



# Oregon

Kate Brown, Governor

## Employment Department

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November 16, 2018

The Honorable Senator Chuck Riley, Co-Chair  
The Honorable Representative Nancy Nathanson, Co-Chair  
Joint Committee on Information Management and Technology  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048



Dear Co-Chairpersons:

### Nature of the Emergency/Request

The Oregon Employment Department respectfully submits this report on the progress of its Modernization Program, as requested by the Joint Committee on Information Management and Technology.

Modernization Program and unemployment insurance project activities continue to progress according to plan and under budget. We are planning to submit for Stage Gate 2 endorsement for the Unemployment Insurance Modernization Project by the end of this year.

### Background

The mission of the Oregon Employment Department is to *Support Business and Promote Employment*. We accomplish this by:

- Supporting economic stability for Oregonians and communities during times of unemployment through the payment of unemployment benefits;
- Serving businesses by recruiting and referring the best qualified applicants to jobs, and providing resources to diverse job seekers in support of their employment needs; and
- Developing and distributing quality workforce and economic information to promote informed decision making.

The Employment Department's Modernization Program is a multi-year initiative focused on transforming the agency's core business processes and associated technology systems to better meet the needs of our customers – Oregonians and Oregon businesses. Computer systems designed in the 1990s supporting receipt of unemployment insurance taxes, payment of unemployment insurance benefits, and delivery of employment services will be replaced. Business processes will be transformed to take advantage of opportunities and benefits available through new system capabilities.



The Modernization Program has robust internal and external oversight including a Modernization Steering Committee with representation from across agency programs and the Office of the State Chief Information Officer (OSCIO), and full endorsement and active engagement of the Employment Department's Executive Team. We also provide regular updates to oversight entities including the OSCIO, the Legislative Fiscal Office, and the Chief Financial Office.

The 2017 Legislature approved a budget of \$4.7 million Other Funds expenditure limitation and 18 permanent positions for the department's modernization effort during the 2017-19 biennium to begin initial planning, conduct a feasibility study, begin data mapping, develop and publish a request for proposal, and begin the vendor evaluation and selection process. The agency has a dedicated revenue source from the U.S. Department of Labor that we've earmarked to support modernization.

Our last report to the committee on our modernization initiative was in February 2018. As we stated in our February 2018 report, we completed a feasibility study in January 2018 through a contract with the Information Technology Support Center.<sup>1</sup> The study included high-level business and technical requirements, a gap analysis, market research, and an alternatives analysis to determine which solutions already exist that could be best leveraged to fit our needs.

We also reported that we received notice of our Stage Gate 1 endorsement from the OSCIO and the Legislative Fiscal Office (LFO) in January 2018, allowing us to proceed with further planning and establish the Modernization Program, the core team that provides the services and structure to ensure the success of individual projects over multiple biennia. Finally, in our last presentation to the committee, we listed the activities planned for 2018 including completion of our foundational project management documents, hiring of remaining program team positions, and initiating and submitting Stage Gate 2 documentation for our first project. We have completed or are on schedule to complete these activities and provide a detailed update below.

## **Agency Action**

### Activities since February 2018

In April 2018, we selected unemployment insurance tax as the initial focus and first project for modernization. To inform this decision, a workgroup comprised of representatives from key agency programs and functions was formed to conduct analysis and bring a recommendation to the Modernization Steering Committee for decision.

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<sup>1</sup> The Information Technology Support Center (ITSC) is a non-profit organization housed in the National Association of State Workforce Agencies, funded by grants from the U.S. Department of Labor, and governed by state unemployment insurance and workforce leaders. The ITSC has worked with other states on their modernization efforts and is knowledgeable of unemployment insurance models and practices nationwide.



The workgroup considered the following factors for each department program in scope — unemployment insurance tax, unemployment insurance benefits, and employment services:

- Readiness;
- Complexity of programs in each area;
- Strategic alignment with statewide initiatives and priorities;
- Risk of delay;
- Value to our customers and efficiencies to be gained; and
- External factors, such as a future recession or changes in law or policy.

The Modernization Steering Committee reached a unanimous decision that unemployment insurance tax will be the first focus of our modernization efforts.

As part of the feasibility study, agency preferences were identified and documented. One of these preferences is to pursue an integrated unemployment insurance solution that supports both tax and benefits functions. This preference is due to the expected efficiencies gained by having a single system supporting the entirety of the program, shared data and functionality, and ease of maintenance.

Therefore, the agency is initiating a single Unemployment Insurance (UI) Modernization Project, with phases for both tax and benefits activities. Additional up front planning is necessary to gather requirements across the entire Unemployment Insurance Program from currently separate tax and benefits systems. We've begun conversations with key service delivery partners (Department of Consumer and Business Services, Department of Revenue, and Secretary of State) to understand how we might better partner with them to deliver services to our common customers and gain additional efficiencies. These conversations will further inform the project's business and technical requirements.

Over the summer, modernization activities have focused on:

- **Hiring of additional roles for the Modernization Program core team.** These positions are critical to ensure adequate expertise and attention is given to different project management disciplines, such as business analysis, procurement and contract management, change management, communications, and outreach. Recruitments are still being conducted for several remaining positions focused on quality and risk management, schedule management, and budget management. We expect these remaining positions to be filled by the end of 2018.
- **Documentation of current processes and enterprise architecture.** Several workgroups were formed to create inventories of our agency systems, access, and data transfers or interfaces.
  - Data and Systems Workgroup – *Completed March 2018*
  - Interface and Access Workgroup – *Completed July 2018*
  - Data Assessment Workgroup – *In progress*



Many of the deliverables from these workgroups have been incorporated within our current state enterprise architecture assessment. We are in the process of finalizing this assessment by December 2018.

The modernization team worked with employees from various business units to develop more than 30 process maps that document how work flows across our various program units, and intersects with other areas within our agency and with our partners. We have used these maps in conversations with our employees and agency partners to gather challenges and improvements to consider as we finalize business and technical requirements later this year.

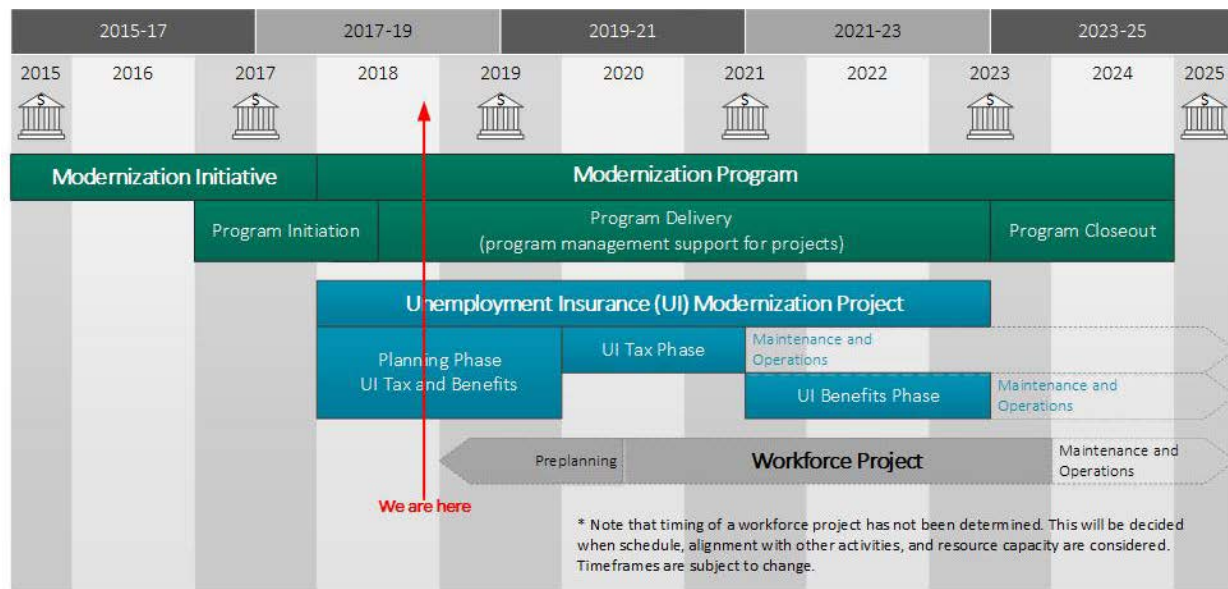
- **Development of foundational program plans.** These plans are intended to establish the roles, responsibilities, and processes that will be utilized for all modernization projects initiated under the Modernization Program umbrella. We've developed the foundational program and project plans that we will submit for Stage Gate 2 endorsement to proceed with a UI Modernization Project, and we are working closely with the OSCIO to ensure we are appropriately prepared.
- **Initiation of the UI Modernization Project.** The groundwork that we've laid for the Modernization Program provides the foundation for the UI Modernization Project. We anticipate that the processes, roles, and structures we've put in place at the program level will be adopted and used for the project as well. The system and data inventories developed this summer formed the scope of the UI Modernization Project and will allow us to move forward with procurement of an unemployment insurance solution vendor in 2019.

## Schedule

Figure 1 illustrates the high-level timelines for the Modernization Program and anticipated projects. We are initiating the UI Modernization Project now, and will initiate a workforce project (relating to our systems that match Oregon's job seekers with businesses' job openings) later in the program, once schedule, alignment with other activities, and resource capacity are considered. This timeline is based on what we know today and may be adjusted as we plan our procurement for an unemployment insurance solution vendor and continue to gain knowledge.



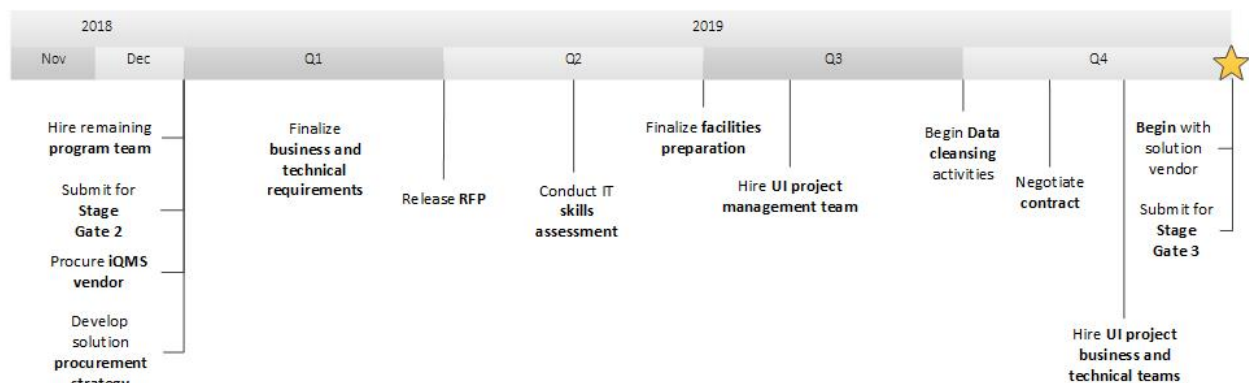
**Figure 1: Modernization Program Timeline**



Revised: 10/2018

Our program and project activities are progressing according to plan. We are planning to submit for Stage Gate 2 endorsement for the UI Modernization Project by the end of this year. We continue to work closely with the OSCIO as we prepare Stage Gate 2 deliverables, and have shared the draft artifacts required for Stage Gate 2 with the OSCIO for review and feedback prior to our submission. We anticipate Stage Gate 2 endorsement in early 2019, which will allow us to embark on the procurement and contract negotiation phase through the remainder of the year. We are targeting that work will begin with a solution vendor for the initial unemployment insurance tax phase in early 2020. If these assumptions change, we will adjust our project plan accordingly. Figure 2 illustrates a timeline for the Unemployment Insurance Modernization Project.

**Figure 2: Unemployment Insurance Modernization Project**



Revised: 10/2018



September's project status report is rating the schedule as yellow (caution) due to capacity constraints, primarily relating to staffing. Over the past six months, we have experienced hiring challenges for current program positions due to failed recruitments and agency resource constraints – consistent with the challenges facing other businesses – given Oregon's strong economy and the lack of qualified workers. We are focusing resources to activities supporting initiation and planning of the UI Modernization Project.

The agency has recently hired a project manager who will be responsible for contract management. We are actively recruiting for a project manager-scheduler, and a quality and risk analyst. We will be recruiting for a budget analyst before the end of 2018. Until remaining program positions are filled, the workload that would be performed by individuals in these positions must shift to other program team members, resulting in competing priorities, over-allocation, and potential schedule delays on other tasks. The agency remains cautiously optimistic, and does not anticipate delay in submission of Stage Gate 2 deliverables.

## Scope

We have established goals for the overall Modernization Program, and will carry them forward through the individual modernization projects.

The primary goals identified for the Modernization Program are to:

- **Enhance customer experience.** Deliver improved services, such as online self-service, automation, access to data, and integration with partners;
- **Transform business processes.** Leverage modern system capabilities to provide improvements and efficiencies in business processes, deliver new tools for our employees, and support more effective service delivery to our customers;
- **Improve security.** Improve our ability to anticipate and respond to security threats, and manage access; and
- **Modernize technology.** Replace the agency's aging computer systems that support unemployment insurance taxes, payment of unemployment insurance benefits, and delivery of employment services.

We have established baseline metrics for the UI Modernization Project, along with expected outcomes:

- **Implementation of vendor solutions** that support unemployment insurance and employment services;
- **Configuration of vendor solutions** to meet the agency's detailed business requirements;
- **Revised high-level business process documentation** that reflect industry best practices provided by the vendor solution and any existing vendor solution user community; and
- **Knowledge transfer** and technical documentation to support the new systems.



To identify scope, we inventoried 103 systems that are supported by our agency. We further analyzed these systems to identify those that should be replaced with a new unemployment insurance solution, as well as the legacy systems that will require changes or be otherwise impacted. This analysis was a key contributor to establishing the scope components for the UI Modernization Project. Figure 3 illustrates the scope for the UI Modernization Project.

**Figure 3: Unemployment Insurance Modernization Project Scope**

UI Modernization Project Scope	
Legacy systems to be replaced	31 systems
Legacy systems impacted	48 systems
External data transfers	128 total (126 data transfers   2 interfaces)
Internal data transfers	234 total
External system accesses	58 access points, 24 stakeholders
Mandatory reports	113 (66 state and federal reports   47 financial reports)
Business requirements	<i>In progress</i>
Technical requirements	<i>In progress</i>

We are currently working with a vendor to finalize the draft business and technical requirements gathered during our feasibility study.

## Budget

The Modernization Program is a multi-biennia effort and will be comprised of multiple projects. Figure 4 below provides the limitation requested each biennium compared with the actual spending. As of August 2018, we are projecting to be approximately \$1.0 million under budget for the 2017-19 biennium. The budget variance is mostly in services and supplies and is due to deferred timing of securing contractors such as independent quality management services. Some savings are also due to unexpected difficulties in hiring staff. Figure 4 also illustrates that the Modernization Program is a multi-biennia effort.



**Figure 4: Modernization is a Multi-Biennia Effort**

Biennium	Description	Total Limitation Requested	Actual* + Projected** Expenditures	Unused Limitation
<b>2015-17</b>	Base budget	\$ 986,633	\$ 597,255	\$ (389,378)
	Policy Package 101	\$ 3,046,026	\$ 643,563	\$ (2,402,463)
	<b>Total</b>	<b>\$ 4,032,659</b>	<b>\$ 1,240,818</b>	<b>\$ (2,791,841)</b>
<b>2017-19</b>	Base budget	\$ 688,847	\$ 598,841	\$ (90,006)
	Policy Package 101	\$ 4,682,314	\$ 3,718,624	\$ (963,690)
	<b>Total</b>	<b>\$ 5,371,161</b>	<b>\$ 4,317,465</b>	<b>\$ (1,053,696)</b>
<b>2019-21</b> Agency Request Budget	Base budget	\$ 8,359,984	\$ 8,359,984	\$ 0
	Policy Package 101	\$ 13,699,764	\$ 13,699,764	\$ 0
	<b>Total</b>	<b>\$ 22,059,748</b>	<b>\$ 22,059,748</b>	<b>\$ 0</b>
<b>2021-23</b>	Base budget	\$ TBD		
	Policy Package 101	\$ TBD		
	<b>Total</b>	<b>\$ TBD</b>		
Cumulative Base Budget		\$ 10,035,464	\$ 9,556,080	\$ (479,384)
Cumulative Policy Packages		\$ 21,428,104	\$ 18,061,951	\$ (3,366,153)
<b>Total through 2019-21</b>		<b>\$ 31,463,568</b>	<b>\$ 27,618,031</b>	<b>\$ (3,845,537)</b>

\*Actual Expenditures as of 8/31/2018

\*\*Projected Expenditures as of 6/15/2018

The 2019-21 Agency Request Budget includes a policy package request for \$19,857,463 to continue our current activities and positions as well as to add an additional 37 positions to complete contract negotiations and award, conduct detailed project planning, and begin execution of development activities with selected vendor(s). Project team staff recruitments, facility preparation, equipment installation, and other activities may begin as early as July 2019. Procurement and contract activities will be completed by fall of 2019. The agency targets January 2020 to onboard the solution vendor(s) and project staff to conduct detailed planning and begin execution. The budget does not include spending authority for a solution vendor or contingency funds.

## Risks

Prior to submission for Stage Gate 1, the modernization team conducted a risk assessment and identified more than 40 risks in a variety of different project management areas. An owner was assigned to each risk, and each risk was assessed for probability and impact. These risks are actively monitored and mitigation strategies executed. Regular risk reporting occurs through





the program's monthly status reporting process. We are managing four high risks and one issue all related to resource capacity constraints and recruitment challenges. The team is actively working to mitigate these risks, and expects to have remaining program positions hired before the end of the year.

The team is also evaluating one staffing risk related to the departure of the Modernization Director. On October 1, 2018, the former Modernization Director accepted a position with the Department of Revenue. She continues to work with the modernization team to complete transition activities. The Department of Revenue is one of the Employment Department's closest business partners and we are committed to a statewide approach of collaborative leadership for our shared key initiatives.

While this risk was triggered, active mitigation strategies are already in place. The Department of Revenue's former Core Systems Replacement Project Director is assisting the modernization team in an interim role. His experience with project management and governance, reviewing business processes while modernizing technical systems, helping employees understand systems and procedural changes, and nearly 30 years as a state leader in tax administration will allow us to continue our current momentum. The recruitment strategy to permanently fill this critical position is underway and we anticipate minimal disruption and additional learning during this leadership transition.

#### Planned Activities for the Remainder of 2018

The following activities are actively in progress and are planned to be complete by the end of 2018. Items with checkmarks are complete.

#### Hiring of Remaining Program Positions

- ☐ Modernization Director
- ☐ Deputy Modernization Director
- ☐ Project Manager (Scheduler)
- ☐ Technical Lead
- ☐ Budget Analyst

#### UI Modernization Project Stage Gate 2 Submission

##### *Modernization Program Artifacts (16)*

- ✓ Modernization Business Case v2.0
- ✓ Modernization Program Charter v1.0
- ✓ Modernization Program Management Plan v2.0
- ✓ Modernization Budget Management Plan v1.0
- ✓ Modernization Change Control Plan v1.0
- ✓ Modernization Change Management Plan v1.0
- ✓ Modernization Communications and Outreach Plan v1.0
- ✓ Modernization Contract Management Plan v1.0



- ✓ Modernization Document Management Plan
- ✓ Modernization Governance Plan v2.0
- ✓ Modernization Quality Management Plan v1.0
- ✓ Modernization Procurement Management Plan v1.0
- ✓ Modernization Scope Management Plan v1.0
- ✓ Modernization Schedule Management Plan v1.0
- ✓ Modernization Staff Management Plan v1.0
- ✓ Modernization Risk Management Plan v2.0

## *UI Modernization Project Artifacts (10)*

- ✓ UI Modernization Project Charter v1.0
- ✓ UI Modernization Project Management Plan
- ☐ UI Modernization Project Scope
- ☐ UI Modernization Project Schedule
- ☐ UI Modernization Project Budget
- ✓ UI Modernization Organizational Chart
- ☐ UI Modernization Procurement Strategy
- ☐ UI Modernization Project Risk Assessment
- ☐ Agency Security Plan (current state)
- ✓ Agency Enterprise Architecture Plan (current state)

## Planned Activities for 2019

Based on what we know today, the following key activities are planned in 2019. We are currently working with the Department of Administrative Services Procurement Services to plan the unemployment insurance solution vendor procurement. As we develop our procurement strategy and timeline these activities will be adjusted.

### Procuring the Unemployment Insurance Solution and iQMS Vendor

- ☐ Procure independent quality management services (iQMS) vendor
- ☐ Finalize UI Modernization Project business and technical requirements
- ☐ Develop request for proposal (RFP) for unemployment insurance solution vendor
- ☐ Conduct iQMS vendor quality control reviews
- ☐ Release RFP and conduct procurement activities (evaluations and contract negotiations)

### Hiring and Facilities

- ☐ Hire project manager to lead legacy changes and partner coordination
- ☐ Hire UI Modernization Project business and technical managers
- ☐ Plan facilities for expanded UI Modernization Project team
- ☐ Hire UI Modernization Project business and technical teams

### IT Readiness

- ☐ Conduct future state enterprise architecture assessment



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- ☐ Develop technical resourcing strategy
- ☐ Assess information technology staff skills and develop training and transition plan
- ☐ Begin data cleansing activities
- ☐ Develop strategy to address legacy system changes

In addition to the planned activities the program team will continue regular status reporting, communications and outreach, and risk management.

## Action Requested

The Oregon Employment Department requests acceptance of this report.

## Legislation Affected

None.

Sincerely,

Kay Erickson  
Director, Oregon Employment Department

cc: Ken Rocco, Legislative Fiscal Office  
Michelle Deister, Legislative Fiscal Office  
Sean McSpaden, Legislative Fiscal Office  
George Naughton, Chief Financial Office  
Michelle Lisper, Chief Financial Office  
Terrence Woods, Office of the State Chief Information Officer  
Jared Choc, Office of the State Chief Information Officer