

Michigan's Project Management and Governance Model Executive Summary

Michigan's child support enforcement system (MiCSES) is an excellent case study of how a large failing project can be transformed to a successful one with the aggressive application of project management processes. Further, it illustrates how one success can be grown into an enterprise solution with the backing of both the information technology management team and the critical business stakeholders.

Ultimately, the MiCSES project became one of the first significant success stories for MDIT. Today MiCSES serves as a model for other large MDIT projects to emulate. MDIT executives require all high priority projects (generally, those having a cost greater than \$5 million) to have a well defined ***Governance Model*** and a structured ***Project Control Office*** as part of their project charter.

The state was able to avert \$147 million in federal financial penalties for fiscal years 2001-2003, including the return of almost \$35 million (90%) of the actual penalty paid in 2001. As reported in Michigan's 2006 Advanced Planning Document Update, the total accumulated annual costs for the MiCSES project from inception through FY 2005 were \$813,715,649. The total accumulated annual benefit for the MiCSES project for the same period is \$1,762,132,066. The Return on Investment (ROI) is 2.17. By retaining the same ***Governance Model*** and ***Project Control Office*** structure the MiCSES project has delivered greater system stability, greater system availability to end users, and an average cost benefit value of \$1M with each major application release.

The first important step toward success taken by the information technology leadership team was the establishment of a project ***Governance Model*** which included strong executive sponsorship. Briefing papers on the ***Governance Model*** and current project strategy were developed and delivered to Michigan's political leadership. The newly appointed Chief Justice of the Michigan Supreme Court recognized the importance and benefits of a statewide child support system and personally seized upon the role of champion and executive sponsor. Another important component of the ***Governance Model*** was the inclusion and active participation of key child support program stakeholders and decision makers, in concert with the MiCSES state and contractual project management team.

Equally important was the establishment of a ***Project Control Office*** which set the standards, performance metrics, and processes for day-to-day operations. The independent ***Project Control Office*** was instrumental in providing accurate and timely reporting status, escalated issues and risks, and decisional data to the various leadership layers of the ***Governance Model***.

For MDIT, the success of the ***Governance Model*** and ***Project Control Office*** methodology did not stop with the MiCSES project implementation. It has heavily influenced the approach to the development of new projects. In order to avoid the pitfalls encountered during the early days of the MiCSES efforts, the Department of Information Technology has established the Project Control Office and Governance Model methodology as its standard for five large, highly visible technology projects representing an IT investment of more than \$300 million.

After applying the MiCSES Project Control Office and Governance Model solution across multiple high visibility projects, MDIT is now making the solution its standard enterprise model and methodology for all state information technology projects. Projects are quantitatively evaluated against eight critical business and technology factors.

A. Description of Project

Michigan's child support enforcement system (MiCSES) is an excellent case study of how a large failing project can be transformed to a successful one with the aggressive application of project management processes. Further, it illustrates how one success can be grown into an enterprise solution with the backing of both the information technology management team and the critical business stakeholders.

BACKGROUND: Although Michigan's child support enforcement program has historically been a leader among the states in program performance, the state struggled for more than a decade to achieve federal certification for its statewide automated child support system.

After being one of the states with early success in meeting the initial federal requirements, Michigan's efforts languished with years of only moderate accomplishments and, admittedly, several failed strategies. From 1990 to 2000, Michigan had implemented its automated child support enforcement system in only 73 of its 83 counties. After a decade of work at the state level, the remaining ten counties represented more than half the statewide caseload and each operated a unique county-based system. Michigan failed to meet the October 1, 2000, federal deadline, which triggered escalating federal financial penalties, which in turn spurred higher visibility of the lack of progress within Michigan's political circles. However, this also heightened awareness among state executives of the benefits a statewide child support system would reap for service recipients, child support program stakeholders and the state in general.

In late 2000 Michigan reached a critical juncture, either turn around a failing project in an expedited timeframe or face escalating federal financial penalties for non-compliance with federal mandates. During Fiscal Years 1998-2001 the federal government assessed the state with \$68.6 million in penalties, and Michigan was facing the likelihood of another \$112 million in penalties for FY 2002 and FY 2003. As is often the case, financial realities sparked a call to action.

A very aggressive timeline needed to be established to avert the additional federal penalties. However, to avoid another failed strategy, it was critical that the linchpin to success reside within the structure and governance of the project itself.

Within the MiCSES project management structure; there were two important changes responsible for the rapid turnaround and subsequent success of this large and complex system development and implementation effort:

- 1) The establishment of a strong, independent *Project Control Office* and,
- 2) The implementation of a responsive and accountable *Governance* process.

Using this structure and these processes, with the guidance of the Department of Information Technology and the Department of Human Services, the MiCSES Project required 18 months to attain the federal certification which had proved to be elusive for nearly a decade. The federal Office of Child Support Enforcement dubbed the rapid road to success as the "Michigan Miracle" and complete, unconditional federal certification was granted in November 2003.

While the implementation of a *Project Control Office* (PCO) and a an accountable *Governance Model* to support significant system development operations was certainly not a new concept in the IT industry, it was unprecedented for a State of Michigan, public sector technology project.

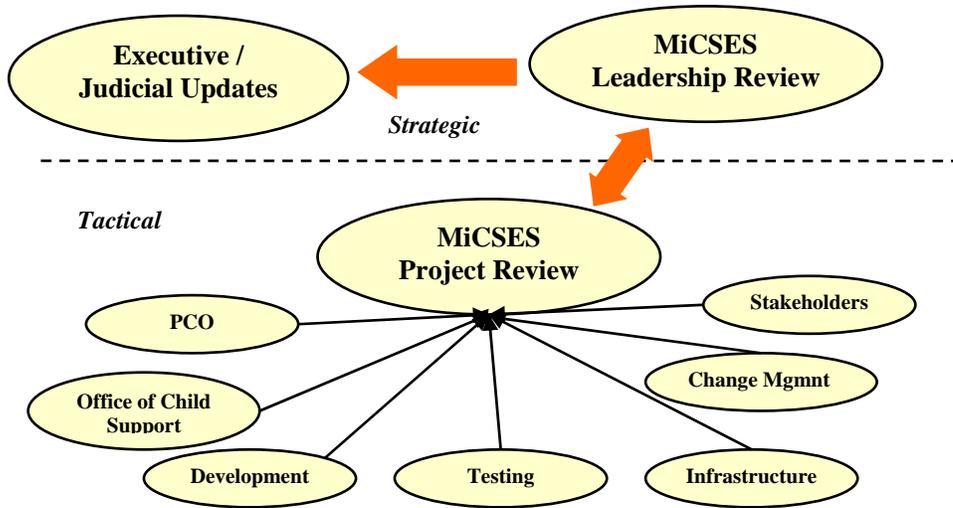
MiCSES SOLUTION: The State of Michigan contracted with Electronic Data Systems to staff and run the MiCSES PCO. The PCO scope of work and deliverables for the PCO included:

- 1) Development and management of project plans and schedules

- 2) Software release and scope management
- 3) Resource leveling and tracking of resource time applied to project tasks and milestones
- 4) Establishment and support of an issue tracking, escalation and resolution process
- 5) Development and application of performance metrics and scorecards for monitoring and reporting on project progress
- 6) Establishment of sound, repeatable configuration management processes
- 7) Facilitation of communication among the application development vendors.

A hallmark of a successful PCO is the ability to maintain an independent and objective perspective on project status and progress. The State management team was resolute that the PCO's status reporting not only be timely and accurate, but that it also be resistant to any outside pressure (either from the State itself or the application vendor) to put a positive spin on the health of the project. The State management team and the EDS PCO agreed upon specific defined project measurement metrics. Once these were established, variances from the established milestones such as missed dates, undocumented increases in scope, over/under utilization of resources and the like, were reported weekly on project scorecards.

Because of the size and scope of the child support system development and implementation effort, the overall project was broken down into multiple sub-projects. Although statuses were maintained at a very detailed level, high level scorecards for each sub-project, green (on track), yellow (bears watching), or red (needs attention) provided Executive sponsors with an immediate check on the health of the overall project.



MiCSES project governance operates on two levels, **Strategic and Tactical**. At the **Tactical** level, governance is driven down to the individual resource. Each resource was responsible for reporting time against their assigned tasks in the detailed project plan lines, as well as escalating to their management any issues or obstacles to successful completion. At the next level of the model, reported time and related metrics such as earned value were compiled weekly for team level status checks, and the creation of the project scorecards. Still at the tactical level, project scorecards, issues and risks were reviewed and acted upon during a weekly project review. A suite of automated project management tools provided for the automatic escalation of unresolved issues and risks.

At the **Strategic** Level, the MiCSES Leadership reviewed project statuses, their escalated issues, and any highlighted risks on a bi-weekly basis. The MiCSES Leadership group reached out beyond the day to day project management staff, to be inclusive of decision makers from the various child support program

entities and from the sponsoring agencies. The issues and risks escalated to this level were those deemed beyond the resolution purview of the tactical leadership team and required prompt Executive action.

It is important to note that a sub-project, or even the entire project, being reported in red status was not in and of itself viewed in a negative light. On the contrary, this was an opportunity to identify those issues which needed management or executive attention, to identify and remove project obstacles, and to provide the impetus to make the necessary mid-course adjustments that helped keep the project on time and within budget.

ENTERPRISE PROJECTS: In order to avoid the pitfalls encountered during the early days of the MiCSES efforts, the Department of Information Technology has established the Project Control Office and Governance Model methodology as its standard for five large, highly visible technology projects. Current projects, representing an IT investment of more than \$300 million, include:

Michigan Medicaid Management Information System (MMIS): The objective of this technology project is to procure the transfer of a “Certifiable” MMIS to support Michigan’s Medicaid program areas including: benefits administration; claims and encounter processing; contract management; eligibility and enrollment; financial services; member services; program investigations; provider services; service authorizations and referrals. The project is projected to cost \$53 million.

Crash Process Redesign: Michigan’s Crash Project Redesign (CPR) transformed an aging traffic crash reporting system into an up-to-date, efficient statewide system, providing public safety agencies with a rich database of timely and accurate information for traffic safety decision-making. The total cost of CPR was \$5 million.

Bridges: This \$140 million technology project will replace, update, or integrate all of the systems which support intake, registration, eligibility and benefit determination, and delivery of assistance and services with a transfer system. The resulting implementation will simplify both the business and technical environments in order to more efficiently and effectively assess client eligibility and provide assistance and services to the client with the goals worker relief and improved accuracy in eligibility and benefit determination.

Unemployment Insurance Agency: UIA's information technology systems used to administer Unemployment Insurance benefits, taxes and trust fund accounting are spread over several systems and platforms of varying ages. UIA will be implementing a \$60 million integrated system, through the application of new, and leveraging existing, technologies so its core businesses and several secondary systems are able to data share, real time, across functions.

Driver License and Vehicle Registration: Business Application Modernization (BAM) is a multi-phased \$46 million project that includes re-engineering the business processes, developing requirements and building a technical infrastructure to support the Department of State’s key business functions related to driver license and vehicle registration.

ENTERPRISE MODEL AND METHODOLOGY: After applying the MiCSES Project Control Office and Governance Model solution across multiple high visibility projects, MDIT is now making the solution its standard enterprise model and methodology for all state information technology projects as evaluated against these eight weighted criteria:

- 1) Inclusion in the Governor’s Cabinet Action Plan;
- 2) Alignment with Department of Information Technology goals;
- 3) Level of cross agency collaboration;
- 4) Project visibility or political sensitivity;

- 5) Amount of organizational process change required;
- 6) Level of coordination;
- 7) Project size in staff and budget;
- 8) Level of technology customization.

These same criteria are also used by the Department of Information Technology Strategic Management Team. This team, made up of the top MDIT executives uses this criteria and methodology in determining and prioritizing organizational strategic and tactical initiatives.

B. Significance to the Improvements of the Operation of Government

The primary purpose of the *Project Control Office and Governance Model* methodology is to provide comprehensive and consistent project management practices, along with reliable, metric based statuses. The process provides for management of the big picture and the interdependencies between programs and projects to achieve both project specific and enterprise business change objectives and benefits.

IT Operational Maturity: The utilization of a *Project Control Office* and an accountable *Governance Model* process, not only supported the success of the MiCSES project; it has also played a role in the growing organizational maturity of MDIT. Engaging state agencies and external stakeholders in IT strategy and governance have been a critical success factor in the agency's evolution to a nationally recognized leader in IT consolidation.

Predictable Results: MDIT is implementing the methodology at the enterprise level and for its own internal operations and projects in order to achieve controlled, reliable and predictable project results with real cost savings and reduced total cost of ownership.

Cost Effective System Development: Guided by the successful *Project Management* and *Governance Model*, the statewide implementation of MiCSES has provided the foundation for gains in efficiency and effectiveness in the system development process. For example: new federal legislation, regulations, or operational enhancements result in the regular issuance of policy changes by ACF-OCSE. These changes, in turn, must be implemented at the state and local level, frequently requiring supporting associated automated system changes. Making the system changes once, at the state level, produces annual savings in hundreds of thousands dollars for contractual IT expenditures at the local level.

Data Reliability and Timeliness: In another example of the positive results from this methodology, the Crash Process Redesign reduced the wait time for the availability of data related to traffic crash incidents from one year to 60 days or less.

C. Service Recipient, Taxpayer, State, Agency Benefits

The *Project Control Office and Governance Model* methodology maintains project sponsor support and alignment with the programs objectives.

Active Stakeholder Participation: The *Governance Model* provides for regular, active stakeholder involvement in the system development and implementation process. This drives both accountability and ownership of the IT project. In the example of the MiCSES project, MDIT functioned as technical partner of the child support program, first assisting in the implementation of all federal requirements. Now, the same *Project Control Office* and *Governance Model* structure is in place to turn a focused attention on

meeting local child support program business requirements and is driving the successful management of on-time delivery of system improvements and enhancements.

Consistent Public Policy and Client Services: The consistent application of policy and program changes attained through the implementation of effective and efficient state level technology systems brings about equality in client service, irrespective of the clients door of entry.

Supporting Client Services: Using the new statewide child support enforcement system as a tool for enforcing and collecting on child support orders, Michigan's child support program continues as one of the national leaders in support collections, with more than \$1.38 billion collected and disbursed for FY 2005.

State and Agency Benefits: With award of a fixed price application maintenance and development contract in 2004, with continuation of the *Governance Model* and *Project Control Office*, the MiCSES project has realized greater system stability and availability to end users. The combined cost avoidance and increased cost effectiveness has had an average value of \$1M with each major application release (about two major releases per year). In addition, the MiCSES project achieved CMMI Level 4 compliance in May 2005.

D. Return on Investment (ROI), Short - Term / Long - Term Payback

Savings and Cost Avoidance: The short term pay back on Michigan's investment in a statewide child support enforcement system is clearly the abatement of federal penalties. In total, the state averted \$147 million in penalties for fiscal 2001 – 2003, including the return of almost \$35 million (90%) of the actual penalty paid in 2001.

Efficiencies gained from the on-time and on-budget delivery of the Crash Project are saving the state \$4.6 million over just the first three years on a \$5 million investment. This includes cost savings, cost avoidance, revenue recovery, time savings, and more efficient use of assets.

MiCSES Return on Investment: It is a federal requirement that states complete an annual cost benefit calculation as part of their annual systems' *Advance Planning Document Update* (APDU) funding proposals. The cost benefit analysis is based on a revenue stream model as provided by the federal Office of Child Support's publication *Companion Guide 3: Cost/Benefit Analysis Illustrated for Child Support Enforcement Systems*. And, although the MiCSES system represented a very substantial investment, the State is seeing also seeing very substantial positive return.

As reported in Michigan's 2006 APDU, the total accumulated annual costs for the MiCSES project, through FY 2005 were \$813,715,649. The total accumulated annual benefit for the MiCSES project, through FY 2005, is \$1,762,132,066. The Return on Investment (ROI) is 2.17, calculated by the total benefits divided by the total costs.

Continuing Operational Benefits: Using CMMI as an information technology industry standard measure of performance, Level 4 compliance indicates a level of maturity marked by documented and repeatable processes, reliable metrics, requirements traceability, defect tracking, and change management. CMMI Level 4 compliance is a good predictor of continued success. While *Governance Model* and *Project Control Office* helped MiCSES attain CMMI Level 4, the continued adherence to these processes across projects in MDIT will also provide on-going cost benefit for all new technology projects.