

The California State Auditor released the following report today:

California Department of Veterans Affairs

The State Paid Nearly \$28 Million for a Flawed System That Fails to Meet the Needs of Its Veterans Homes

BACKGROUND

Serving California's veterans and their families, the Department of Veterans Affairs (CalVet) operates eight homes that provide aged and disabled veterans with rehabilitative, residential, and medical care and services in a homelike environment. To ensure veterans receive consistent and integrated care in any CalVet facility in the State, CalVet embarked on a project to implement an enterprise-wide information technology (IT) system in 2006. Both CalVet and the California Department of Technology (Technology Department) had oversight responsibilities for this IT project.

KEY FINDINGS

During our review of the development and implementation of CalVet's IT system, we noted the following:

- The IT project experienced setbacks from the onset—CalVet did not hire a contractor to implement the system until nearly three years after the project was approved.
- Due to poor planning and inadequate project oversight, CalVet spent nearly \$28 million and has not achieved a key project objective—a fully integrated system of care that improved efficiency, quality, and consistency of care to veterans.
 - ✓ It fully prepared six of the 12 required management oversight plans needed for effective project management and of the six completed plans, it only fully followed four.
 - ✓ It could not demonstrate that it received some key system implementation deliverables yet it approved payments totaling \$733,000 for those deliverables.
- Because it did not follow or did not complete its oversight plans, CalVet failed to promptly recognize the severity of the problems with the system and did not begin to take steps to address the reported problems until late 2013—nearly 18 months after staff began reporting them—when it reported critical concerns to the Technology Department, paused the project, and ultimately initiated a dispute resolution process with the contractor.
- Although CalVet hired one oversight contractor to provide both independent project oversight (IPO) and independent verification and validation (IV&V) services, the services were inadequate. The IPO reports should have identified deficiencies in the IV&V work but did not.
- Although the Technology Department facilitated the contract dispute discussions between CalVet and the system contractor that ultimately led to a settlement agreement with the contractor, the Technology Department could not provide sufficient documentation to demonstrate that the agreement reached was in the best interest of the State.

KEY RECOMMENDATIONS

We made numerous recommendations to CalVet including the following:

- Define responsibilities for the individuals responsible for controlling and managing IT projects; develop processes for verifying that the project team prepares all project management plans and adheres to them to ensure it identifies potential problems, develops resolutions, and monitors progress for IT projects.
- Establish a policy to use separate contractors for the independent oversight functions on future IT projects.

We also recommend that the Technology Department create a formal process to summarize its involvement and document key actions taken and decisions reached during IT contract disputes and negotiations, and to ensure proper IPO services take place for each project.

Date: June 16, 2016

Report: 2015-121