State of Vermont
Joint Fiscal Office

Independent Review
of
State Information Technology Projects
and Operations
(H.492 Sec. 36)

Project: Unemployment Insurance Modernization Solution (Department of Labor)

Interim Update #1
April 10, 2020

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Project Overview:

- **Last full report: January 23, 2017[1]**
- **Last interim update: N/A**
- **Next scheduled interim update: To be determined**

The purpose of the Vermont Department of Labor's (VDOL) Unemployment Insurance Modernization (UIM) project is to replace Vermont's legacy Unemployment Insurance system with a new solution that will leverage proven systems from other states while allowing Vermont to implement state-specific components. If the project achieved its desired outcomes, Vermont would benefit by avoiding a full system development effort (designing, testing, implementing, and maintaining an entire system), while still allowing the state to configure and customize the system to comply with local regulations and requirements. The original multi-state solution was to be based on Idaho's iUS Unemployment Insurance (UI) system, which was to be modified by Idaho to represent a generic UI system (Core iUS) that could then be modified by other states. The initial participants were Idaho, Iowa, and Vermont, however subsequent changes to the consortium resulted in final participants of Idaho, Vermont, and North Dakota. The planned UIM development efforts consisted of two distinct elements: 1) Idaho was to develop the CORE iUS system as required to support state-specific modules and interfaces, and 2) Vermont was to develop state-specific modules and interfaces to meet state needs (e.g. Claimant Portal, Employer Portal, etc.). While VDOL did participate in the first element, the majority of the initial effort was to be the development of the Vermont-specific modules. According to the 2020 Agency of Digital Services Annual Report[2], the estimated total cost for the UIM system is $34,095,340.83, of which $15,162,920.83 is for implementation and $18,932,420.00 for 20 years of operation.

Project Status:

As of the date of this report the UIM project is in serious jeopardy. Schedule targets set at project launch have not been met, as the initially projected go live date was June of 2018 and in the current best case scenario go live would now be some time in 2021. The project has been in "Red" status (i.e. highest risk) since January of 2018, and according to subsequent project status reports the contributing causes of that condition have not appreciably changed. These include:

- Insufficient developer resources;
- Consortium governance and communication issues;
- Schedule uncertainty;
- Changing requirements;
- Unreliable Core iUS code;

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[1] https://ljfo.vermont.gov/assets/docs/reports/c2866b9417/JFO-IT-Project-Review-VDOL-UIM-v1.0.pdf
[2] https://legislature.vermont.gov/assets/Legislative-Reports/ADS_2020_Annual_Report.pdf

The three-state consortium (Idaho, Vermont, and North Dakota) was dissolved earlier in the year due to the lack of a functioning and stable Core iUS system, as well as other irreconcilable differences. At this point it is unclear how Vermont will proceed with this project, and how much Federal support we can expect to receive going forward. Due to the extreme demands being put on VDOL due to the Covid-19 pandemic and resulting high unemployment, project planning by VDOL, ADS, and Federal DOL is currently on hold. When project planning resumes in the next month or so there are several alternatives that will be considered:

- Vermont builds on the most recent Core iUS code and the Vermont-specific modules and completes development of a Vermont-specific solution;
- Vermont teams with North Dakota, building on the Core iUS code and developing a two-state solution with state-specific modules;
- Vermont contracts with an external vendor to complete the system based on the components currently available (the uncompleted Core iUS and some Vermont-specific modules);
- Vermont abandons the iUS-based solution and starts a new development effort. This could potentially include vendor contracts or joining with another multi-state consortium.

Project Analysis:

In the Joint Fiscal Office's initial project evaluation (January 23, 2017), the UIM project was deemed to be Strong overall, with no significant areas of weakness. At that time there were several areas that were considered strengths, many of which subsequently turned out to be weaker than expected (notes regarding the current state are in bold):

1) Project leadership and responsibility is clear, and adequately documented **(This remained true on a local level, but was a significant weakness at the consortium level)**;
2) It is not technologically complex, since it is based on a proven technical solution that is currently in use in other states **(This was theoretically true, however the effort to move from Idaho's single-state solution to a multi-state solution proved to be much more difficult than expected)**;
3) It is not organizationally complex, since the initial release involves a single unit (VDOL), and all project leadership is within that unit **(This remained true on a local level, but organizational complexity between consortium states was a major problem)**;
4) It is not resource challenged, since VDOL has sufficient personnel (in-house or contracted) to complete all phases of the project **(This turned out to be false, as Vermont struggled to obtain the needed personnel resources)**;
5) The UIM project is completely federally funded, so no State funds are required **(True at present, unknown for the future)**;
6) While there are target dates in the schedule, none are fixed based on external criteria. This allows flexibility if the project experiences any difficulties or delays prior to deployment **(True, however schedules when developed were not adhered to. At this**

point the project is more than two years behind the original schedule, with more slippage expected).

In addition to the contributing causes listed in the Project Status section above, since the original project review was completed there have been multiple changes to the assigned Project Manager, and project documentation has not been adequately maintained.
This project was initially considered low risk due to the participation of other states, the use of existing technology and systems, and the fact that no state funding was involved. While there are still federal funds available, given the uncertain future of the project there is currently no guarantee that state funding will not be required. As project sponsors and leadership consider alternatives, it is critically important that the US Department of Labor be involved in decisions in order to maximize the promise of future federal funding.
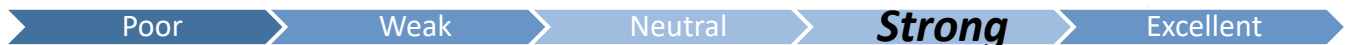
Summary:

The UIM project is currently at high risk for failure. From the beginning of the project the biggest strength was that Vermont was not going it alone, but rather building on an existing solution in partnership with other states. Now that the multi-state model has been abandoned (at least for the near term), it is difficult to envision a scenario in which Vermont could successfully complete the system development and deployment on its own. If there were challenges regarding resources, scheduling, project management, and development progress earlier they are unlikely to improve in a Vermont-only scenario without a significant new commitment to the project.

Overall Status:

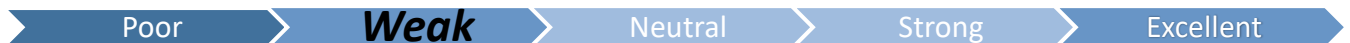| Poor	*Weak*	Neutral	Strong	Excellent

This success of the project is in doubt at this point. The failure of the multi-state consortium model, coupled with the lack of local resources and an accepted plan to move forward, raise serious questions as to project viability.

1. Project Justification: *(Why are we doing this? Is the project necessary and beneficial?)*

Poor	Weak	Neutral	*Strong*	Excellent

The existing system is mainframe-based, was developed in the 80's and 90's, and does not adequately support the required functionality for a modern Unemployment Insurance system. Implementation of a new solution that results in a more technologically advanced system that is scalable and more maintainable is justified.

2. Clarity of Purpose: *(Is there a clear definition of success? Is the scope statement complete?)*

Poor	*Weak*	Neutral	Strong	Excellent

The original project goals were clear, concise, understandable, and well documented. However, changes to the overall project model, including the abandonment of the multi-state consortium, have resulted in a situation where the path forward is not currently known.

3. Organizational Support: *(Is the organization ready to undertake this project? Has the potential need for business process change been acknowledged, and is there a Change Management Plan?)*
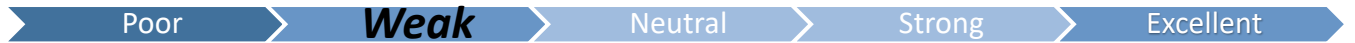
| Poor | Weak | *Neutral* | Strong | Excellent |

VDOL has actively supported the new solution, however there have been recent changes in organizational leadership, and there may be changes to the organizational structure. The implications of these changes are not clear at this time, and should be monitored as project execution continues.

4. **Project Leadership:** *(Has a qualified person been designated to lead the project, and has that person been empowered to do so?)*

| Poor | Weak | *Neutral* | Strong | Excellent |

Project leadership has been assigned to one individual, and roles, responsibilities, and relationships for this entity have been documented.

5. **Project Management:** *(Is the project management staff appropriate, and will project management conform to State of Vermont standards?)*

| Poor | *Weak* | Neutral | Strong | Excellent |

Project Management was originally being performed by contracted personnel. However, the project manager has since changed several times and is currently the responsibility of an individual who while certainly qualified may not be able to dedicate sufficient focus to this project.

6. **Financial Considerations:** *(How much will it cost to complete the project, how much will it cost to maintain and operate the system, and how it will all be paid for?)*

| Poor | Weak | *Neutral* | Strong | Excellent |

Initial estimates of development and maintenance costs were prepared and appeared to be realistic. Given that the project is 100% federally funded, there was originally no significant financial risk to the State. However, the failure of the consortium model and the uncertainty regarding the path forward means that there is potentially a need for state funding. This will need to be addressed as the various alternatives are considered.

7. **Technical Approach:** *(Is the proposed solution achievable, realistic, and appropriate?)*

| Poor | Weak | *Neutral* | Strong | Excellent |

The technical approach is based on enhancing an existing system developed for, and currently used by, another state. This approach minimizes technical risk, and is much preferred over the alternative of developing a completely new system. However, that approach has not proved effective over the past several years, and it is not clear at this point whether continuing with this approach will result in a successful outcome.

Future Updates:

Based on the current project status and schedule, the next Interim Update should be scheduled for no later than September 2020, and earlier if there are substantial changes in project direction before that time.

ADS and DOL Comments on the 4/10/2020 Interim Update

This report was provided to the Agency of Digital Services and the Department of Labor for review and comment. The following comments were received by the ADS UIM Project Manager on April 9th, 2020. Sections removed that are not directly applicable to the report were removed and marked as "[…]":

"I have no changes to the document. I do have one addition I would submit to you for consideration. For the project management to improve on the project, the VDOL will need to invest in that resource. […] I agree that in order for this project to move forward successfully it will need stronger PM support. It will also require that VDOL participate in the management of the project by working with ADS (and possibly North Dakota if appropriate) on the mitigation of risks and issues, decision making and testing.

Thank you for the opportunity to review the document and provide some additional feedback. Let me know if I can be of any additional assistance."

The Vermont Department of Labor project sponsor provided verbal comments on April 10th, 2020. The summary of those comments are:

"The Vermont Department of Labor recognizes that the dissolution of the three state consortium could have a significant negative impact on the successful execution of this project. Over the next two months VDOL, in partnership with the U.S. Department of Labor and the Vermont Agency of Digital Services, will review the current project status, the possible alternatives going forward, and the risks and benefits of each. While this effort is underway VDOL will continue the ongoing efforts of building and deploying the full iUS system, as this will be a critical test in order to determine the viability of Vermont continuing development on its own."