

Analysis

Item 23: Employment Department

Information Technology Risk Assessment Report

Analysts: Michelle Deister and Sean McSpaden

Request: Acknowledge receipt of a report from the Employment Department which assesses risks and potential mitigation strategies associated with simultaneous planning, managing, and implementing technology solutions for the Unemployment Insurance Modernization and Paid Family Medical Leave Insurance programs.

Analysis: The Oregon Employment Department (OED) was directed to conduct a risk assessment of its capacity to plan, manage, and implement multiple information technology projects simultaneously, and to report back the Legislature on risk assessment findings and potential strategies to meet objectives of both the Paid Family Medical Leave Insurance system and the Unemployment Insurance System modernization projects.

At the time of its first report to the Legislature in February 2020, the risk assessment was not yet complete. The risk assessment has since been completed by Gartner Inc. but, due to the timing of its completion, does not incorporate significant stresses to the Department since the Spring of 2020. These included:

- Economic shutdowns that generated unprecedented unemployment insurance claims and the creation of new benefit programs for Oregonians, some of whom are self-employed.
- The volume of claims and complexity of new programs necessitated that agency IT professionals engaged in planning for UI modernization be temporarily diverted toward supporting the agency's legacy benefit system.
- Since May 1, 2020 there has been turnover in key UI Modernization Program and project management positions, as well as a change in agency leadership.
- A procurement protest was received following the agency's September 2020 notice of intent to award a contract for a modernized UI benefit and tax solution to FAST System technologies.

The Employment Department has begun to regain some of the ground lost to these circumstances, primarily by increasing staffing to process and adjudicate claims, and for additional IT support of the agency's legacy system to enable key staff to return to work on Modernization. A new Modernization program director has been appointed. This individual served as the UI Modernization Program Director from November 2016 to September 2018 and, over 18+ years with the Oregon Department of Revenue served in various program and project management positions including several leadership roles on the recently completed Core System Replacement Project. In addition, the agency's Acting Director (who previously had served as the UI Division director being appointed as the director of the agency's Paid Family Medical Leave Insurance Division) is dedicating time and resources to increasing transparency and resolution of the backlog of UI claims. Finally, the agency has since revoked its intent to award and returned to round 4 of its UI Modernization Solution procurement evaluation process which will involve remote "site visits," surveys, and compiling additional documentation in response to the procurement protest, with the goal of reissuing its notice of intent to award by early December 2020.

While the UI modernization project has been underway for several biennia, the Paid Family Medical Leave Insurance Program (PFMLI) is still in the design phases. As such, until fundamental decisions are made regarding PFMLI tax and benefit program design, a technology solution cannot be effectively planned, despite any similarities in the goals and customers of both the Unemployment Insurance and PFMLI programs. As to whether or not a modernized UI tax and benefits system can also serve as a PFMLI technology solution, OED cannot effectively assess and determine that possibility without the advice of its as-yet-to-be-selected UI system solution vendor.

Among others, the Gartner Risk Assessment included the following findings:

- The additional work associated with PFMLI poses a potential for conflicting priorities between the UI Modernization program and PFMLI and possible resource contention of highly specialized skills and shared services functions within the Department. Impacts on OED’s core operational units (e.g., HR, procurement, IT, etc.) may occur as resources become stretched to support both programs. Because of this, the risk assessment scorecard provided by the contractor was solidly yellow and red in all areas.

| OED Risk Assessment Scorecard | | | |
|---|-----|-------------------------------------|--------|
| Domain | | Risk Category | Risk |
| 1. Strategy & Leadership | 1.1 | Governance | Yellow |
| | 1.2 | Executive Support | Yellow |
| | 1.3 | Vision, Goals & Objectives | Yellow |
| | 1.4 | Business Case & Benefit Realization | Yellow |
| | 1.5 | External Dependencies | Red |
| | 1.6 | Sourcing and Vendor Management | Yellow |
| 2. Project Controls | 2.1 | Scope | Red |
| | 2.2 | Schedule | Yellow |
| | 2.3 | Budget | Yellow |
| | 2.4 | Resources | Red |
| | 2.5 | Risk and Issues | Red |
| | 2.6 | Communication & Collaboration | Yellow |
| 3. Solution Development & Implementation | 3.1 | Business Process & Requirements | Yellow |
| | 3.2 | Architecture & Design | Red |
| | 3.3 | Interfaces & Integration | Red |
| 4. Foundational | 4.1 | Security | Yellow |
| 5. Data Management | 5.1 | Data Conversion | Yellow |
| | 5.2 | Reporting & Analytics | Yellow |
| 6. Business Change | 6.1 | Organizational Change Management | Red |
| | 6.2 | Training & Knowledge Transfer | Yellow |
| | 6.3 | Support | Yellow |

| Risk Levels | Risk Rating Definitions |
|---------------|---|
| Low | Green — Risk area is being managed according to applicable best practices and there is no material impact from this risk area on project success at this time. |
| Medium | Yellow — Risk area is being managed according to some of the applicable best practices, but others are missing, or the inherent risk can only be mitigated to a limited extent. There is a potential material impact from this risk area on project success that needs to be addressed proactively at this time. |
| High | Red — Risk area is in need of applicable best practices to avoid downstream ramifications, or there is significant inherent risk that cannot be reasonably mitigated. There is a definite material impact from this risk area on project success if this area is not addressed now. |

- The PFMLI technology platform remains unknown and there is a lack of a comprehensive analysis of potential solution alternatives. For these reasons, Gartner was unable to detail risks within all categories of the risk-assessment framework.
- OED is legislatively mandated to meet specific PFMLI deadlines. A delay in the program implementation will require an extension by the Legislature.

Among others, the Gartner Risk Assessment offered the following mitigation strategies:

- OED must define its governance structure.
- OED must prioritize among competing agency initiatives. OED’s attached report acknowledges:

“The ambitious PFMLI implementation schedule, which is statutorily mandated, imposes severe constraints on the time available to the Department to analyze and evaluate alternatives. The existing decision-making timelines and processes, while thorough, will not support an on-time delivery of the PFMLI program concurrent with other Department priorities. The Department, partners, and stakeholders will need to determine appropriate tradeoffs between rigorous analysis and decision-making processes on the one hand, and the ability to deliver the PFMLI program within the desired timeframe on the other hand. “
- OED must complete a comprehensive alternatives analysis for PFMLI technology solution implementation, incorporating both PFMLI program design and the capabilities of a modernized UI tax and benefits system, with the advice of the selected UI vendor.

Both the UI Modernization and PFMLI programs and associated technology projects require meticulous planning, and significant expertise, staffing, and financial resources to ensure successful implementation. It is unlikely that PFMLI will be implemented pursuant to statutory deadlines, and expectations amongst the Legislature and stakeholders need to be reset in light of recent challenges, and program and project risks and complexity. Finite resources are available and rushing the required analysis, program design, and technology solution determinations will result in cost overruns, schedule delays, or perhaps the failure of one or both projects.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Emergency Board acknowledge receipt of the report.

23
Oregon Employment Department
Brickman

Request: Acknowledge receipt of a report on the completed risk assessment of the Employment Department’s capacity to plan, manage and implement major IT projects simultaneously to meet the objectives of both the Family Medical Leave Insurance Program and the unemployment Insurance tax system modernization project, per a Budget Note in House Bill 2005 (2019).

Recommendation: Acknowledge receipt of the report.

Discussion: Per the following Budget Note contained in the agency’s budget report for House Bill 2005 (2019), the Oregon Employment Department is submitting this report.

Budget Note

To ensure the successful planning, management, and implementation of the Family and Medical Leave Insurance (FAMLI) program, the Employment Department is directed to conduct a risk assessment of its capacity to plan, manage and implement multiple major IT projects simultaneously, and report back to the Legislature prior to the 2020 legislative session on risk assessment findings and potential strategies --including changes to anticipated implementation timelines -- to meet the objectives of both the FAMLI project, and the unemployment insurance tax system modernization project.

In addition, the Employment Department is directed to obtain qualified business project managers, systems analysts, and other consulting contractors with experience in planning projects of this type, scope, duration, and magnitude. The Employment Department is further directed to work closely with, and regularly report project status to, the Office of the State Chief Information Office (OSCIO) and Legislative Fiscal Office (LFO) throughout the lifecycle of the project, reporting to the Legislature as requested, and follow the Joint State OSCIO/LFO Stage Gate Review Process, utilizing all associated reporting and project management protocols throughout the life of the project.

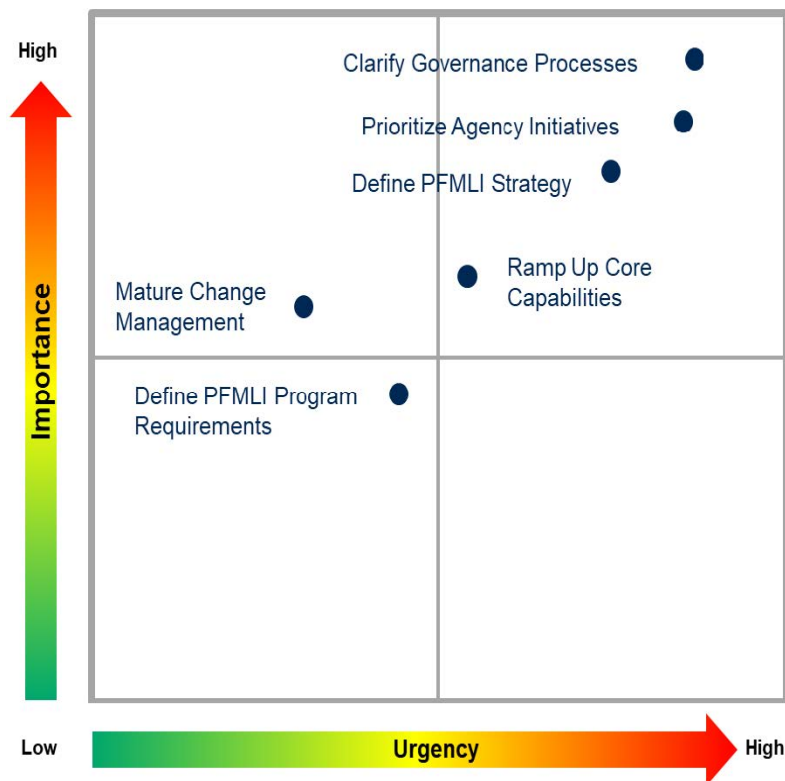
The Department contracted with Gartner in January 2020, to conduct a risk assessment of OED’s capacity to plan, manage, and implement multiple major information technology projects while maintaining Department functions. The vendor used its risk assessment framework tool to quantify risks in six domains. The final assessment was completed in August 2020. During the February 2020 Session, the Department appeared before the Joint Ways & Means Subcommittee on Transportation and Economic Development with a report on the Paid Family Medical Leave Insurance Program (PFMLI) and for a work session on the IT Risk Assessment Report. At that time, the risk assessment was in its infancy having only began in January.

This report is on the final product produced by Gartner. Of importance to note, the assessment was conducted prior to the onset of COVID-19, which had significant impacts on workload for the Department related to unemployment insurance programs established to address the impacts of the pandemic. The Department acknowledges in its report that while the risk assessment does not address the “current state” of the Department as impacted by COVID-19, it does identify areas the Department should be aware of to mitigate risks related to the implementation of new,

large programs. Gartner identified the following risks for the Department to pay attention to and work on:

1. Formalize the executive leadership team governance process;
2. Prioritize OED agency initiatives;
3. Define executive-level PFMLI Strategy – including alternatives analysis;
4. Ramp-up Core Capabilities (HR, Procurement, IT)
5. Define/Document PFMLI program requirements; and
6. Mature Agency Change Management capabilities

The importance and urgency of the risks identified are displayed by importance level and urgency level in the following chart. The Department is taking a holistic approach to all of the risks identified to allow for the integration of the agency’s strategic approach, build capacity, and address the prioritized recommendations. The Department’s response to each risk follows below:



1. Formalize the executive leadership team governance process

The Department’s Executive Team (ET) formalized a mandate to govern with clear decision-making processes and escalation criteria. The ET will serve as the final body for decisions impacting the Department, including: advocacy and assignment of resources as needed to ensure project successes (including legislative and financial; and barrier removal, and efficient and effective workflows within and between divisions).

2. Prioritize OED agency initiatives

In responding to COVID-19 impacts, the Department's staff and resources were usurped to prioritize the different benefit programs created by the federal government. The Department intends to clarify priorities, determine appropriate resources, and realistic timeframes for the project.

3. Define executive-level PFMLI strategy

The Department plans to define the scope and implementation approach for the PFMLI program; the decisions of which will include:

- a. Whether PFMLI contributions and reporting will be part of Oregon's existing payroll reporting process;
- b. Whether the same technology system can be used to support PFMLI contributions and UI tax contributions as the UI systems are modernized through the Department's ongoing Modernization program;
- c. Whether to have a third party administer some or all of the PFMLI program (as permitted by law); and if not whether the same technology system will be used to support PFMLI benefits and UI benefits as the systems are modernized.

This work and analysis began at the inception of the PFMLI program. The analysis and work remains ongoing with analysis and recommendations on decision points being made by staff. However, the Department has identified that it, its partners, and stakeholders will need to determine appropriate tradeoffs between "rigorous analysis and decision making processes ... and the ability to deliver the PFMLI program within the desired timeframe."

4. Ramp-up core capabilities (HR, Procurement, IT)

The Department reports that since March 2020, Human Resources has hired and on-boarded close to a thousand people to meet the needs of increased unemployment insurance demands due to COVID-19. To do so, the Department worked with other state agencies and the DAS Workday team to develop a new HR approach to allow for such a massive recruitment and on-boarding initiative. With respect to procurement, the Department has added people to support the Modernization projects and to support the procurement and contract processes associated with the PFMLI project. On the IT front, the Department reports the HR section will provide assistance to implement its new processes to onboard necessary IT staff.

5. Define/Document PFMLI program requirements

The report indicates the work of defining and documenting the PFMLI requirements is in process and has included stakeholders, since January 2020. The work includes: development of administrative rules and policies; development of business process; and identification of functional and technical requirements for technology solutions. According to the Department, the PFMLI policy development and business analysis teams are creating a suite of tools to concentrate on supporting the review of requirements associated with the project.

6. Mature agency change management capabilities

Important project leaders have begun training in the PROSCI Change management Model – ADKAR. Using this method, which is reportedly used broadly throughout state government, will help develop a common language for change management success. To ensure success the Department intends to centralize project and change management within the agency.



Oregon

Kate Brown, Governor

Employment Department

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TTY-TDD 711

www.Employment.Oregon.gov



November 2, 2020

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301-4048

Dear Co-Chairs:

Nature of the Emergency/Request

The Oregon Employment Department (agency) requests acceptance of the attached report. The Legislative Assembly passed House Bill 2005 in the 2019 Regular Session creating a paid family and medical leave insurance program in Oregon. House Bill 2005 included the following budget note requesting the agency provide a report to the Legislature:

To ensure the successful planning, management, and implementation of the Family and Medical Leave Insurance (FAMLI) program, the Employment Department is directed to conduct a risk assessment of its capacity to plan, manage and implement multiple major IT projects simultaneously, and report back to the Legislature prior to the 2020 legislative session on risk assessment findings and potential strategies – including changes to anticipated implementation timelines – to meet the objectives of both the FAMLI project, and the unemployment insurance tax system modernization project.

The agency was also asked by the Joint Committee on Ways and Means Subcommittee on Transportation and Economic Development to present a status update on the Paid Family and Medical Leave Insurance program (PFMLI) during the February 2020 Legislation Session.

Agency Action

In the agency's January 2020 update letter to the Joint Interim Committee on Ways and Means, the agency conveyed that work with a vendor had been initiated to conduct the risk assessment of managing and implementing both the Unemployment Insurance Modernization Project and the PFMLI program, and that the agency would provide a status update on the PFMLI and the risk assessment to the Joint Committee on Ways and Means Subcommittee on Transportation and Economic Development during the February 2020 Legislative Session. The agency provided an update to the Subcommittee in February on its progress; and, the risk assessment was completed and the report (attached) was submitted on September 9, 2020.

Background

The attached report details the background of the agency's program, both existing and new, and the purpose, approach, and context of the risk assessment conducted. In the attached report, the agency responds in greater detail to each of the recommendations and outlines some mitigation strategies.

Action Requested

The Oregon Employment Department requests acceptance of the report.

Legislation Affected

None

Sincerely,



David Gerstenfeld
Acting Director, Oregon Employment Department

cc: Ken Rocco, Legislative Fiscal Office
Michelle Deister, Legislative Fiscal Office
Sean McSpaden, Legislative Fiscal Office
George Naughton, DAS Chief Financial Office
Tamara Brickman, DAS Chief Financial Office



Oregon

Kate Brown, Governor

Employment Department

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September 9, 2020

The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Joint Interim Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301-4048

Dear Co-Chairs:

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Background

The foundation of unemployment insurance programs in the nation is 85 years old.

Unemployment Insurance programs are based on policies built within the Social Security Act of 1935 and until March 2020, was largely unchanged. The Oregon Employment Department (OED or Department) was created in 1993 and today exists to collect Unemployment Insurance taxes, disburse Unemployment Insurance benefits, assist workers to find sustainable employment, assist businesses to find skilled workers, and provide first-rate local and statewide workforce economic data. Since 2015, OED has been engaged in a Modernization effort, with a plan to update its existing mainframe (legacy) systems. In 2019, the Oregon Legislature directed the Department to establish a Paid Family and Medical Leave Insurance (PFMLI) program, with contributions into the PFMLI Trust Fund to begin on January 1, 2022 and the payment of benefits to eligible individuals on January 1, 2023. The Department initiated planning for this new program in September 2019 when the bill creating the program became effective.

With so many moving parts, it is incumbent on the Department, its stakeholders and partners, and those providing oversight to assess the resources that the Department requires to ensure the success of the Modernization and PFMLI programs and to mitigate risk. Establishing the PFMLI program within the Department in the 2019 Oregon Legislative session included House Bill 2005 and the budget note language above.

In order to comply with this directive, and ensure a robust review of potential risks and mitigation approaches, the Department procured the independent services of Gartner to conduct a risk assessment of OED's capacity to plan, manage, and implement multiple major information technology projects while maintaining Department functions. Modernization and the creation of PFMLI are not just technology projects – while there are major technology components to support these efforts, the impact of the programs, and what is needed to serve the needs of Oregonians, extends well beyond just a technology project. The vendor used its risk assessment framework tool to quantify risks in six domains, which are outlined below.

At the time of the assessment, the start-up of the PFMLI program had been in progress for four months, whereas the Modernization Program, which received legislative approval in 2015, had initiated its planning phase in 2016. And the Unemployment Insurance program was going on year 85 of its existence. Applying a single risk assessment framework tool to quantify risks to multiple functions, programs, and projects of work is a challenge. Even more so when one is just being built and another is the transformation of a well-established, decades old program. However, the assessment does highlight themes of potential risks that the Department can shine a light on and mitigate.

Moreover, Gartner conducted its risk assessment prior to the onset of the COVID-19 pandemic, the repercussions of which have compelled the Department to focus its resources on responding to the unprecedented volume of unemployment insurance claims filed by Oregon workers since early March. This effort requires the sustained engagement of many key areas of the Department, including the agency's executive leadership, information technology teams, procurement services, and human resources.

Although the Gartner risk assessment does not address the current state of the Department, which has been significantly impacted by the COVID-19 pandemic, it nevertheless identifies themes pointing to areas where the Department can mitigate risks relating to the implementation of new

and large programs. Below, the Department responds in greater detail to each of Gartner's recommendations and outlines some mitigation strategies.

Risk Assessment Summary from Gartner:

“Establishing the PFMLI program will be a new challenge for the agency, however OED has many tenured staff and leadership in place with notable knowledge and experience within the public sector. That said, the PFMLI program is in its early stages (initiated in October 2019) with a solid core team already in place as hiring efforts continue.

A key issue for the PFMLI implementation will focus on integrating the agency's strategic approach within the larger context of the OED Modernization program. OED leadership is tasked with defining the most effective approach to implement and administer the PFMLI program. Once the approach is identified, OED leadership should then evaluate and agree upon the most appropriate technology platform on which to implement PFMLI (i.e., via integration, custom-build, or outsourced solution).

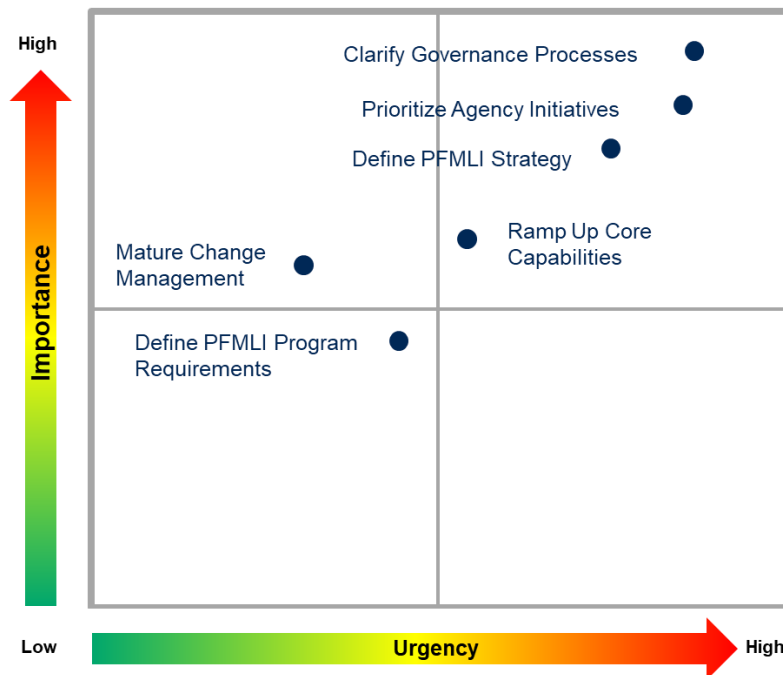
As a first step, OED's executive team should prioritize agency-wide initiatives using established or modified governance processes. Secondly, OED should evaluate alternative PFMLI solutions to understand the business impacts of each potential choice. Achieving these key activities will provide clear direction and enhance progress in determining the PFMLI business, technical, and resource requirements.

OED is in the process of hiring a dedicated PFMLI program team to prepare for the PFMLI implementation. OED leadership may benefit from adapting their approach by defining the executive-level prioritization and solution alternatives analysis before, or in parallel with, hiring the PFMLI program team.”

Prioritized Summary Recommendations from Gartner:

The Gartner risk assessment framework tool prioritized recommendations by importance and urgency as follows.

- 1 Formalize the executive leadership team governance processes
- 2 Prioritize OED agency initiatives
- 3 Define executive-level PFMLI Strategy (including alternatives analysis)
- 4 Ramp-up core Capabilities (HR, Procurement, IT)
- 5 Define/Document PFMLI program Requirements
- 6 Mature Agency Change Management capabilities



Detailed Recommendations from Gartner and Agency Action Steps

To integrate the agency's strategic approach, build capacity, and address the prioritized recommendations, the Department is examining the agency solutions as a whole--not in parts and pieces. Many parts of the agency have existing capacity to perform core work, which can create imbalance of where resources go and when. For example, Unemployment Insurance (UI) has structure and processes to collect tax reports and taxes from businesses and pay benefits; Workforce Operations has the infrastructure to find workers for businesses and to assist workers to find jobs; Research is equipped to provide localized and statewide workforce economic information; the Modernization Program has a team suited for the planning stage of the UI Modernization project and is well in to the process of shifting the project team to work with a vendor; the PFMLI program is building its team and doing planning and substantive work to build the PFMLI program. However, all these efforts need to follow an integrated strategic approach.

In each of the six domains Gartner uses for the risk assessment, the Department will use a holistic lens across all of our core and emerging work.

1

Formalize the executive leadership team governance processes

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|---|--|
| Description and Rationale | Due to OED’s multiple governing bodies, it will benefit OED to clarify the role of the executive leadership team in the overall governing process. |
| Key Activities | <ul style="list-style-type: none"> ▪ Redevelop OED’s Executive Team Charter ▪ Set clear criteria for escalations to Executive Team ▪ Broadly communicate the new Executive Team Charter |
| Dependencies | <ul style="list-style-type: none"> ▪ n/a |
| Key Success Factors | <ul style="list-style-type: none"> ▪ Document and communicate the Executive Team Charter with the other governing bodies ▪ Ensure all governing bodies are in alignment and understand the decision-making processes and escalation criteria |
| Oregon Employment Department Response | |
| <p>OED Executive Team is accountable for decisions that affect the agency’s functioning and this includes delivering core services and establishing new programs.</p> <p>The Employment Department’s Executive Team serves as the agency’s ultimate decision-making body and the prioritization-setting body for the Department as an enterprise. This is a healthy escalation point for the Department’s core programs, the Modernization Program, and the new PFMLI program. The Executive Team must be able to take responsibility for the individual and collective success of the agency.</p> <p>The Executive Team has a formalized mandate to govern with clear decision-making processes and escalation criteria. The Executive Team serves as a final body for decisions that impact the Department and/or the broader landscape of OED. Examples include:</p> <ul style="list-style-type: none"> • Advocacy and assignment of resources as needed to ensure project successes (including Legislative and Financial) • Barrier removal, and efficient and effective workflows within and between divisions | |

2

Prioritize Oregon Employment Department agency initiatives

| | |
|---------------------------|---|
| Description and Rationale | Based on data gathered, agency priorities are unclear given the PFMLI program is being developed in tandem with Modernization efforts. |
| Key Activities | <ul style="list-style-type: none"> ▪ Determine agency priorities across the various large-scale initiatives ▪ Document and communicate the prioritization-levels ▪ Develop a communications strategy to reinforce ongoing prioritization |
| Dependencies | <ul style="list-style-type: none"> ▪ OED Executive Team Charter |
| Key Success Factors | <ul style="list-style-type: none"> ▪ Clear articulation of when IT, Modernization and PFMLI governing bodies should escalate decisions and conflicts to the executive team ▪ Clear outline of decision-making process |

Oregon Employment Department Response

The Modernization Program has been a clear priority in the agency since early 2016. However, since then, the Paid Family and Medical Leave Insurance program was introduced to the Department in September 2019, with aggressive timelines for implementation. In March 2020, the state fell into the worst recession on record due to the COVID-19 public health crisis. Responding to the enormous volume of claims filed by Oregonians who have been unable to work because of the COVID-19 pandemic has been the agency’s priority for the last several months and will continue to be the agency’s top priority for the foreseeable future.

The Department agrees that it must be clear about agency priorities, be strategic and visionary, and deliver communications and take actions which are consistently in alignment with those priorities. In this new world, the Department will clarify priorities and what is required as far as resources and realistic timeframes. It makes sense to manage agency-wide priorities centrally, but to also ensure that doing so does not tie up decisions in process.

| <div style="background-color: #4a698d; color: white; padding: 5px;"> 3 Define executive-level PFMLI strategy </div> | |
|--|--|
| Description and Rationale | OED’s executive team should promptly decide on a high-level strategy for the implementation of PFMLI. The completion of an alternatives analysis for the PFMLI solutions will provide OED the information it needs to determine the most viable strategy. |
| Key Activities | <ul style="list-style-type: none"> ▪ Perform an alternatives analysis of all possible PFMLI strategies to understand the business and customer impacts of each solution ▪ Make an executive team decision on which PFMLI approach to take, based on the alternative analysis |
| Dependencies | <ul style="list-style-type: none"> ▪ OED executive team charter ▪ OED executive-level prioritization of key initiatives |
| Key Success Factors | <ul style="list-style-type: none"> ▪ Data-driven decisions ▪ Decisions that are aligned with the agency’s priorities and that are in the best interests of the customers ▪ An alternatives analysis that clearly outlines potential outcomes and risks of each option |
| Oregon Employment Department Response | |
| <p>To clearly define the scope and implementation approach for the PFMLI program, the Department will make strategic decisions in the following areas:</p> <ol style="list-style-type: none"> 1. Whether PFMLI contributions and reporting will be part of Oregon’s existing combined payroll reporting process; 2. Whether the same technology system will be used to support PFMLI contributions functionality and UI tax functionality as UI systems are modernized through the Department’s ongoing Modernization program; 3. Whether to have a third party administer some or all of the PFMLI program, as permitted by ORS chapter 657B; and if not, whether the same technology system will be used to support PFMLI benefits functionality and UI benefits functionality as UI systems are modernized. <p>Analysis of these alternatives has been underway since the inception of the PFMLI program. Program staff have provided analysis and recommendations on these decisions points, and continue to refine</p> | |

the analysis as more information is known. The Department's leadership team is working within existing governance structures to review alternatives with partners and stakeholders, including the statutorily created PFMLI Advisory Committee, and arrive at decisions that are aligned with the Department's priorities and that are in the best interests of its customers.

Additionally, the Department is being challenged to do business differently given that historical structures need to change in response to economic and health concerns resulting from the COVID-19 pandemic. For example, more work needs to happen remotely, with less face to face contact with our customers. Merely integrating PFMLI into existing agency functions will not be sufficient – the program must be designed to incorporate changes to which the rest of the Department is now also having to transition.

The ambitious PFMLI implementation schedule, which is statutorily mandated, imposes severe constraints on the time available to the Department to analyze and evaluate alternatives. The existing decision-making timelines and processes, while thorough, will not support an on-time delivery of the PFMLI program concurrent with other Department priorities. The Department, partners, and stakeholders will need to determine appropriate tradeoffs between rigorous analysis and decision-making processes on the one hand, and the ability to deliver the PFMLI program within the desired timeframe on the other hand.

| <div style="text-align: left;"> 4 Ramp-up core capabilities (HR, Procurement, IT) </div> | |
|---|---|
| Description and Rationale | Modernization has impacted OED's areas of core capabilities (Procurement, HR, etc.). Further stress on these areas will occur as they begin to support the increase in staff from both Modernization and PFMLI. Preparing for these increases early will help OED scale more efficiently. |
| Key Activities | <ul style="list-style-type: none"> ▪ Clearly communicate program schedules and priorities to the broader organization ▪ Improve HR capabilities and processes to better support agency and program initiatives ▪ Improve documentation processes to foster knowledge transfer across the agency, specifically in core business areas that will be most impacted by PFMLI's staffing increase (e.g., HR, IT, procurement) |
| Dependencies | <ul style="list-style-type: none"> ▪ Procurement activities may be subject to DAS-approval and Stage-gate processes/timelines |
| Key Success Factors | <ul style="list-style-type: none"> ▪ A recurring budgetary evaluation to show financial impacts to these core areas may provide data for future resource determinations ▪ Enable Workday (HRIS application) functionalities that may enhance HR processes and create efficiency |
| Oregon Employment Department Response | |
| <p>The Department needs to successfully maintain core functions while growing new programs. This stresses capacities for the Department's shared services, namely HR, IT, and Procurement. HR is a relatively small section, and there was concern about the ability to be nimble, flexible, and quick to meet the increased staffing needs to support the Modernization program. However, since March 2020, HR has hired and on-boarded close to a thousand people to meet the needs of increased unemployment demand during the COVID-19 pandemic. The agency modified recruitment processes to increase the number of people hired and retained. The agency first used a professional pre-</p> | |

employment assessment and applicants were assessed for work ethics and fit prior to hiring. The agency also used a professional skills assessment for reference checking and instituted cohort-like recruitments where there was a need for multiple positions with similar classifications. Also, the agency is receiving assistance from other state government agencies to help with recruitment and surge hiring, and adding talent to the HR team. DAS Workday team helped the Department with integrating pre-employment assessment and reference checking providing significant administrative efficiency.

This new HR approach will also help mitigate the issues the agency has experienced with recruiting and retaining employees to help with the Modernization Program, the PFMLI program, and core Department business. Additionally, HR received some positional help to support the Modernization program and the PFMLI program in the 2019-2021 legislative session.

The procurement office also is a small section. The agency added one person to support Modernization procurement activities and contract processes. Similarly, the agency added a procurement and contract specialist position to support PFMLI-related procurement activities and contract processes. These additions are not sufficient to support large procurement activities long-term. Due to the size and complexity of the UI Modernization project procurement, the OED procurement and Modernization program resources and the Department of Administrative Services Procurement Services coordinate to procure needed resources.

OED's IT staff has also adjusted to emergency needs resulting from the COVID-19 pandemic. This increased demand has put stress on the IT staff to support a more remote workforce, while also making programming changes to the outdated mainframe UI system in order to support increased volume and numerous federal changes. Regardless of the IT system(s) selected for implementation for UI Modernization and PFMLI, substantial new IT resources are needed. OED has already brought several people back from retirement who are familiar with the legacy systems and are hiring more IT employees.

To accomplish this hiring, IT will rely on the HR section to employ their new assessment processes to onboard talent. The agency's successful hiring surge for UI claims employees is ramping down somewhat and with a focused recruitment plan OED can fill the positions with needed talent.

| <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin-right: 10px;">5</div> <div> Define/Document PFMLI program requirements </div> </div> | |
|---|--|
| Description and Rationale | An analysis of PFMLI program requirements are still in progress given the early stages of the program. Program requirements must be in place and understood to make the most appropriate decisions for the agency and its customers, while continuing to drive towards the PFMLI legislatively mandated deadlines. |
| Key Activities | <ul style="list-style-type: none"> ▪ Develop a requirements tracker and formal documentation to track business and technical requirements ▪ Develop and track architectural and design requirements ▪ Develop a detailed gap analysis |
| Dependencies | <ul style="list-style-type: none"> ▪ OED executive team charter ▪ OED executive-level prioritization of key initiatives ▪ Defining the executive-level PFMLI strategy |
| Key Success Factors | <ul style="list-style-type: none"> ▪ Collaboration and regular communication between PFMLI and Modernization teams |
| Oregon Employment Department Response | |

Defining and documenting the PFMLI requirements is in progress and has included stakeholders since January 2020. This includes three main work streams: (1) development of administrative rules and policies; (2) development of business processes; and (3) identification of functional and technical requirements for technology solutions. This work is being carried out through close collaboration between the policy development and business analysis teams, supported by robust public outreach through the advisory committee and its workgroups and, eventually, through public listening sessions.

The PFMLI policy development and business analysis teams are creating a suite of tools to support requirements elicitation and review; functional and technical requirements traceability; and tracking of policy and rule development processes. In addition, the PFMLI and Modernization teams frequently communicate at both the leadership and program staff levels, and have collaborated to produce a cross-walk of PFMLI and Modernization system requirements. All of this work will enable the program to define, in detail, the scope of business processes and technology investments that will ultimately be needed to implement the PFMLI program.

Links:

1. PFMLI program webpage, sign up to receive progress updates, <https://www.oregon.gov/employ/PFMLI/Pages/default.aspx>
2. PFMLI Advisory Committee and Workgroups webpage, <https://www.oregon.gov/employ/PFMLI/Pages/PFMLI-Advisory-Committee.aspx>

| 6 Mature agency change management capabilities | |
|---|---|
| Description and Rationale | Modernization and PFMLI are both large-scale initiatives that will impact all areas of the business. A well-developed change management plan will be critical to the long-term success of both initiatives. |
| Key Activities | <ul style="list-style-type: none"> ▪ Identify and develop change leaders/agents across various areas of the agency ▪ Develop a change strategy plan with targeted communication ▪ Continue to develop communications and change management capabilities across the agency, making change management an organizational competency. Determine how change resources will be leveraged both within the PFMLI program and agency wide |
| Dependencies | <ul style="list-style-type: none"> ▪ A clear executive-level strategy and prioritization list for short-term and long-term agency objectives |
| Key Success Factors | <ul style="list-style-type: none"> ▪ Executive-level sponsorships ▪ Buy-in from key change agents ▪ Incorporate the use of training and feedback loops (internal and external) to continually adjust and improve on change management strategies |
| Oregon Employment Department Response | |
| <p>Good change management includes active engagement of the people who will be impacted by, and needed for the success of, the change.</p> <p>OED has already begun training key project leaders in the PROSCI Change Management Model – ADKAR. This methodology is being used somewhat broadly throughout Oregon government. Once OED has established the governance structure and finished hiring the project teams, ensuring everyone is trained in the ADKAR model will help with a common language for change management success. With the number of large and complex initiatives, the COVID-19 pandemic placing extreme pressure on the Department’s core functions, and the current intensive need for the agency to perform,</p> | |

the OED needs a clear path into the future. The agency cannot support separate divisional initiatives and support core functions without combining resources.

Towards that end, project management and change management should be centralized and carry the whole Department. The agency will provide coordinated strategic project management and change management services. The Modernization Division has already entered into a contract for organizational change management services to meet the known short-term needs. This was done in coordination with PFMLI and with an agency-wide lens. As broader and longer term change management needs are more clearly defined, coordinated work to provide that support for the whole agency will be done.

Risk Mitigation Strategies

Besides the significant impact of the COVID-19 pandemic after the Gartner assessment, other changes have also taken place. This includes additional work exploring how PFMLI and Modernization projects can potentially support each other. There are several mitigation strategies that agency will use, or may need to use depending on how events proceed. These include the following.

- Formalize agency’s Executive Team charter to set clear criteria for issues that escalate to the Executive Team and otherwise clarify the relationship between various governance structures. Share this widely so there is common understanding of when and how issues get brought to the Executive Team.
- Communicate with stakeholders, including legislators, about the feasibility of statutory timelines and pursue changes when needed. If meeting statutory timelines for implementing parts of PFMLI are not feasible, or if trying to do so puts too much risk on the agency’s ability to continue paying benefits to Oregonians or perform other core functions, or creates excess risk for the success of Modernization, these issues will be raised with stakeholders. Mitigation may require seeking changes to the statutory dates for PFMLI. Those implementation dates were relatively aggressive when enacted. With the onset of the COVID-19 pandemic and the impact on the agency, it is likely those dates will need to be adjusted.
- Clearly set priorities at the agency level across the various large scale initiatives underway or needing to be undertaken. Document those and communicate them throughout the agency. Reexamine those priorities at regular intervals and if new large initiatives arise. Use those priorities to guide resource allocations and other decisions.
- Continue learning from other states regarding their PFMLI implementations and planning work, particularly how those programs relate to unemployment insurance programs. Incorporate that learning into planning, strategies, and tactics in Oregon.
- Have robust engagement with oversight entities and stakeholders about the relationship of PFMLI, Modernization, and ongoing agency operations and how to create the best overall outcomes for Oregonians. This includes exploring impacts of these different programs on each other and the various options for how they can relate to each other – such as sharing technology platforms and organizational structures.
- Continue building capacity in core support areas such as HR, procurement, and IT. These areas have all done large amounts of work, and in novel ways, to support the agency during the pandemic. The capacity building, and regular innovation of practices, will continue so the agency can continue to quickly support evolving needs. These support areas will explore best practices and performance standards from other agencies to ensure the best approaches are being used to support the agency and its initiatives.

Action Requested

The Oregon Employment Department requests acceptance of this report.

Legislation Affected

None

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Gerstenfeld', followed by a long, horizontal, wavy line that extends across the page.

David Gerstenfeld
Acting Director, Oregon Employment Department

cc: Ken Rocco, Legislative Fiscal Office
Michelle Deister, Legislative Fiscal Office
Sean McSpaden, Legislative Fiscal Office
George Naughton, DAS Chief Financial Office
Tamara Brickman, DAS Chief Financial Office