


2087

copy

	Paper No.:		
	Date: 15/4/10		
	Member: Hon Lucas		
<input checked="" type="checkbox"/>	Tabled	<input type="checkbox"/>	Tabled, by leave
<input type="checkbox"/>	Incorporated, by leave	<input type="checkbox"/>	Remainder incorporated, by leave
Clerk at the Table:			

QUEENSLAND HEALTH BRIEF FOR NOTING

Our Ref:
 Date: 06 July 2009
 TO Deputy Premier and Minister for Health
 FROM Director QHEST
 SUBJECT Interim Payroll Replacement - QHIC
 Requested by Director QHEST
 Anthony Price

RECOMMENDATION

That you note issues in relation to the IBM contract with CorpTech and that both CorpTech and Queensland Health are working to obtain a solution to the issues.

BACKGROUND SUMMARY

- Queensland Health Interim Payroll Replacement Project – QHIC (Queensland Health Interim Continuity) was initiated by CorpTech in order to mitigate a risk to Queensland Health payroll from an unsupported and aging payroll system, Lattice. The current payroll solution was not considered robust enough to handle the imminent Nurses EB and product support from the vendor was due to expire in July 2008.
- The QHIC Project is significantly over time and budget. This project has been seriously challenged since August 2008 when the first delay notice was received by CorpTech from the project vendor, IBM. At this time Queensland Health wrote to CorpTech formally advising that it had limited confidence in IBM's ability to deliver on the QHIC Project as there was evidence of failure to follow a recognised project methodology and there appeared to be insufficient skilled resources available to the project. The Queensland Health position is substantially unaltered and the same concerns are evident after 10 months.
- Queensland Health are concerned that the control of the project deliverables rests with CorpTech. This has complicated the governance and deliverable acceptance process causing unnecessary delays. In addition, costs have escalated substantially since a fixed price contract was agreed to the extent that the project budget and timeframe have nearly trebled.
- IBM have been in breach of their contract since August 2008. CorpTech have been aware of this situation and have failed to exercise their rights with the vendor. The Government's legal position has been weakened by this failure to enforce contract provisions as IBM could argue that lack of formal pursuit may be interpreted as CorpTech accepting the delay and that time is no longer of the essence.

- Queensland Health requires IBM and CorpTech to deliver a solution scalable for an organisation of the size and complexity of Queensland Health which will perform within the available payroll processing window. IBM are yet to provide evidence that they are able to deliver on this requirement.
- The original contract was "fixed price" and was negotiated between IBM and CorpTech on behalf of Queensland Health. As the project progresses, and delays to go-live occur, further project costs are incurred at approximately \$1M for each month over the original scheduled date. At this stage the project is one year beyond that original contracted go-live date.
- At this stage of the QHIC Project and regardless of any decision regarding the continuation of the current arrangements, Queensland Health must execute contingencies for Lattice and ESP applications to ensure continuation of QH payroll at an additional cost.

ISSUES

KEY REASONS FOR FAILURE OF THE QHIC PROJECT

- Lack of recognised project management methodology has resulted in failure to manage development of solution requirements through design and build process.
- Lack of adequate skill and resources provided by IBM
- Critical failures of governance to ensure Queensland Health business needs were met

FAILURE OF PROJECT PARTNERSHIP

Lack of Recognised Project Management Methodology

- To successfully deliver large ICT projects it is recognised across industry that you need to follow a robust project management methodology. Queensland Government has recognised this need and has introduced through the Chief Information Office, a requirement for Agencies to introduce program and project management methodologies. This was recognised in the Service Delivery and Productivity Commission Report recommendations on ICT Governance to the QGCIO and mandated across Government.
- In SoW 8 IBM committed to follow their Ascendant Project Management Methodology however during its engagement with Queensland Health in the QHIC Project they have failed to apply a project methodology consistently throughout the project lifecycle.
- The lack of project methodology has set the project up for a number of critical failures that have impacted the successful delivery of a fit for purpose product.

Project Schedule

- IBM failed to take project accountability and produce a robust end to end project schedule mapping all the inter project dependencies between themselves, CorpTech and Queensland Health. The current iteration of the IBM schedule has not been base-lined therefore IBM is not able to measure and report progress against scheduled activities from time to time and authentically advise progress of the project to Queensland Health.

- The project schedule has repeatedly underestimated the time and resources required to complete activities and there has been insufficient allowance for project contingencies.
- The Project Schedule has been continually revised with the result that much of the testing activities were compressed. Many activities were forced to run in parallel with phases of the testing condensed. This overlap of testing within the schedule has had serious impact on the testing actually undertaken and the quality of the outcomes from that testing.
- Queensland Health advised IBM of the weaknesses on a number of occasions. IBM have continued to fail to implement basic best practice methodology.

Project Resourcing

- Throughout the project, IBM failed to provide sufficient numbers of appropriately skilled resources which would have been reasonably expected in a project of this size and complexity. This has meant that Queensland Health have had to inject considerably more resources to take up the gap and has resulted in unforeseen cost escalation.

Quality Management

- IBM had promised robust Quality Management Processes and methodology in their response to the tender process. There is no evidence that CorpTech have implemented quality management processes in partnership with IBM on this project.
- The master contract negotiated and signed through CorpTech also necessitated that all the deliverables follow proper quality assurance and acceptance criteria. To date (almost 1 1/2 years since the project started) IBM and CorpTech have not agreed on the final list of work products and their respective acceptance criteria. IBM outputs have been very poor in quality and they have not instituted any internal quality assurance formally.

Business Requirements

- The comprehensive identification of business requirements is fundamental to the quality of the final product. The process followed by IBM to identify Queensland Health business requirements was inadequate.
- Failure to identify business requirements has severely impacted the quality of the solution with a large number of deficiencies being identified during User Acceptance Testing (UAT) and a high number of manual business workarounds being put in place to meet the shortfall.

Scope

- Deficiencies in identifying business requirements have meant that there has been ongoing debate on project scope and deliverables.

- In an effort to meet various go-live dates and minimise cost, Queensland Health agreed to de-scope a large number of items from the solution during the QHIC project.
- A subsequent project is required to complete these items and to resolve the workaround accepted by Queensland Health. At the moment these manual workarounds total 62 with an estimated cost for maintaining these workarounds for an additional eight months post go-live (in anticipation of an eventual fix) is \$2M. Of these, approximately 30 workarounds have been designed and approved that impact net pay whilst the balance refers to workarounds within the solution.

Design

- Queensland Health is the pilot for the whole-of-Government solution for Workbrain and SAP HR. This has added further risk to be borne by Queensland Health on behalf of Government.
- The IBM solution, which is based on integrating Workbrain and SAP is complex and the implications are not fully understood especially in terms of payroll performance.
- During the project IBM have failed to provide documentation on the end to end solution design blueprint. This has resulted in deficiencies being identified much later in the project lifecycle.
- Lack of fully documented system design has limited the transfer of skills to Queensland Health and CorpTech staff which is necessary to test the solution adequately and to ensure appropriate support for the solution post go-live.
- It is understood that CorpTech have recently engaged SAP Australia, the software vendor, to undertake a review of the IBM solution design for QHIC. IBM have requested Infor, the Workbrain vendor, to review that solution design.

Build

- Deficiencies in identifying business requirements and weaknesses in design will usually impact the quality of the solution build. This is evidenced by the high number of Severity 1 and 2 defects currently being experienced in UAT and the requirements for manual workarounds.

Test

- Parallel Pay Run Testing (PPRT) is a test to ensure that the new payroll solution provides consistent results with the current payroll product. To date this test has failed to meet to criteria agreed between Queensland Health, CorpTech and IBM. Test execution was ceased on 29 May 2009 with two agreed items yet to be completed. To date a PPRT completion report has not been presented with test results for review or acceptance by Queensland Health.

- UAT is meant to be final quality check of product before system implementation. In typical projects there are few errors detected which provides a high level of confidence in the quality of the solution. In the QHIC project this has not been the case. As at 24 June 2009 the number of defects detected is 359 Severity 1 and 2 with 130 defects yet to be addressed by IBM. This report identifies that 272 Severity 1 and 2 defects are outstanding. This is an unusually high number of defects.
- The high number of Severity 1 and 2 defects indicates testing by the vendor either did not occur or was inadequate. KJ Ross, an independent company specialising in solution testing, appointed by QHEST to assess quality, has described the quality of the build as very poor.

Failure to Deliver on Time and Budget

- During late 2007 IBM was engaged as Prime Contractor under a GITC Customer Contract to deliver the Queensland Government's Shared Services program. IBM proposed it would develop and implement an interim replacement solution for Queensland Health of the Lattice HR application which, at 30 September 2008, became a vendor un-supported application.
- IBM proposed it would implement the Lattice Interim solution (Workbrain and SAP HR/Payroll ECC5) by the end of July 2008. At contract this was varied in SoW 8 with "go-live" planned on 30 August 2008. The total price for the complete Lattice Interim solution described in 7¹, 8² and 8A³ was \$7,105,288.
- The contract with IBM also covered obligations in relation to SoW 5⁴ (Priority Core HR & Finance Development) and SoW 12⁵ (Workbrain Rostering Build Requirements).
- The delays and escalation of costs are concerning given the IBM contract was negotiated on a fixed price basis. Inadequate contract management has seen this fixed price contract evolve into a time and materials engagement.

Relationship between Vendor and Customer

- The relationship between IBM, CorpTech and Queensland Health has not been strong. IBM has had a total of 5 project managers during the implementation life cycle. There has been little opportunity to build an ongoing relationship and trust. It has seriously impacted any sense of project continuity and severely hampered deliverables with continual renegotiation and reengagement.
- The legacy of this is reflected in deficiencies in the business requirements and design. This lack of relationship continues to plague the project.

¹ Statement of Work 7 "Lattice Replacement Interim Solution Scoping and Planning" 2007.

² Statement of Work 8 "Lattice Replacement Design, Implement and Deploy" Version 1.2 June 2008.

³ Statement of Work 8A "Lattice Replacement Design, Implement and Deploy from 2nd January 2008 to 18th January 2008" 2008.

⁴ Statement of Work 5 "Priority Core HR & Finance Development" 2007.

⁵ Statement of Work 12 "Workbrain Rostering Build Requirements" April 2008.

Governance

- CorpTech governance processes necessitated CorpTech signoff on deliverables that impact Queensland Health business. This arrangement has resulted in limited control by Queensland Health.
- The tripartite arrangement between IBM, CorpTech and Queensland Health has weakened governance of the QHIC Project. Most notably the contract is between IBM and CorpTech. Queensland Health is not a party to the contract and therefore has to rely on CorpTech to enforce any penalties or breach notices associated with that contract when they occur.
- IBM have often stated that "we don't know who our client is" which confirms confused governance which has been an issue for the project since its inception.
- Members of the Board, at times, direct the project rather than operating as an escalation body. The governance structure, fundamentally still requires improvement to appropriately perform.
- Effective project governance usually requires demonstration of progress and deliverables at key milestones. This is reflected in the whole of government adoption of Program and Project management methodologies mandated by the QGCIO which requires gateway reviews during a project lifecycle.
- The Service Delivery and Productivity Commission report into ICT Governance in the Queensland Government notes that "Queensland Treasury is currently developing a gateway review process as part of its Project Assurance Framework. Gateway reviews will provide a mechanism for the independent assurance of projects."⁶
- It would appear that CorpTech has not effectively adopted project reviews that would have been expected to occur as a result of either the Gateway Review process or application of a Project Assurance framework.

RISKS

Solution Quality

- The quality of the solution build has not been high. Unless all of the defects are identified and rectified prior to go-live there is a risk that payroll calculation for Queensland Health employees may be incorrect resulting in either under or over payments to employees.
- Deficiencies noted above in Testing have not provided the confidence that would normally be expected at this stage in the project lifecycle. This would need to improve considerably before a go-live could be contemplated.
- There is a risk that both IBM and CorpTech may be willing to compromise solution quality in order to achieve a go-live date, resulting in an unacceptable risk profile for Queensland Health.
- A similar recent project in local government, the Brisbane City Council payroll solution, drew the attention of both the Auditor General of Queensland and Public Accounts Committee. The failures in this project were identified by an independent audit as inadequate User Acceptance Testing and poor governance. The solution quality impacted employee payments and entitlements and required significant resources to address. This project and its failures were reported in the media.

⁶ Service Delivery and Productivity Commission "Review of ICT governance in the Queensland Government Report", p. 33, September 2006

System Performance

- Payroll processing is structured so that cut-off times allow Queensland Health to meet its obligations in relation to the disbursement of employee entitlements. A window of 12 hours exists within which all payroll processing must complete. Failure to meet this timeframe means that employees may receive their entitlements late which could result in industrial activity.
- At the time IBM were awarded the contract it was known that there were performance problems with the whole-of-Government standard offering. This was made clear during the tender process and IBM had agreed to address these. Under SoW 8 there is a contractual obligation for this to occur. The contract required IBM to take over the accountability of the "as built" solution and fix the Department of Housing payroll issues.
- At this point in time the solution proposed by IBM for Queensland Health fails to meet the requirements set in December 2008 by CorpTech and Queensland Health as demonstrated in Payroll Performance Validation Testing Sequence 3 (PPV3). IBM are yet to demonstrate that they can meet their contractual obligations in terms of payroll performance.
- PPV3 execution was scheduled from 30 March to 3 May in the agreed schedule for a 24 August 2009 go-live. As of 22 June only one test result had been completed for an interim pay run. This result did not give Queensland Health any confidence in IBM's design meeting the payroll processing window for interim and final pay runs.
- It is uncertain what legal remedies and/or financial penalties are available in the event that IBM fails to meet this requirement as IBM has been paid progress payments during the life of the contract.
- Failure of IBM to deliver on this requirement would mean that Queensland Health would be unable to go-live until this issue was rectified and result in a complete failure of the project and leave Queensland Health with a product which it is not able to use.

Media Attention

- A failure of the implemented solution to deliver either a correct payroll or pay employees on time is likely to result in media attention. This was the case following the problems experienced with the implementation of the Brisbane City Council payroll which attracted significant media attention.
- Given the size and geographic distribution of Queensland Health employees is considerably greater than Brisbane City Council it is likely that issues drawing media attention would be on a much greater scale.

Cost Allocation – HR/Finance Integration

- IBM are unable to deliver on Queensland Health full business requirements for integration with the Finance system. Queensland Health have agreed to de-scope much of the HR/Finance Integration requirements in order to meet go-live in August 2009 developing a workaround to meet these needs as best as possible.

- There is a risk that workaround may not fully satisfy our requirements and it is unclear how the IBM solution will meet these in the long term and whether the solution will ever be able to provide them without the workaround.
- IBM has failed to grasp the importance of providing a solution that would facilitate Queensland Health obligations to the Commonwealth in relation to funding. Accuracy with the collection of Casemix data directly impacts on budget bids and funding from the Commonwealth.

QHIC2 – Deferral of Work Post Go-live

- The project has identified a high number of workarounds which need to be addressed post go-live. The cost and timeframe to achieve this rectification are uncertain and this could expose the department to considerably greater cost.
- There is also the potential for resourcing conflict if CorpTech resources are required since CorpTech resources may be otherwise committed with recent machinery of changes and their program of work.

Post Production Support

- CorpTech and IBM management are still in negotiations regarding agreement of accountability for go live support activities in terms of a post production support strategy.
- Documentation and skills transfer to date has been inadequate for a successful transition of the solution from IBM to CorpTech leaving Queensland Health at risk with an unsupported solution post go-live.
- Deficiencies identified in the solution design and quality of the build magnifies this risk.

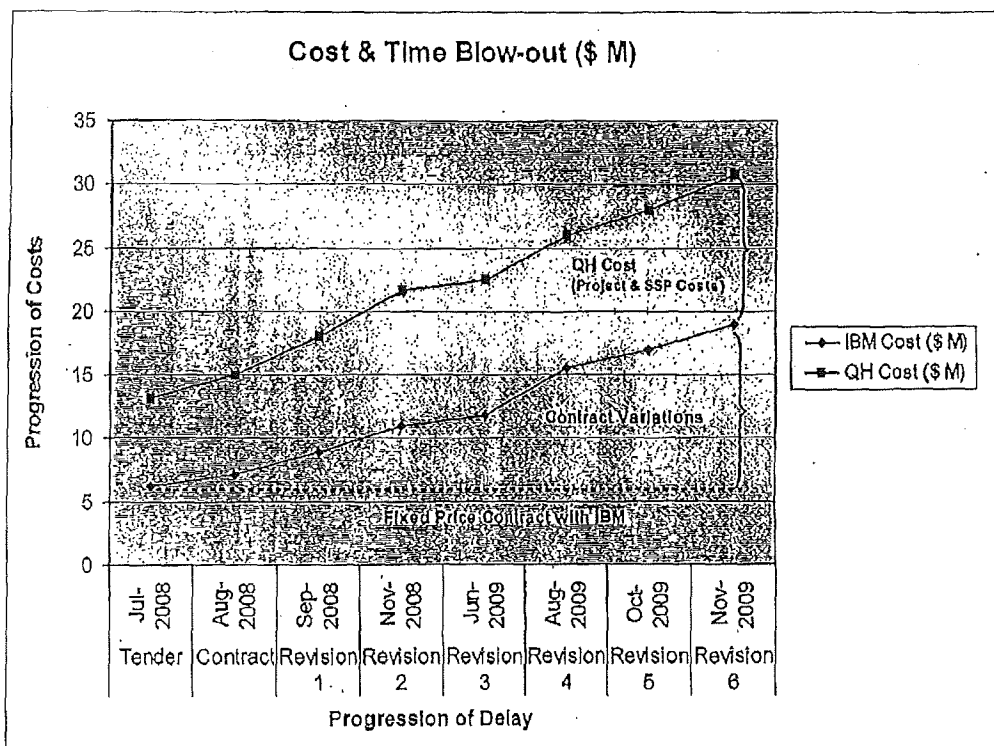
CONSULTATION WITH STAKEHOLDERS

- Both CorpTech and IBM are members of the Project Directorate and Board which provide governance for the QHIC Project. They have been made aware at numerous meetings of Queensland Health's continuing dissatisfaction with the progress and cost of this project and with the increasing loss of confidence surrounding the delivery and quality of the solution.
- Key stakeholders within Queensland Health are fully aware of the current shortcomings of the solution and the risks and issues surrounding the delivery of the QHIC project.

FINANCIAL IMPLICATIONS

- Throughout this document the financial implications of the continued delays with the delivery of QHIC have been provided.

The following illustrates the costs to date:



- In addition to the contract cost, internal Agency cost to implement this project, including Queensland Health project team cost and QHSSP staff, would be in the order of \$31M.

Political Representatives

Local Government

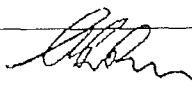
- Statewide application

State Government

- Statewide application

Federal Government

- Statewide application

<p>Author: <Name> Anthony Price <Position> Director <Unit/HSD> QHEST <Tel number> 07 323 41813</p>	 Signed on: 06/07/09	<p>Cleared by: (DM/SD/Dir) <Name> Adrian Shea <Position> Executive Director <Unit/HSD> Corporate Services <Tel number> 323 41355</p>	Signed on:
<p>Cleared by: (CEO/DDG/DivHead) <Name> Michael Kalimnios <Position> DDG Corporate Services <Tel number></p>	Signed on:	<p>Endorsed: Michael Reid Director-General</p>	_____

Election Commitment

CBRC / Cabinet related

ECM related

Summary of Recommendations and Management

No.	SAP Risk Level	Recommendation Description	Current Status	Current Position	Residual Risk (after mitigation)
1	High	Realise and agree that a successful November 20 th Go-Live is not feasible given the complexity of the solution, the large number of outstanding issues and lack of quality project and support documentation.	Completed	Agree with recommendation. The QHIC Board has addressed this recommendation. Go-live is currently scheduled for 4 December with the first final pay run on 13 December for an employee pay day of 16 December.	High
2	High	Re-visit functional specifications to ensure there are clear guidelines around defects and scope changes.	Open	Agree with recommendation. All functional and technical specifications have undergone one review and are currently being updated for changes. Final documentation will be reviewed and approved prior to go-live.	Medium
3	High	Re-assess exit and entry points for phases and milestones and ensure all future milestones and phases have agreed exit and entry points which do not change.	Open	Agree with recommendation. The QHIC Board has reviewed User Acceptance Entry and Exit criteria following endorsement by proposed by the Project Directorate. Exit criteria provide discretion for the QHIC Board to accept management plans or otherwise determine the status of defects. Three more gates with criteria exist prior to go-live.	Medium
4	High	Update the documentation on Interfaces between SAP and WorkBrain as the current level of detail is insufficient.	Open	Agree with recommendation. The Project Directorate has agreed a plan to ensure appropriate documentation on interfaces between SAP and Workbrain will be developed and approved prior to go-live. Approval of this documentation is part of Gate 2.	Medium
5	High	The knowledge transfer sessions to CorpTech (SAA and Payroll Bureau) should be backed up with fully documented support processes (including Reconciliation and Error Handling between SAP and WorkBrain).	Open	Agree with recommendation. Note. SAA is assumed to refer to CorpTech Applications Management. 1. A series of knowledge transfer sessions have been scheduled between the QHIC Project team and CorpTech. 2. IBM has advised that they will deliver the 'Reconciliation Tool' and full documentation by Friday 16 October. Testing of this tool will be undertaken over the period 17-18 October. 3. Error handling documentation has been developed and reviewed and will be approved prior to go-live. Approval of this documentation is part of Gate 2.	Medium
6	High	Incorporate at least 1 and 2 weeks of regression testing into the schedule.	Open	Agree with recommendation. Regression testing will be performed throughout the three week business process validation review period.	Medium