and specify what the system should do. For example, a system requirement for a regulatory entity could be that the system allow the entity to record the date it receives an application. In planning the BreEZe system, Consumer Affairs should have taken steps to ensure that the system requirements were based on the current business needs of its regulatory entities, so that the resulting system would aid the entities in conducting their business operations and in fulfilling their regulatory responsibilities. Instead, when developing the requirements for BreEZe, Consumer Affairs relied on requirements for earlier projects that were abandoned.

Because Consumer Affairs did not properly determine the business needs of its regulatory entities, it incorrectly assumed, for example, that the entities could use similar business processes to process applications and issue licenses. This misconception, coupled with the fact that Consumer Affairs wanted BreEZe to be developed quickly, informed Consumer Affairs' decision to select an existing commercial "off-the-shelf," or COTS, system as the foundation for BreEZe. Consumer Affairs believed that this type of product, rather than a custom-developed system, would require only moderate modifications and resources to implement. These faulty assumptions have led to significant project delays and a substantial increase in the estimated costs of the project, from \$28 million in 2009 to \$96 million as of January 2015, for implementation of a system that will include only half of the regulatory entities originally planned for BreEZe. Thus, it appears that Consumer Affairs' selection of this COTS product may not have been the most appropriate and most cost-effective decision.

In part, because the foundation of BreEZe—its system requirements—was inadequately developed, the BreEZe project has experienced delays at key stages of the project. The most extreme delay involved the key milestone of *user acceptance testing*—testing that future users of the system conduct to confirm that the system operates as its requirements specify. User acceptance testing for the 10 regulatory entities included in the first implementation of BreEZe (phase 1) was originally planned to occur over an eight-week period; instead it spanned 11 months, from the end of November 2012 to October 2013, significantly exceeding the original time frame. This likely occurred in part because the BreEZe system had almost 1,700 unresolved system defects at the beginning of user acceptance testing. According to our IT expert, many of these defects were likely attributable to the poor development of the system requirements. Although user acceptance testing is one of the final and more critical procedures undertaken before system implementation to ensure that the system operates appropriately, in this case it morphed into a redesign of the requirements and

a rework of the system. Specifically, in conducting the testing of the system, some of the 10 regulatory entities included in the first phase of implementation, as well as Consumer Affairs itself, learned that the system did not operate as they expected or needed. Had Consumer Affairs performed a complete, current assessment of the regulatory entities' needs when determining the system requirements for BreEZe, some of the delays the project has experienced might have been avoided.

Further, although CalTech began providing independent oversight of the BreEZe project approximately one year after the project's inception, neither CalTech nor Consumer Affairs responded appropriately to the significant and persistent concerns that the CalTech staff and consultants charged with overseeing the project were raising. In addition to having the statutory authority to suspend or terminate IT projects, state law assigns responsibility for IT project oversight to CalTech; this project oversight mainly consists of two types of independent oversight. *Independent verification and validation* (IV&V) is used to ensure that a system satisfies its intended use and user needs. *Independent project oversight* (IPO) is used to ensure that effective project management practices are in place and in use. In their reports from December 2010 through September 2014 on the BreEZe project, the CalTech IV&V consultant and the IPO specialist raised nearly 180 significant concerns relating to project management, staffing, system requirements, and vendor performance. According to our IT expert, the volume and significance of these concerns should have prompted both CalTech and Consumer Affairs to analyze fully the costs and benefits of suspending or terminating the project versus proceeding. However, although Consumer Affairs officials and CalTech management were fully aware of these concerns, neither group took sufficient action to ensure that these concerns were appropriately addressed; instead, they allowed the project to continue for more than three years without significant intervention.

Given CalTech's authority and the numerous concerns the IV&V consultant and the IPO specialist raised about the project, we question why CalTech did not take steps to ensure that Consumer Affairs heeded its advice. For instance, CalTech could have formally warned Consumer Affairs that it would suspend the project if Consumer Affairs did not bring the project back into alignment with its planned scope, cost, and schedule. As an example, the estimated cost to complete the project had almost tripled to \$78 million and the project had experienced significant delays in its schedule before completion of user acceptance testing. We believe these problems, along with the significant cost increases the project had already experienced, should have been enough to elicit

CalTech's greater involvement in the project. Instead, it approved Consumer Affairs' Special Project Report (SPR) 2, which requested additional funding for the project, in October 2013.²

Consumer Affairs submitted SPR 3 to CalTech in June 2014; in it, it requested additional funding and estimated the costs to complete the project through phase 2 at \$118 million. However, it was not until after Consumer Affairs informally estimated the cost of completing the project had risen to \$300 million that same month that CalTech changed its oversight approach on the BreEZe project.³ Although CalTech approved SPR 3 in July 2014, according to the BreEZe project director, Consumer Affairs withdrew its submission of SPR 3 upon direction from CalTech and the California Department of Finance in September 2014.

As discussed previously, CalTech has the authority and responsibility to oversee IT projects. If CalTech had chosen to suspend the project, BreEZe development would have been paused temporarily, giving Consumer Affairs additional time to conduct a cost-benefit analysis and correct fundamental problems, such as requirements issues, that occurred during planning and development. However, in October 2014 the CalTech director—who has overseen the BreEZe project since Consumer Affairs executed its contracts with the project vendor, Accenture LLP (Accenture)—told us that CalTech has not halted BreEZe for several reasons: because BreEZe is moving in the right direction, because the system's problems are not incurable, and because the system is working and functional.⁴ However, Consumer Affairs' SPR 3.1, which it submitted to CalTech in January 2015, indicates the project is not moving in the right direction and proposes a rescoping of the project because of significant concerns relating to staffing and increasing project costs, and because its contracts with Accenture are no longer financially feasible for Consumer Affairs.

For these reasons, among others, the future implementation of BreEZe is uncertain at best and, as it relates to the regulatory entities originally included in the final phase (phase 3), likely unfeasible. As of January 2015, 10 regulatory entities had implemented the system, with the first of three phases occurring in October 2013. Another eight regulatory entities are included

² An SPR provides a summary of proposed changes to the original project cost, schedule, or scope. An SPR is generally required when the project costs or total financial program benefits deviate or are anticipated to deviate by 10 percent or more, or a major change occurs in project requirements or methodology.

³ The BreEZe project team developed the estimate informally and not in the same manner as an SPR requires.

⁴ There are three contracts related to the BreEZe project—one contract for design, development, and implementation; another contract for maintenance support; and a third contract for the system license. When we discuss a specific contract, we identify it as either the *design, maintenance, or system license contract*.

in phase 2, which is currently planned for March 2016. However, Consumer Affairs has indicated that it needs additional staffing to successfully implement BreEZe at the phase 2 regulatory entities, and as of January 2015 lacked the funding to fill those positions. Additionally, it is unknown whether or when the remaining 19 phase 3 regulatory entities will implement BreEZe. Specifically, CalTech officials indicated that it completed renegotiating Consumer Affairs' design contract with Accenture on December 1, 2014, and according to Consumer Affairs' director, these 19 regulatory entities had been removed entirely from the project. Although the director of Consumer Affairs maintains that the department intends to implement BreEZe at those 19 regulatory entities, it lacks a plan to do so. In fact, SPR 3.1 indicates that the project will end after the phase 2 regulatory entities implement BreEZe, and only after its successful implementation of that phase will Consumer Affairs reassess the best implementation approach for the phase 3 regulatory entities. However, the director of Consumer Affairs acknowledged that the department has not assessed the extent to which the business needs of the 19 regulatory entities will require changes to the system. Moreover, Consumer Affairs has not conducted a formal cost-benefit analysis to determine whether BreEZe is the most cost-beneficial solution for meeting those needs.

Additionally, the contracts Consumer Affairs executed with Accenture for developing BreEZe do not adequately protect the State. Consumer Affairs executed the BreEZe contracts with Accenture in September 2011, under the direction of the California Department of General Services (General Services). Although its role at that time was to administer state IT procurements and conserve the fiscal interests of the State, General Services and Consumer Affairs agreed to revise the contracts' terms and conditions during the procurement process, at Accenture's request, in ways that significantly increased risk to the State. During the request for proposal (RFP) bidding period (RFP phase), General Services provided every potential bidder with the opportunity to submit a protest for issues such as the selection of prequalified bidders or RFP requirements before submitting a bid and to have General Services review its concerns. During the RFP phase in the BreEZe procurement process in January 2011, only Accenture submitted a protest, in which it proposed modifications to the State's standard IT general provisions and model contract language (standard IT contract).⁵ Of the 44 modifications to the State's standard IT contract that Accenture proposed, General Services accepted 18, proposed its own revisions to 19, and rejected just seven. Subsequently in April 2011, in accordance with state law, Consumer Affairs entered into a negotiation with Accenture during

⁵ At the time of the BreEZe procurement, General Services had several modules of standard contract language related to IT contracts.

which further changes were made to the contract, with General Services' approval. However, some of those accepted changes to the standard IT contract's terms and conditions decrease Consumer Affairs' ability to obtain rights to work product that Accenture builds if Consumer Affairs terminates the contracts early, and they reduce Consumer Affairs' financial protections in the event of intellectual property rights violations.

Although General Services cited reasons for approving the modified terms and conditions in the BreEZe contracts, we question the prudence of some of the decisions it and Consumer Affairs made, as they increased Consumer Affairs' financial risks related to these contracts. CalTech's current authority over procurements for IT projects, a role that was not in place at the time the BreEZe contracts were being negotiated, together with its authority for approving and overseeing IT projects, position it well to ensure that future IT procurements do not jeopardize the State's financial interests.

Various stakeholders of the Board of Registered Nursing (BRN), one of the 10 phase 1 regulatory entities, raised concerns about the timeliness with which it has processed applications after implementing BreEZe in October 2013. According to BRN, it has faced significant delays in processing license applications and has been forced to modify its business processes since implementing the BreEZe system. However, although BRN asserted that it was exceeding the maximum time frames for processing certain applications and was facing a backlog of applications after implementing the system, we found little evidence demonstrating that it consistently tracks the information needed to support such claims.

For the selection of applications we reviewed, BRN processed these applications, on average, well within the allowable maximum time frames. However, we did determine that as of September 2014, BRN had a significant number of applications that were pending its review—more than 7,000, of which 63 had already exceeded the respective maximum processing time frames. Yet because BRN does not formally track this information, it cannot adequately assess its workload.

Additionally, BRN indicated that it has faced, and continues to face, obstacles in its implementation of the BreEZe system; for example, the system requires that staff take additional steps to enter applicant information. However, BRN does not track the information needed to assess the impact of such obstacles. Further, because it believes its efficiency in processing applications has decreased since implementing BreEZe, it has requested additional staff it believes it needs to process applications within required time frames. However, this request is based on data from the two fiscal years preceding BRN's implementation of BreEZe. Thus, because the analysis BRN used to support its need for the additional positions

does not reflect its current workload and business processes since implementing the BreEZe system, the additional positions it requested are not adequately justified.

Most of the executive officers of the 10 phase 1 regulatory entities are generally dissatisfied with their BreEZe experience because it has not met their expectations. We interviewed the executive officers of each of the regulatory entities that have implemented the system regarding various aspects of their experience with the project, including their satisfaction with BreEZe and their overall experience with the system. Each regulatory entity reported experiencing issues with certain aspects of the BreEZe project. For example, the majority were unsatisfied with the testing they were able to conduct before implementing the system, and most found the training to be inadequate. In addition, all 10 of the executive officers indicated that BreEZe's reporting capability was unsatisfactory. Of greater concern, most executive officers reported that BreEZe has decreased their regulatory entity's operational efficiency.

Recommendations

CalTech

To help ensure the success of the BreEZe project going forward, CalTech should ensure that Consumer Affairs responds promptly to, and adequately addresses, concerns the IPO specialist and the IV&V consultant raise.

If Consumer Affairs receives the necessary funding and resources to successfully implement BreEZe at the phase 2 regulatory entities and the project continues to face escalating costs, CalTech should require Consumer Affairs to analyze the costs and benefits of moving forward with the project as planned versus suspending or terminating the project.

To ensure that future IT project procurements do not jeopardize the State's financial interests, CalTech should document its reasons for approving any deviations from standard contract language.

Consumer Affairs

Consumer Affairs should develop a process to ensure that it undertakes all required oversight activities with respect to BreEZe so that it can prevent or identify and monitor any problems as they arise. This includes taking steps to sufficiently respond to any concerns the IPO specialist and the IV&V consultant raise.

To ensure that BreEZe is a cost-effective solution to meet the business needs of the phase 3 regulatory entities, should it elect to pursue implementing BreEZe at these entities, Consumer Affairs should first complete a formalized cost-benefit analysis. This analysis should include an assessment of the potential changes those regulatory entities may require be made to the BreEZe system and the associated costs.

Consumer Affairs should continue to work with the phase 1 regulatory entities to ensure that the issues they are facing with BreEZe are being resolved in a timely manner.

BRN

To ensure that it has adequate data to effectively use its resources and manage its workload, BRN should do the following:

- Formally track and monitor the timeliness of its processing of applications by type and track the cause of any delays.
- Formally track and monitor the applications pending its review by type and original receipt date.

Conduct an analysis no later than June 30, 2015, of its application processing since implementing BreEZe to identify its workload capability. To the extent that it determines additional resources are necessary, BRN should submit a request for these resources that is appropriately justified.

Agency Comments

Consumer Affairs and BRN agreed with our recommendations and outlined the actions they plan to take to implement them. Although CalTech states that our report's recommendations are for the most part appropriate and in line with actions and initiatives that it has already undertaken, it explained that it has general concerns with the report and did not indicate whether it agrees with our recommendations. Our comments on CalTech's response begin on page 125.

Joint Legislative Budget Committee

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February 25, 2015

CALIFORNIA LEGISLATURE

LEGISLATIVE ANALYST
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(916) 445-4656

Mr. Michael Cohen, Director
Department of Finance
Room 1145, State Capitol
Sacramento, California 95814

Dear Mr. Cohen:

In a letter dated January 27, 2015, you notified the Joint Legislative Budget Committee (JLBC) of a request from the Department of Consumer Affairs (DCA) to enter into a contract amendment for its BreZE information technology (IT) project that would (1) terminate the contract with the current vendor (Accenture) after Release 2, and (2) increase project costs by \$17.5 million. This request was made pursuant to Control Section 11.00 of the *2014-15 Budget Act*.

Do Not Concur At This Time. I have reviewed the Section 11.00 request and do not concur at this time. The Section 11.00 letter reflects a significant change in project cost and scope—with project costs that are roughly three times the original estimate and a project scope that is roughly half of what was originally proposed. Despite the magnitude of these changes, the Administration has failed to provide adequate information necessary to inform the Legislature's review and decision-making. In particular, it is critical for the Legislature to understand:

- ***DCA's Long-Term Plan for the Project.*** The Legislature needs the department's long-term plan for moving forward with the project, including the anticipated cost and timeline for providing IT solutions for the board and bureaus in Release 3. The DCA has indicated they do not plan to conduct this analysis until sometime after Release 2 is completed in 2016. However, this information is necessary for the Legislature to adequately evaluate whether the proposed course of action is the best available long-term approach.
- ***Allocation of Project Costs.*** Information is also needed on how project costs will be allocated across boards and bureaus and how those costs will affect license fees for each entity. The Administration did not initially provide this information when requested by legislative staff. On February 24, 2015—just two days before the end of the JLBC's 30-day review period—the Administration provided some pertinent in-

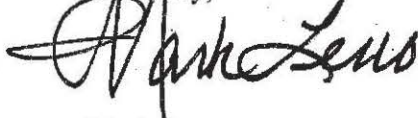
formation. However, this does not leave the Legislature with adequate time to meaningfully review and analyze this information.

Reassess Request Following Oversight Hearings. By not concurring with the Section 11.00 request at this time, it will provide budget and policy committees with an opportunity to more fully evaluate the options for moving forward with the project. The Legislature has several hearings already scheduled this spring in which committees could consider these issues—March 12 (Senate Budget and Fiscal Review Subcommittee No. 4 on State Administration and General Government), March 23 (Joint Hearing of the Senate Business, Professions, and Economic Development Committee and the Assembly Business and Professions Committee), and April 14 (Assembly Budget Subcommittee No. 4 on State Administration). These hearings will also provide stakeholders and the broader public with an opportunity to inform the decision-making process. The DCA should be prepared to provide these committees with detailed responses to the issues raised above.

The DCA has indicated that there may be some additional project delays and costs to the state associated with not concurring with the Section 11.00 request at this time. Specifically, the department indicates that these costs could be about \$1.7 million per month (\$1.3 million per month for Accenture and roughly \$400,000 per month for other state staff and contractor costs). While I expect the Administration to make every effort to minimize the costs associated with this short delay; on balance, I believe that it is worth the risk of incurring these costs in order to provide a more informed, thorough, and public decision-making process. I believe that such a process may ultimately provide a better outcome that could save the state money in the long run.

Accordingly, I do not concur with the Section 11.00 request at this time. However, I will reconsider the merits of the proposed approach following upcoming legislative oversight hearings.

Sincerely,



Mark Leno
Chair

cc: Members of the Joint Legislative Budget Committee