

LEGISLATIVE BUDGET BOARD

Texas Child Support Enforcement System 2.0

Overview of System Development and Project Monitoring & Oversight

PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

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Presentation Overview

Today's presentation includes a summary of:

- T2 project structure, cost, and time line
- T2 project monitoring and oversight

Child Support Enforcement System 2.0 (TXCSES 2.0 or T2)

- The T2 initiative began in 2007 to update the child support enforcement system used to establish child support orders, enforce order compliance, and collect and disburse child support payments.
- T2 project includes two primary contractors for:
 - Business Process Reengineering (BPR) – Deloitte
 - System Development – Accenture
- T2 project costs are split between the federal government (66 percent) and the state (34 percent). In 2009, OAG estimated the T2 system development project would cost \$223.6 million in All Funds with an estimated completion date of 2017.

BPR Project

- Contract awarded to Deloitte in January 2007 to update the model for OAG's child support services
- Initial value of the BPR contract was \$1.8 million.
- OAG executed 5 renewal options.
- Final total contract value was \$46 million.
- Deliverables from Deloitte included recommendations for technology, organization, and a road map for implementing a new child support enforcement system.

T2 System Development

- System development contract awarded to Accenture in October 2010. The initial contract was valued at \$69.8 million.
- The OAG has issued 30 change orders to the contract. The current contract value with Accenture is now \$98.2 million.
- In December 2009, OAG reported an initial overall project cost estimate for T2 system development of \$223.6 million in All Funds. Since then, cost estimates have increased:
 - February 2012: \$225.7 million
 - February 2013: \$243.2 million
 - June 2014: \$275.0 million
 - April 2015: \$310.0 million
- The project completion was also delayed, from three phases and an overall completion date of 2017 to one phase estimated for completion in 2018.

T2 System Development

- OAG is currently working to develop new project cost estimates and completion dates.
- A number of factors contributed to project delays and cost overruns including:
 - Changes in project requirements, architecture, and design
 - Difficulties integrating T2 with the legacy system, T1
 - Increased costs for data center services
 - Inability to pay local programmers competitive compensation
 - Shifts in planned spending due to budget reductions in 2012-13 biennium

Federal Oversight & Monitoring

- T2 project has been under federal Independent Verification and Validation (IV&V) review by the Office of Child Support Enforcement (OCSE) since August 2010.
- The University of Texas (UT) Center for Advanced Research in Software Engineering (ARiSE) IV&V team has been contracted to complete semi-annual reviews since July 2011. Nine reviews have been done to date.
- The most current IV&V report (October 2015) noted the following risks associated with the project:
 - T2 project is currently being driven by an unrealistic schedule.
 - Uncertainty about the new development strategy for T2 can have a negative effect on work environment, which may lead to cost increases, staff turnover, and lower productivity.
 - The quality of code components received from Accenture is below the expectations of OAG
- On November 30, 2015, OCSE notified OAG that federal funds for the T2 system development contract are temporarily frozen pending approval of an updated project schedule and corrective action plan.

LBB Oversight & Monitoring

Three teams work together to oversee and monitor IT projects such as T2:

- Quality Assurance Team (QAT) – Reviews and approves major information resource projects. QAT is comprised of the LBB, State Auditor’s Office, and the Department of Information Resources.
- LBB Budget Team – Receives appropriation requests, monitors budget, and tracks expenditures
- LBB Contracts Oversight Team (COT) – Manages LBB Contracts Database, monitors risk in state contracting, and performs reviews of high-risk contracts

QAT Oversight

- QAT reviews the status of major information resources projects, makes recommendations, and works with agencies to reduce risk of project overruns and failures.
- QAT monitors and approves projects at various points in the project life cycle. As required by the GAA, for contracts greater than \$1 million, QAT must approve any amendment that changes the total value of the contract by more than 10 percent. The contract is not valid without QAT approval.
- At QAT's request, the State Auditor's Office (SAO) performs project reviews of select projects. SAO did not do a project review of T2, but in fiscal year 2011, SAO conducted an audit of the development of T2 (SAO Report 11-035, July 2011).
- QAT monitoring of the T2 Initiative, including the BPR and T2 system development, began in 2009 with OAG's submission of a business case and acquisition plan for the project.
- QAT raised concerns with OAG management about T2 project changes and delays and requested updated QAT project planning and lifecycle documents for the project.

Budget Monitoring

- Historically, the Legislature has provided OAG with flexibility to move funds among strategies, fiscal years, and biennia. OAG has also been exempt from certain limitations that apply to other agencies.
- This flexibility continues. In the 2016-17 GAA:
 - Rider 4, Child Support Collections, Sec. d., provides unexpended balance (UB) authority between biennia (2014-15 to 2016-17) and between fiscal years for Child Support Retained Collection Account Funds.
 - Rider 11, Unexpended Balances: Between Fiscal Years within the Biennium, provides UB authority between fiscal years within the biennium. UB transferred from Strategy B.1.1, Child Support Enforcement, can only be used to enforce child support laws and regulations.
 - Rider 12, Transfer Authority, provides the agency authority to transfer funds between strategies, not limited to the restrictions provided in Article IX, Sec. 14.01, Appropriation Transfers.
 - Rider 18, Unexpended Balances Carried Forward Between Biennia, provides UB authority between biennia (2014-15 to 2016-17) for Appropriated Receipt balances remaining at the end of fiscal year 2015, which are utilized to fund base agency operations.
 - Rider 24, Capital Expenditures Authorized, provides the agency authority to expend funds appropriated to the agency for the acquisition of capital budget items, not limited to the limitations provided in Article IX, Sec. 14.03 (h).
- As a result, OAG T2 project has been funded using baseline appropriations. In the 2016-17 biennium, OAG received Capital Budget Authority of \$42.7 million for T2 system development.

New GAA Provision

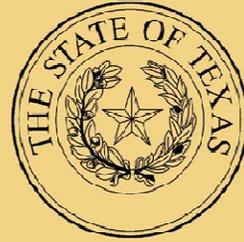
- Due to cost overruns and delays, both versions of the introduced General Appropriations Bill for the 2016-17 biennium included a new oversight rider. The rider was adopted in the final GAA. OAG Rider 28 requires:
 - OAG to form an Executive Steering Committee for the project to provide executive level direction;
 - The committee to report to the LBB any anticipated cost overruns and project delays above amounts identified in Rider 2, Capital Budget Rider;
 - OAG to pay for any cost overruns from Appropriated Receipts; and
 - Any other method of finance may not be used to pay cost overruns without prior LBB approval.

Contracts Oversight

- LBB has an on-going responsibility to maintain a Contracts Database. LBB introduced a new Contracts Database on September 1, 2015 to comply with additional reporting requirements and to improve data quality and usefulness of the database.
- To augment LBB oversight of appropriations spent on contracts and to implement new provisions related to contract reporting and oversight in the 2016-17 GAA, LBB hired staff with expertise in contract management. The Contracts Oversight Team (COT) currently consists of six staff, including two attorneys and a CPA.
- Based on a risk assessment, COT will conduct in-depth review of certain procurements and may make recommendations to mitigate contract risks to the state.

Contracts Oversight

- The LBB is working with OAG to fully report T2 project contracts to the LBB Contracts Database.
- OAG has executed other contracts to support the T2 project. In addition to the contracts with Deloitte for BPR and Accenture for T2 system development, there are three other contracts for services associated with T2 system development. These include contracts for project scoping, quality assurance review, and software services. There are also additional contracts for staff augmentation services and data center services.
- Additional documentation has been obtained from OAG by COT. Review of these documents is on-going.



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Contact the LBB

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