

# BUDGET LETTER

<b>SUBJECT:</b> MODIFICATIONS TO THE IMPLEMENTATION OF THE STATEWIDE INFORMATION TECHNOLOGY PROJECT OVERSIGHT FRAMEWORK	<b>NUMBER:</b> 04-04
<b>REFERENCES:</b> EXECUTIVE ORDER D-59-02 MANAGEMENT MEMO 02-16 SAM SECTION 4819.36 BUDGET LETTERS 02-37, 03-04	<b>DATE ISSUED:</b> February 27, 2004
	<b>SUPERSEDES:</b>

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Agency/Department Chief Information Officers  
Departmental Information Security Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

With the enactment of the Budget Act of 2002, the Department of Finance established the Technology Oversight and Security Unit (TOSU) to develop a state-level IT oversight program and a statewide IT security program. Budget Letters (BL) 02-37 and 03-04 described the oversight program and established the statewide IT Project Oversight Framework, which establishes minimum standards for project management and oversight for all reportable IT projects. The IT Project Oversight Framework (Framework) is based on industry standards and provides a graduated level of project oversight. Finance establishes the criticality level of a project (low, medium or high) when the project is approved and the corresponding level of required oversight and project reporting is defined based on the project's criticality level within the Framework. The Independent Project Oversight Report (IPOR) was also included in the Framework and provides the format for regular project oversight reporting. With the ongoing budget constraints and corresponding reduction in state resources, Finance has modified the Framework implementation requirements. This BL provides direction to departments for ongoing IT project oversight during calendar year 2004.

Finance has met with department representatives and executives, and oversight vendors, to streamline and improve the IPOR. The revised IPOR continues to report on project status and focuses on the identification and mitigation of project risks. It has also been streamlined to avoid redundancy and detailed instructions for completing the form have been developed. The revised IPOR instructions and form are included as Attachments A and B respectively, and are now available at: [http://www.dof.ca.gov/HTML/IT/Oversight/IT\\_Project.htm](http://www.dof.ca.gov/HTML/IT/Oversight/IT_Project.htm). Finance is also discontinuing the requirement that departments submit the Framework Risk Mitigation Form to Finance in 2004. However, departments are encouraged to continue to use it internally as a tool to elevate risks. Project risk identification and mitigation continue to be a main focus of project oversight. The reporting of risks and mitigation activities will be through the revised IPOR.

All IPORs for high and medium criticality projects will be submitted directly to TOSU at the same time as they are submitted to department executives and/or project managers. TOSU will review all IPORs received and will track project activity and risk mitigation for all medium and high criticality projects. Low criticality projects will continue to submit IPORs to the appropriate independent entity within the department to ensure accurate tracking of project status and risks as defined in the Framework. TOSU may modify the timeline for oversight reporting on high and medium criticality projects based on project performance. Low criticality projects continue to require quarterly IPORs and TOSU will conduct some validation that this level of oversight is taking place at the department level during 2004.

Departments are required to complete a Post Implementation Evaluation Report (PIER) within 18 months of completing an IT project, or as otherwise directed by Finance, and are required to follow all existing State Administrative Manual (SAM) and State Information Management Manual (SIMM) requirements for PIERs. The TOSU focus in 2004 is the ongoing oversight of active IT projects. TOSU will accept PIERs as certification of department project performance and completeness, and will conduct limited PIER validation efforts during 2004.

State IT projects serve a critical need to improve program performance and make the best use of very limited resources. It is critical that IT projects are managed appropriately, that projects are completed within approved schedule, scope and cost parameters, and that project benefits are achieved. While there have been modifications to the implementation of the Framework this year, the state requirements for appropriate IT project management, risk management and independent and expert project oversight are still in place and the focus for TOSU will be to ensure appropriate performance of these requirements on active IT projects. Modifications to SAM will be completed in June 2004 to ensure that the Framework modifications are in alignment with other IT state policies identified in SAM Section 4800 through 5180.

If you have any questions concerning this Budget Letter, please contact your Department TOSU Oversight Manager, or call 445-5330.

/s/ Stephen Kessler

STEPHEN W. KESSLER  
Deputy Director

Attachments

## Appendix G: Independent Project Oversight Report -- Instructions --

This report must be completed by the independent oversight provider as described in the Department of Finance Information Technology Project Oversight Framework ([Framework](#)). Questions concerning any aspect of the report can be directed to the Technology Oversight and Security Unit manager assigned to the specific department. Assignments can be found on the Department of Finance website at [TIRU-TOSU Staff Assignments](#), or by calling (916) 445-3137.

### REPORT LAYOUT:

The IPOR includes the following sections:

- Oversight Provider Information
- Project Information
- Summary of Current Status
- Current Project Risks
- Progress Toward Addressing Prior Risks

**Please note that the *Oversight Provider Information*, *Project Information*, and *Summary: Current Status* sections of the form are locked. If the report is unlocked prior to saving the file, re-locking the file will eliminate all previous responses in these Sections. In addition, the spelling/grammar-checking feature is not available while the file is locked.**

**Enter the name of the project, the month and year of the assessment (final month if a quarterly report), and indicate whether the report frequency is quarterly or monthly.**

### Oversight Provider Information

- Oversight Leader:* Person who has the primary responsibility for the oversight information and who DOF would contact first with any questions regarding the report.
- Organization:* Name of Company, State Department, or Agency conducting Project Oversight.
- Phone Number:* Include area code, and extension if applicable.

### Project Information

- Project Number:* Number assigned by Finance, consisting of a four-digit State organization code, followed by the number assigned to the project by Finance at the time of approval. Example: 1234-023
- Department:* Name of State Board, Department, Office, Commission, etc. with primary ownership of the project.
- Criticality:* Project criticality level assigned by Finance for oversight purposes, (High/Medium/Low)

## Appendix G: Independent Project Oversight Report

### -- Instructions --

- Agency:** If the organization listed under Department reports to a State Agency, include the appropriate Agency. If not applicable, show "N/A"
- Last Approved Document & Date:** List the last approved project document, for example FSR or SPR, followed by the date the document was approved by Finance. If multiple documents exist of the last approved type, include the sequence number with the type. For example, if a project has had two SPRs, the last being approved by Finance on November 25, 2002, the field would look as follows: SPR2 - 11/25/2002
- Total One-time Cost:** The total one-time cost included in the last Finance approved project document.
- Start/End Dates:** Enter the project start and end dates from the project schedule included in the last Finance approved project document.
- Project Manager & related information:** Enter the individual with the primary responsibility for the project, whether State employee or vendor. If the project manager is a vendor, include the name of the vendor's company. If the project manager is a State employee, include the Division or Branch in which they work. Include their direct phone number (formatted as previously mentioned) and email address.

### Summary: Current Status

- Project Phase:** Show the current phase of the project based on the approved project plan or using the system development life-cycle project phases (for example planning, design, development, or system test). If this is a phased implementation with multiple current phases, use the section at the end of the form to include the required information for the additional current phases.
- List the planned starting and ending dates for the project phase, based on the project schedule included in the Finance approved project document. Enter the actual date that the phase began.
- Assessments:** Using the drop down boxes, choose the assessment for each of the five areas that most closely match the current project status. The first three areas have a plus/minus five percent benchmark. The intent is to obtain the oversight provider's professional opinion of the current status, knowing that information may not be available to estimate within the five percent parameter (with a great amount of certainty).
- (Schedule, Resources-effort, Resources-budget, Quality-Client Functionality, and Quality-System Performance)
- If the current status cannot be reasonably determined for a given area, add a comment that describes the situation and the barrier. [Include a comment of "N/A" for any areas that are not applicable to the current phase.] For the *Schedule* area, status is measured against the timeframes in the last Finance approved document. In the *Resources-Budget* area, consider the timing of expected expenditures, for example fixed price contracts and hardware/software purchases. The comments field may also be used to clarify why the project is not within the approved project parameters, or to explain the degree to which they differ.

## Appendix G: Independent Project Oversight Report -- Instructions --

### New Project Risks

**NOTE:** Only the newly identified, most critical risks will be shown in this section on each report. Risks included in this section on previous reports should be transferred to the *Progress Towards Addressing Prior Risks* section.

**Risk Statement:** List in priority order the new, most critical risks to the project. These should include project risks associated with all categories identified in the Framework, including risks associated with the lack of appropriate project management practices and tools. Please refer to Sections 5, 6, and Appendices B, C and F of the Finance Framework for guidance and examples of appropriate risk statements. Each risk statement should concisely include the three following components: the concern, the likelihood, and one or more potential consequence. Do not limit the number of risks included in the IPOR to the five spaces shown in the template.

**Identifier:** These most critical risks should be a subset of a larger list of risks actively being managed by the project. Many organizations have automated or custom tools to manage project risks which include a risk identifier system that is meaningful to the organization. The IPOR template includes a field for identifier. These should reflect the risk identification system used on the project. It may be sequential numbers or another more sophisticated identification system used by the project. Any method is adequate, as long as consistency is maintained throughout the life of the project, and identifiers are not re-used during the life of a project. Entries made in this section will move to the “Progress toward addressing prior risk/findings” section in subsequent reports. As they are moved, each risk will retain its unique identifier.

**Probability, Impact, & Timeframe ratings:** Rate the *Probability*, *Impact*, and *Timeframe* for each risk. *Probability* and *Impact* choices are High, Medium, and Low. The *Timeframe* options are Long, Medium, and Short. A methodology for determining these factors is included in Section 5 of the Finance Framework.

**Related Findings:** Each risk will have one or more findings to support the risk statement. The finding(s) will explain the probability, impact, and timeframe designations. A finding should include the:

- Condition (what was found),
- Criteria (what was expected), and
- Cause (factors responsible for the difference).

A finding statement should also include the effect, or potential impact of the finding.

## Appendix G: Independent Project Oversight Report -- Instructions --

### Progress Toward Addressing Prior Risks

All risks included in the *Current Project Risks* section on previous reports must be displayed in this section at least once. If the risk was successfully resolved between the time of inclusion in the prior section and the next report, it must still be included in this section. Risks remain reported in this section until they are closed or no longer critical, with an explanation of the resolution.

- Identifier:** The identifier will not change when moved to this section.
- Risk Statement:** The risk statement from the prior section is typically moved in its entirety to this area. It is possible that one of the parameters changes, for example the timeframe, however the risk remains critical and therefore stays on the list.
- Status:** Describe the current actions taken regarding the risk or the associated findings. This would include mitigation strategies or action plans obtained from the project. If sufficient changes have occurred to render the risk no longer critical, for example the timeframe for the risk has passed, fully explain the change under status, and the risk can be removed on the subsequent report.
- If the project manager disagrees with the risk, as identified by the oversight provider, this should be also noted in the status.

### General Comments

Include any additional information relevant to the project from an oversight perspective beyond the detail provided in the other sections of this report. This could include additional findings (for example positive findings or findings not associated with the most critical risks) or further clarification/background material to the risks shown in the new or prior sections of the report.

### Attachments:

Oversight providers will include a completed *Project Oversight Review Checklist* (Appendix F of the Framework) with the initial IPOR submitted to Finance for each project. Inclusion of the checklist with subsequent reports is optional. Generally, oversight providers are encouraged to attach any additional documents that provide detailed or supporting information, for example the current project schedule, cost sheet, or full project risk list, when submitting an IPOR. At the discretion of TOSU, specific project documents may be required to be submitted with the IPOR.

# Appendix G: Independent Project Oversight Report

[See separate instruction sheet for guidance on any of the fields in the form]

**Project Name:** \_\_\_\_\_

**Assessment Date:** \_\_\_\_\_

**Frequency:** \_\_\_\_\_

## Oversight Provider Information

Oversight Leader:

Organization:

Phone Number:

Email:

## Project Information

Project Number:

Department:

Criticality:

Agency:

Last Approved Document/Date:

Total One-time Cost:

Start Date:

End Date:

Project Manager:

Organization:

Phone Number:

Email:

**Summary: Current Status – If multiple current phases, use section at end to assess the status of additional phases.**

Project Phase:

Planned Start Date:

Planned End Date:

Actual Start Date:

## Schedule

Select the statement that most closely applies, measured against the last **Finance approved** document.

**Ahead-of-schedule:**

One or more major tasks or milestones have been completed and approved early (> 5%). All other major tasks and milestones completed and approved according to plan.

**On-schedule:**

All major tasks and milestones have been completed and approved according to plan. (Within 5%)

**Behind Schedule:**

One or more major tasks or milestones are expected to be delayed. (> 5%)

Comments:

## Appendix G: Independent Project Oversight Report

**Resources (Level of Effort)** Choose the statement that most closely applies.

**Fewer Resources**

Completion of one or more major tasks and/or acceptable products has required or is expected to require materially (>5%) fewer hours/staff than planned.

**Within Resources**

All major tasks have been completed and acceptable products created using the planned number of hours/staff (within 5%).

**More Resources**

Completion of major tasks and/or acceptable products has required or is expected to require materially (>5%) more hours/staff than planned.

Comments:

**Resources (Budget/Cost)** Choose the statement that most closely applies.

**Less cost**

The project is (>5%) under budget.

**Within cost**

The project is operating within budget.

**Higher cost**

Material budget increases (>5%) are likely.

Comments:

**Quality (Client Functionality)** Choose the statement that most closely applies.

**Adequately Defined**

Required client functionality is adequately defined, and is being successfully built into the system, given the current project phase.

**Inadequately Defined**

One or more significant components of required client functionality are inadequately defined, or are not being successfully built into the system, given the current project phase.

Comments:

**Quality (Architecture/System Performance)** Choose the statement that most closely applies.

**Adequately Defined**

The system technical architecture is adequately defined, and modeling, benchmarking and testing are being conducted (or are planned) appropriate to the current project phase.

**Inadequately Defined**

The system technical architecture is not adequately defined, or modeling, benchmarking and testing are not being conducted (or are planned) appropriate to the current project phase.

Comments:



## Appendix G: Independent Project Oversight Report

### New Project Risks

List (in priority order) the most critical risks to completing the project within the approved schedule, budget and scope. See instructions for description of desired format. If more than five risks are to be included, copy and paste as needed.

**Identifier:**      **Risk Statement:**

**Probability:**                      **Impact:**                      **Timeframe:**

**Related Findings:**

**Identifier:**      **Risk Statement:**

**Probability:**                      **Impact:**                      **Timeframe:**

**Related Findings:**

**Identifier:**      **Risk Statement:**

**Probability:**                      **Impact:**                      **Timeframe:**

**Related Findings:**

**Identifier:**      **Risk Statement:**

**Probability:**                      **Impact:**                      **Timeframe:**

**Related Findings:**

**Identifier:**      **Risk Statement:**

**Probability:**                      **Impact:**                      **Timeframe:**

**Related Findings:**

# Appendix G: Independent Project Oversight Report

## Progress Toward Addressing Prior Risks

List the risks included in the *New Project Risks* section in previous IPORs. Risks are to remain reported in this section until they are closed or no longer critical, with an explanation of the resolution. See instructions for description of desired content. If more than five risks are to be included, copy and paste as needed.

**Identifier: Risk Statement:**

**Status:**

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**Status:**

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**Identifier: Risk Statement:**

**Status:**

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**Identifier: Risk Statement:**

**Status:**

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# Appendix G: Independent Project Oversight Report

<b>General Comments</b>
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# Appendix G: Independent Project Oversight Report

## Summary: Current Status – (If needed for additional phases)

Project Phase:

Planned Start Date:

Planned End Date:

Actual Start Date:

### Schedule

Select the statement that most closely applies, measured against the last **Finance approved** document.

**Ahead-of-schedule:**

One or more major tasks or milestones have been completed and approved early (> 5%).  
All other major tasks and milestones completed and approved according to plan.

**On-schedule:**

All major tasks and milestones have been completed and approved according to plan.  
(Within 5%)

**Behind Schedule:**

One or more major tasks or milestones are expected to be delayed. (> 5%)

Comments:

**Resources (Level of Effort)** Choose the statement that most closely applies.

**Fewer Resources**

Completion of one or more major tasks and/or acceptable products has required or is expected to require materially (>5%) fewer hours/staff than planned.

**Within Resources**

All major tasks have been completed and acceptable products created using the planned number of hours/staff (within 5%).

**More Resources**

Completion of major tasks and/or acceptable products has required or is expected to require materially (>5%) more hours/staff than planned.

Comments:

**Resources (Budget/Cost)** Choose the statement that most closely applies.

**Less cost**

The project is (>5%) under budget.

**Within cost**

The project is operating within budget.

**Higher cost**

Material budget increases (>5%) are likely.

Comments:

## Appendix G: Independent Project Oversight Report

**Quality (Client Functionality)** Choose the statement that most closely applies.

**Adequately Defined**

Required client functionality is adequately defined, and is being successfully built into the system, given the current project phase.

**Inadequately Defined**

One or more significant components of required client functionality are inadequately defined, or are not being successfully built into the system, given the current project phase.

**Comments:**

**Quality (Architecture/System Performance)** Choose the statement that most closely applies.

**Adequately Defined**

The system technical architecture is adequately defined, and modeling, benchmarking and testing are being conducted (or are planned) appropriate to the current project phase.

**Inadequately Defined**

The system technical architecture is not adequately defined, or modeling, benchmarking and testing are not being conducted (or are planned) appropriate to the current project phase.

**Comments:**