



State of Nevada
Governor's Finance Office
Division of Internal Audits

Audit Report

**Nevada Department of Motor Vehicles
System Modernization Project**

Report No. C18-01
October 11, 2017

EXECUTIVE SUMMARY

Department of Motor Vehicles

Introduction..... page 1

**Objective: Help Ensure Information Technology Projects
Performed by Contractors Progress Timely.**

Improve Effectiveness of Project Management..... page 2

Improving the effectiveness of its project management will help the Department of Motor Vehicles ensure information technology projects performed by contractors progress timely. DMV represents the System Modernization project has not been progressing as expected due in part to the contractor not providing project team members with the experience and English proficiency levels described in its RFP response. However, DMV did not adhere to requirements, protocols, and procedures established in the contract, which may have mitigated delays resulting from the contractor not providing these team members. Improving project management would aid DMV in enforcing project deadlines and holding contractors responsible for performance shortfalls.

Appendix A page 8

Scope and Methodology, Acknowledgements

Appendix B page 9

Department of Motor Vehicles Response and Implementation Plan

Appendix C page 12

Timetable for Implementing Audit Recommendations

INTRODUCTION

At the request of the Department of Motor Vehicles (DMV), the Division of Internal Audits conducted an audit of the System Modernization (SysMod) project contract.

Our audit focused on DMV's contract to implement the SysMod project. The audit's scope and methodology and acknowledgements are included in Appendix A.

Our audit objective was to develop recommendations to:

- ✓ Help ensure information technology (IT) projects performed by contractors progress timely.

Department of Motor Vehicles Response and Implementation Plan

We provided draft copies of this report to DMV officials for their review and comments. Their comments have been considered in the preparation of this report and are included in Appendix B. In its response, DMV accepted our recommendation. Appendix C includes a timetable to implement our recommendation.

NRS 353A.090 requires within six months after the final report is issued to the Executive Branch Audit Committee, the Administrator of the Division of Internal Audits shall evaluate the steps DMV has taken to implement the recommendation and shall determine whether the steps are achieving the desired results. The administrator shall report the six month follow-up results to the committee and DMV officials.

The following report contains our findings, conclusions, and recommendation.

Help Ensure IT Projects Performed by Contractors Progress Timely

DMV can help ensure IT projects performed by contractors progress timely by improving the effectiveness of its project management. This will allow DMV to complete the SysMod project as authorized in the contract.

Improve Effectiveness of Project Management

DMV should improve the effectiveness of its project management by ensuring compliance with requirements, protocols, and procedures established in the contract. Complying with the contract helps ensure projects progress timely.

Background

The SysMod project (project) was undertaken by DMV to modernize their aging system. DMV contracted to develop and implement the project. The contract was executed in April 2016 for a duration of five years at a total cost of \$75 million. The contract was amended in February 2017, which extended the termination date for an additional year for maintenance coverage. It also increased the maximum amount of the contract by \$3 million, primarily for additional hardware and software.

Progress to Date

As of July 2017, DMV has expended \$13.5 million on the contract, mostly for hardware, software, and related maintenance that can be used for the project regardless of who is the contractor. However, DMV spent \$25,000 on a communication plan that may not be applicable to a different contractor.

DMV represents the project has not been progressing as expected and attributes this in part to the contractor. The contract was executed in April 2016 and DMV estimates the project is six months behind schedule. DMV reports several issues may have contributed to the project being behind schedule.

Contractor Did Not Provide Proposed Personnel

DMV represents they intended to rely heavily on the expertise and prior DMV modernization experience the contractor proposed in its RFP response. DMV represents the contractor has not provided a cohesive project delivery team with the level of expertise proposed in its RFP response.

The contractor did not provide personnel as proposed in the Request for Proposal (RFP) response and contract negotiated items. In the RFP response, the contractor represented they would provide their “A-Team” to work on the project, which consists of personnel with years of experience in the public sector, other state DMVs, Oracle database, IT security, and infrastructure domains.

The RFP response contained a list of team members and their experience, which the contractor stated demonstrated their commitment to the State of Nevada. The contractor stated the team members were ready to be engaged on the project if awarded the contract.

In the contract negotiated items, the contractor stated they would reallocate key personnel working on the New Hampshire DMV Modernization project to the Nevada SysMod project. The contractor also represented they would keep their A-Team on the SysMod project.

As of April 2017, one year into the project, the contractor has only provided six of the 25 A-Team members they proposed. Of these six members, three did not start until after April 2017, a fourth was removed after two months, a fifth was removed and returned to the project several times, and a sixth assumed multiple responsibilities.

Contractor Did Not Provide Personnel Proficient in English

DMV represents the contractor is not meeting the RFP requirements for proficient communication. In the RFP response, the contractor represented all project personnel will be proficient in communicating, speaking, and reading English.

DMV had to edit project documentation and meeting minutes provided by the contractor for grammar and spelling because they were not written in a clear manner and were not useable. Consequently, required project documentation and meeting minutes have not been completed timely.

Representations in RFP Not Fulfilled

The contractor did not fulfill representations made in their RFP response. Effective project management which ensures compliance with requirements, protocols, and procedures established in the contract would have addressed the misrepresentations timelier.

DMV Did Not Ensure Compliance with Contract

DMV did not ensure compliance with requirements, protocols, and procedures established in the contract. Complying with the contract helps ensure projects progress timely. The SysMod contract established:

- A requirement to amend the contract with an approved master project plan;
- Protocols for the deliverable process;
- Procedures for the resolution of issues; and
- Other miscellaneous requirements.

Contract Not Amended

DMV has not amended the contract with an approved master project plan. Amending contracts with a master project plan improves the effectiveness of project management by contractually binding the contractor to established due dates that help the project progress timely.

Master Project Plan Used to Manage Project

The Purchasing Division represents a master project plan is imperative to effectively manage a project. The plan includes but is not limited to:

- Project schedule, which details tasks, activities, and activity duration;
- Project work plan for each deliverable, including a work breakdown structure;¹
- Completion date for each task; and
- Project milestones.

The plan may be subsequently changed using a formal process documenting agreement by both parties. An additional contract amendment may be required if the change affects the contract price, completion date, or substantially changes the scope of work.

Although the contractor submits a high level preliminary master project plan with the RFP response, it is not contractually binding because it includes estimated completion dates based on the anticipated date of contract approval.

¹ Deliverables are project work products that may or may not be tied to a payment.

Amending Contract with the Master Plan as the First Deliverable

The contract requires the first project deliverable as the master project plan. The contract was approved and the project kickoff meeting occurred in April 2016; however, as of August 2017, the contract has not been amended with the master project plan. Consequently, it may be difficult for DMV to ensure the contractor complies with project due dates.

The Purchasing Division represents the master project plan should be incorporated into the contract within a few months of the project onset because it is not possible to manage any project effectively without contractually binding due dates.

Protocol for Deliverable Process Not Used

DMV did not use the protocol for the deliverable submission and review process. This protocol improves the effectiveness of project management by ensuring deliverables are completed timely.

DMV is required to review deliverables submitted by the contractor for adequacy before acceptance. The contract includes specific protocol related to the deliverable process. Protocol includes: forms to be used by the contractor when submitting deliverables; established timelines for DMV to review deliverables for adequacy; forms to be used documenting the results of DMV's review; and timelines for the contractor to respond to DMV's review comments. The protocol is intended to ensure deliverables are reviewed and, if needed, resubmitted timely. This helps ensure deliverables are completed on a timely basis.

DMV did not follow contract protocol when reviewing deliverables. DMV notified the contractor of deliverable deficiencies via email without establishing timelines for the contractor to respond.

Not Using Protocol May Have Delayed Deliverables

DMV did not use required protocol for reviewing the master project plan deliverable. The master project plan was to be submitted by the contractor and reviewed and approved by DMV before being amended into the contract. The due date for the contractor to submit the master project plan was July 1, 2016. The plan was submitted June 29, 2016; however, it was deemed unacceptable upon DMV's review.

DMV's program manager stated that their email response did not include timelines for the contractor to respond to DMV's review comments. Lack of

established timelines may have delayed the completion of the master project plan deliverable. DMV's expected response date may not have been the same as the contractor's.

Additionally, not using protocol may have delayed the completion of the communication plan.² The communication plan was due 30 days after the contract approval date of April 12, 2016. It was submitted on July 13, 2016; however, it was deemed unacceptable upon DMV's review. Final acceptance of the deliverable occurred on November 19, 2016. Using the protocol would have established timelines for resubmission and may have resulted in a timelier acceptance by DMV.

Procedure for Issue Resolution Not Followed

DMV did not initially use the resolution procedure for issues arising during the project. The procedure helps projects progress timely by providing a framework for the presentation, escalation, and resolution of issues that arise during the project.

The contract includes an issues resolution procedure that provides the framework for forms to be used for presenting and logging issues, established timelines for addressing issues, and procedures and timelines for escalating issues to senior management for resolution. The framework is intended to ensure issues are documented and resolved timely.

DMV did not use the resolution procedure until April 2017 for issues, such as:

- Contractor only provided six of the 25 A-Team members they proposed in their RFP response;
- Contractor personnel removed and returned to the project several times; and
- Project documentation was unusable because it lacked clear and understandable language.

The above issues could be resolved timelier by using the resolution procedure for documenting issues. This procedure establishes fixed timelines for resolving and/or escalating issues.

² The communication plan outlines the generation, documentation, storage, transmission, and disposal of all project information.

Other Miscellaneous Requirements Not Enforced

DMV did not enforce other requirements in the contract. These requirements include: identifying subcontractors and using the state resume form for contractor and subcontractor personnel.

Subcontractors Were Not Identified

Eight of the 13 subcontractors used on the project were not identified by the contractor. Consequently, the DMV did not have the opportunity to ensure the subcontractors were suitable to conduct business in Nevada.

State Resume Form Not Used

Forty-four out of 51 personnel working on the project provided resumes without using the state resume form. Several resumes did not contain all information required on the state resume form. Consequently, DMV may not have been able to determine whether personnel were qualified to perform the required duties.

Conclusion

Improving the effectiveness of project management by ensuring compliance with requirements, protocols, and procedures established in the contract will help ensure IT projects performed by contractors progress timely. Effective project management will help DMV ensure the SysMod project is completed as authorized in the contract.

Recommendation

1. Improve effectiveness of project management.

Appendix A

Scope and Methodology, Acknowledgements

Scope and Methodology

We began the audit in March 2017. In the course of our work, we interviewed DMV, SysMod, and Purchasing Division staff and discussed processes inherent to their responsibilities. We reviewed the SysMod contract, project documents and records, applicable Nevada Revised Statutes, and other state guidelines. We concluded fieldwork and testing in August 2017.

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Acknowledgments

We express appreciation to the DMV director and deputy director and staff, SysMod program manager and staff, and the Purchasing Division for their cooperation and assistance throughout the audit.

Contributors to this report included:

Mark Richards, CPA
Executive Branch Auditor

Jaynalynn Seley, MBA
Executive Branch Auditor

Appendix B

Department of Motor Vehicles Response and Implementation Plan

Brian Sandoval
Governor



Terri L. Albertson
Director

555 Wright Way
Carson City, Nevada 89711-0900
Telephone (775) 684-4368
www.dmvnv.com

September 14, 2017

To: Steve Weinberger, Administrator
State of Nevada, Governor's Finance Office, Division of Internal Audits

Dear Mr. Weinberger:

Please accept this letter as the Nevada Department of Motor Vehicles (DMV) and Tech Mahindra's official response to the 2017 System Modernization (SysMod) Project audit and corresponding Audit Recommendations. The parties have reviewed, analyzed, and accepted the recommendation made by the Division of Internal Audits to improve project management effectiveness.

Recommendation 1: Improve Project Management Effectiveness

The DMV will improve project management effectiveness and ensure compliance with the requirements, protocols, and procedures established in the contract, with the implementation of the following actions on or before December 31, 2017:

Alleviate tasks from Program Manager and Project Management Office to address the specific actions stated below by:

1. Hiring an Administrative Assistant utilizing a budgeted backfill position to assume some of the Program Manager and Project Management Office administrative duties (facilities management, meeting minutes, invoicing, supplies, scheduling, etc.). This resource will allow the Program Manager to focus on properly managing the entire System Modernization Project.
2. Updating and implementing the Deliverable Signoff (DS) process to ensure compliance with RFP #3158, Sections 5.4.3.2 thru 5.4.3.6. The DS process requires that all parties adhere to the documentation, signoff, responses, and timelines.
3. Continuing to use the vendor Issue Resolution process to ensure compliance with RFP #3158, Sections 14.3.9.1 and 14.3.9.2. The Issue Resolution process requires that all parties adhere to the issues escalation, responses, and timelines. Tech Mahindra has agreed to this process and understands the requirement.

4. Updating the Tech Mahindra onboarding process to ensure compliance with RFP #3158, Section 6.5. The updated onboarding process will ensure the correct resource information is provided to the Project Management Office using the State resume form.
5. Amending the contract to include the detailed project plan to ensure compliance with RFP #3158, Sections 5.4.2.15 and 6.6.4. The updated project plan will provide a baseline to track all future project milestones and will be amended as necessary.
6. Changing the decision escalation process by providing project management tools (Confluence and JIRA) to the DMV Division Administrators to expedite the resolution process.
7. Changing the existing project management tools (Confluence and JIRA) to provide additional metrics and dashboards for the PMO to better track deliverable and milestone dates.
8. Initiating the process with State Purchasing to hire the Independent Verification consultants to provide a project assessment with best practices, findings, and recommendations.

Tech Mahindra will ensure compliance with the requirements, protocols, and procedures established in the contract, with the implementation of the following actions:

1. Contractor Did Not Provide Proposed Personnel

At the time Tech Mahindra responded to the NV DMV RFP and signed the contract (April 2016), the plan was to assign some key staff from the New Hampshire project within 3-4 months of the start of the project. This was based on the anticipated date of implementation of the State of New Hampshire DMV (NH DMV) project by September 2016. As NH DMV implementation was delayed, Tech Mahindra brought in staff with similar and equivalent experience on the Nevada SysMod project team. In March 2017, Tech Mahindra brought in a senior Program Manager with extensive experience in implementing large public sector projects, including DMV Modernizations, to replace the previous Program Manager. Since then, in the last 6-7 months, Tech Mahindra has also augmented the project team with a number of skilled staff with extensive experience in DMV domain, analysis, technology and implementation of large projects. Further, Tech Mahindra plans to add more expert staff who are specialists in different areas of implementation, based on Nevada SysMod implementation schedule.

Tech Mahindra remains committed to the success of the SysMod project, and in partnership with NV DMV, are always finding ways to make the implementation process more efficient.

2. Contractor Did Not Provide Personnel Proficient in English

Tech Mahindra acknowledges that the quality of some the deliverables at the beginning of the project was not at the expected level of quality. NV DMV and Tech Mahindra management discussed this deficiency and in Feb-March 2017, Tech Mahindra took corrective actions (combination of process change, standards and technical writers). Tech Mahindra added two technical writers to the team, one onsite and one offshore. Tech Mahindra also made modifications to the process of review and submission of documents. All key deliverables submitted to the NV DMV now go through a technical writer review. Tech Mahindra also created a standards document and some templates which are being used by the project team for documentation.

Tech Mahindra technical writers documented a 45 page Technical Writers Template Style Guide for consistency of writing across teams. This document covers writing rules, writing style, and presentation style. The document serves to outline best practices, training with numerous grammar examples with breakdowns, reference, and functions as a template and includes a checklist for the team. A combination of the technical writer review, templates and process has allowed Tech Mahindra and the NV DMV team to improve document quality and reduce the review time.

3. Representations in RFP Not Fulfilled

Tech Mahindra is committed to following the processes laid out in the contract. In March 2017, a corrective action was taken by Tech Mahindra to replace the Program Manager, with someone who brings extensive experience in implementing large public sector projects and DMV modernizations. Since then, Tech Mahindra and NV DMV recognized some deficiencies and put a corrective action in place e.g. maintaining an issues log and risk register for the project, baselining a comprehensive project plan, among others. Tech Mahindra remains committed to the success of the project and in partnership with NV DMV will make sure we follow the procedures laid down in the contract.

Amending Contract with the Master Plan as the First Deliverable

DMV and Tech Mahindra agree that a project schedule is imperative to managing the System Modernization project. Corrective action has been taken to provide and jointly review a comprehensive plan for baselining. We anticipate completing the review by the end of September and submitting for a contract amendment.

Respectfully submitted,



Terri Albertson, Director

Appendix C

Timetable for Implementing Audit Recommendations

In consultation with the Department of Motor Vehicles (DMV), the Division of Internal Audits categorized the recommendation contained within this report into one of two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). DMV should begin taking steps to implement the recommendation as soon as possible. DMV's target completion date is incorporated from Appendix B.

Category 1: Recommendation with an anticipated implementation period less than six months.

<u>Recommendation</u>	<u>Time Frame</u>
1. Improve effectiveness of project management. (page 7)	Dec 2018

The Division of Internal Audits shall evaluate the action taken by DMV concerning the report recommendation within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Executive Branch Audit Committee and DMV.