

# **STATE OF NORTH CAROLINA**

## **INFORMATION SYSTEMS AUDIT**

### **DEPARTMENT OF HEALTH AND HUMAN SERVICES**

### **NCTracks – FEDERAL GOVERNMENT CERTIFICATION STATUS**

**JULY 2014**

### **OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

# **EXECUTIVE SUMMARY**

## **PURPOSE**

This audit was conducted to determine whether the NCTracks certification process met its schedule according to the plan and detailed timeline provided to the General Assembly in January 2014, and to assess whether risks exist that could delay NCTracks from obtaining federal certification.

## **BACKGROUND**

The North Carolina Department of Health and Human Services replaced its Medicaid Management Information System and went live with NCTracks on July 1, 2013. NCTracks is expected to process and pay more than \$12 billion a year in health care claims for the more than 77,000 medical providers serving about 1.5 million people in North Carolina.

Since going live, the federal government has paid 50% of NCTracks' operational costs. The State has paid the other half. The Department must undergo an NCTracks certification review by the Centers for Medicare & Medicaid Services (CMS) before the federal government will pay 75% of the operational costs of NCTracks. The certification could save the State \$9.6 million a year, from the conclusion of a successful review going forward and retroactively to as early as July 1, 2013. Obtaining certification shows that a new system meets all federal requirements and complies with current policies and regulations. Under the contract, the NCTracks vendor, Computer Sciences Corporation (CSC), was to apply its best efforts in assisting the State in achieving federal certification approval for the maximum allowable federal financial participation for NCTracks within one year of the operational start date, or by July 1, 2014.

## **KEY FINDINGS**

- The NCTracks certification process did not achieve the original milestones set in the plan and detailed timeline provided to the General Assembly in January 2014.
- The NCTracks system was not certified by July 1, 2014, as planned by the Department.
- During the audit, the Department's target for NCTracks to undergo federal certification became October 2014; however, the certification project schedule was not updated to reflect this.
- At the completion of the audit fieldwork and preparation of the draft report, the NCTracks system was not ready for the Department to request certification from the federal government, which delays the State from achieving operational cost savings sooner.
- Unresolved risks exist that could further delay NCTracks from obtaining federal certification.

## **KEY RECOMMENDATIONS**

- The Department should work with CSC to establish an updated NCTracks certification project schedule.
- The Department should provide the General Assembly a follow-up NCTracks Certification Plan Report that includes the status of the project and updated schedule.
- The Department should develop a plan for how it will determine damages and hold CSC accountable in the event the vendor fails to meet contract terms regarding certification.

## **OTHER INFORMATION**

At the end of fieldwork, two major audit recommendations from the previous NCTracks audit had yet to be implemented and were past the Department's target implementation date by more than five months.

*Key findings and recommendations may not be inclusive of all findings and recommendations in the report.*

## **SUBSEQUENT EVENTS**

Per auditing standards, this page captures events and facts related to this audit that occurred between the end of audit fieldwork and publication of this report. This information is provided to assist the reader in interpreting the findings and recommendations without being misled.

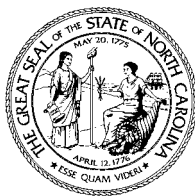
On June 17, 2014, the Office of the State Auditor provided the Department with the audit report for response.

At that time, the Department had not sent a letter to CMS requesting certification, did not have an updated NCTracks summary project schedule, did not have an updated NCTracks master schedule, and CMS had not accepted all of the State's Medicaid Statistical Information System files.

On July 8, 2014, the Department provided the following information to the Auditor:

- On July 2, 2014, the Department sent a letter to CMS stating that NCTracks was ready for certification and requesting CMS to begin its certification site visit any time after October 28, 2014;
- An updated NCTracks summary project schedule was developed, indicating new targets and deadlines in line with an October certification timeframe;
- An updated NCTracks master schedule is expected to be completed by July 31, 2014;
- The Department resubmitted two of the State's Medicaid Statistical Information System files, which had not been accepted previously, to CMS for acceptance on June 25, 2014. The Department indicated that CMS was performing an expedited review.

These subsequent actions should help mitigate issues and risks identified in this report.



**Beth A. Wood, CPA**  
State Auditor

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July 31, 2014

The Honorable Pat McCrory, Governor  
Members of the North Carolina General Assembly  
Mr. Chris Estes, State Chief Information Officer  
Dr. Aldona Wos, Secretary, Department of Health and Human Services  
Mr. Joseph Cooper, Jr., Chief Information Officer, Department of Health and Human Services

Ladies and Gentlemen:

We are pleased to submit the results of our information systems audit of NCTracks titled *Department of Health and Human Services, NCTracks – Federal Government Certification Status*.

The audit objectives were to determine whether the NCTracks certification process met its schedule according to the plan and detailed timeline provided to the General Assembly in January 2014, and to assess whether risks exist that could delay NCTracks from obtaining federal certification.

The Office of the State Auditor initiated this audit as part of an effort to keep the General Assembly informed on the progress of NCTracks and to follow-up on the high risk we identified in the May 2013 NCTracks Pre-Implementation audit regarding the possibility of a delayed CMS certification.

The Department was presented in advance with the findings and recommendations on April 24, 2014, and reviewed a draft copy of this report. The Department's written comments are included after each recommendation section and in *Appendix E*.

We wish to express our appreciation to the staff of the Department and the Office of Medicaid Management Information System Services for the courtesy, cooperation, and assistance provided us during the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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## PERFORMANCE AUDIT

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### BACKGROUND

On July 1, 2013, the North Carolina Department of Health and Human Services (the Department) went live with NCTracks – the replacement Medicaid Management Information System. NCTracks is a multi-payer system that facilitates provider enrollment, consolidates claims processing activities, and supports healthcare administration for multiple divisions of the Department. NCTracks is expected to process and pay more than \$12 billion a year in health care claims for the more than 77,000 medical providers who serve approximately 1.5 million North Carolina citizens.

NCTracks was designed, developed, and is currently operated based on a \$484 million contract awarded to Computer Sciences Corporation (CSC) in 2008.<sup>1</sup> CSC is expected to serve as the state fiscal agent until 2020.

During the NCTracks development phase, the federal government funded up to 90% of the associated costs. Since going live on July 1, 2013, the federal government has paid 50% of the NCTracks operational costs. The State pays the other half. The federal government cost share will increase to 75% once the system is certified by the federal Centers for Medicare and Medicaid Services (CMS), saving the State \$9.6 million a year, from the conclusion of a successful review going forward and retroactively to as early as July 1, 2013. Per the contract, CSC was to apply its best efforts in assisting the State in achieving federal certification approval for the maximum allowable federal financial participation for NCTracks within one year of the operational start date, or by July 1, 2014.

On May 22, 2013, the Office of the State Auditor released an NCTracks pre-implementation audit report titled *Department of Health and Human Services, NCTracks (MMIS Replacement) – Implementation*.<sup>2</sup> The report stated, “If user acceptance testing is accepted without addressing these issues, a high risk exists that critical NCTracks functions could have major errors on go-live and possibly lead to a delayed CMS certification of the system.”

The North Carolina General Assembly thru Section 12A.4.(g)(4) of Session Law 2013-360 required the Department to submit, by no later than January 15, 2014, an MMIS [NCTracks] System Certification Plan Preliminary Report that addressed the following:

- “A description of the [NCTracks certification] process.
- A detailed [NCTracks certification] time line.
- Any issues that could impact the timing of system certification and plans to mitigate identified issues.
- Any costs associated with system certification.
- Any identified funding sources to pay for costs associated with system certification.”

On January 15, 2014, the Department submitted this report to the General Assembly. Among other things, the Department’s report stated, “The State [DHHS] anticipates that it will be able to submit the system certification request to CMS in January 2014.”

A summary of the CMS certification roadmap process is provided in *Appendix A*.

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<sup>1</sup> The contract value is allocated as follows: \$186,604,862 for design and development; \$27,338,679 for Provider enrollment and Retro DUR Operations (conducted from April 2009 through June 2018); \$15,277,760 for the “Health Information Technology” initiative; \$179,485,713 for five years of operations; and \$76,173,784 is reserved for two years of operations that remain optional to DHHS. (Source: DHHS)

<sup>2</sup> <http://www.ncauditor.net/EPSSWeb/Reports/InfoSystems/ISA-2013-4410.pdf>

### OBJECTIVES, SCOPE, AND METHODOLOGY

The audit objectives were to determine whether the NCTracks certification process met its schedule according to the plan and detailed timeline provided to the General Assembly in January 2014, and to assess whether risks exist that could delay NCTracks from obtaining federal certification.

The Office of the State Auditor initiated this audit as part of an effort to keep the General Assembly informed of the progress of NCTracks and to follow-up on the high risk we identified in the May 2013 NCTracks Pre-Implementation audit regarding the possibility of a delayed CMS certification.

The audit scope included a review of NCTracks certification status reports, federal government certification checklists, and DHHS and CSC artifact collection results. The audit period covered January 1, 2013, through May 27, 2014. The audit fieldwork was conducted from March 10, 2014, to May 27, 2014.

To accomplish the audit objectives, auditors gained an understanding of CMS certification activities, analyzed NCTracks certification status reports, accessed appropriate technical systems, and interviewed Department personnel, CSC staff, and federal government officials at the Centers for Medicare & Medicaid Services (CMS).

As a basis for evaluating NCTracks certification processes, guidance contained in the CMS Medicaid Enterprise Certification Toolkit was applied. According to CMS, the Toolkit is the framework developed to assist states in all phases of the MMIS life cycle beginning with the preparation of an Advance Planning Document through the certification review process. The main features of the Toolkit are the 20 checklists developed for six different business areas. The checklists contain the business area objectives and related systems review criteria necessary to meet the requirements specified in federal and state laws and regulations.

Additionally, guidance contained in the COBIT framework issued by ISACA<sup>3</sup> was also applied. Per *North Carolina General Statute §143D-6*, the State Controller has directed state agencies to adopt COBIT as the information technology (IT) internal control standards for the state. COBIT is a comprehensive framework that helps enterprises achieve their objectives for the governance and management of enterprise information and technology assets. This framework helps enterprises create optimal value from IT by maintaining a balance between realizing benefits and optimizing risk levels and resource use. COBIT enables IT to be governed and managed in a holistic manner for the entire enterprise, taking in the full end-to-end business and IT functional areas of responsibility, considering the IT-related interests of internal and external stakeholders.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was conducted under the authority vested in the State Auditor of North Carolina by *North Carolina General Statute §147.64*.

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<sup>3</sup> ISACA is a non-profit and independent leading global provider of knowledge, certifications, community, advocacy and education on information systems assurance and security, enterprise governance and management of IT, and IT-related risk and compliance.

## AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES

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### **FINDING #1: THE NCTRACKS CERTIFICATION PROCESS MISSED ITS ORIGINAL SCHEDULE**

The Department and CSC missed major milestones necessary to allow NCTracks to earn federal government certification by July 1, 2014. The missed milestones were established in the NCTracks system certification plan and detailed timeline that was provided to the General Assembly in January 2014.<sup>4</sup>

- (1) NCTracks was not certified by July 1, 2014
- (2) Missed milestones include: the full collection of NCTracks artifacts, and the complete review of collected artifacts
- (3) The Department and CSC have not established an updated schedule to guide the NCTracks certification process

Overall, better management of the certification process is needed to help the State attain federal certification, obtain retroactive reimbursement, and achieve savings sooner. While the State budgeted to fund 50% of the operational costs of NCTracks for SFY 2014/2015, the sooner the system achieves federal certification the sooner the State will save \$9.6 million a year going forward and potentially retroactively to July 1, 2013.

#### **NCTracks Was Not Certified By July 1, 2014**

Based on the status of the NCTracks certification process, NCTracks was not certified within one year of going live by the federal government Centers for Medicare & Medicaid Services (CMS). Per the contract, CSC was to apply its best efforts in assisting the State in achieving federal certification approval for the maximum allowable federal financial participation for NCTracks within one year of the operational start date, or by July 1, 2014. See *Appendix B* for the NCTracks system certification contract excerpt.

Obtaining federal government certification demonstrates that NCTracks meets all applicable federal requirements and is operating in compliance with current policies and regulations.

Overall, the current status of the NCTracks certification process does not reflect what the Department indicated in its January report to the General Assembly. In the report, the Department informed the General Assembly that, *“The plan allows for sufficient time to complete any necessary cleanup work by March 2014.”*

As of May 27, 2014, almost two months after the Department’s anticipated timeframe, cleanup work remained.

#### **No Formal Request Made to CMS for NCTracks Certification**

At the end of audit fieldwork, the Department had not officially requested certification of NCTracks from CMS. The plan and detailed timeline provided to the General Assembly on January 15, 2014, indicated that the certification request would be submitted to CMS by January 17, 2014. Among other things, the Department’s report stated:

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<sup>4</sup> Replacement MMIS System Certification Plan Preliminary Report per SL 2013-360, Section 12A.4.(G)(4)



## AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES

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*“The State [DHHS] anticipates that it will be able to submit the system certification request to CMS in January 2014.”*

The plan submitted to the General Assembly in January also stated:

*“The State’s target date to receive CMS system certification for NCTracks is May 2014. This date is dependent upon CMS’s response to the States’ requested certification date.”*

Documentation reviewed during the audit revealed that within the Department and CSC, *“there is some concern regarding the timeliness of the submission of the letter requesting CMS Certification.”*

Overall, the NCTracks system was not certified by July 1, 2014, and the request for certification had not been made to CMS because of existing unresolved risks and not completing required certification tasks as planned. Until existing risks are resolved and key tasks are completed earning federal certification is unlikely.

### **Missed Milestone: NCTracks Artifact Collection<sup>5</sup> Not Completed On Schedule**

As of May 27, 2014, the Department and CSC had collected approximately 95% of artifacts needed to show that NCTracks meets all applicable federal requirements and that it complies with current policies and regulations. The plan and detailed timeline provided to the General Assembly indicated that the NCTracks certification first round of artifacts would be collected by January 2, 2014.

For NCTracks to earn federal certification, the Department and CSC must provide artifacts for 18 CMS checklists, to meet 637 requirements covering various business areas.<sup>6</sup> The CMS business processes that have missing artifacts include: Claims adjudication, program management reporting, federal reporting, data warehouse, and managed care organization interfaces. See *Appendix C* for a breakdown of needed artifacts by CMS business area checklist and the number of collected artifacts for each checklist.

The NCTracks certification documentation reviewed during the audit showed that the Department and CSC plan to *“continue to meet with teams and collect artifacts.”*

### **Missed Milestone: NCTracks Artifact Review<sup>7</sup> Not Completed On Schedule**

As of May 27, 2014, only 72% of the collected artifacts had been reviewed. The plan and detailed timeline provided to the General Assembly on January 15, 2014, indicated that

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<sup>5</sup> An artifact is evidence in the form of reports, print screens or other documentation, that demonstrates that the MMIS meets all of the required criteria as outlined in the CMS certification checklists. According to the Department, CSC was responsible for gathering the initial set of artifacts.

<sup>6</sup> The Medicaid Enterprise Certification Toolkit and CMS checklists can be found at: <http://www.cms.gov/Research-Statistics-Data-and-Systems/Computer-Data-and-Systems/MMIS/MECT.html>

<sup>7</sup> The artifact review process consists of the inspection of artifacts (e.g., reports, print screens or other documentation) to verify that the evidence provided actually supports the applicable CMS requirement. The Department is the primary entity responsible for conducting the artifact review process, while CSC serves as backup and assists in the review.

## AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES

NCTracks certification artifacts would initially be reviewed by January 17, 2014, and that this phase of the certification process would be completed by April 30, 2014.

The review of artifacts is a critical process that helps ensure that the evidence collected shows that the NCTracks system meets all applicable federal requirements and complies with current policies and regulations. Ideally, this process is completed before officially requesting certification from CMS.

### **No Updated Master Schedule To Guide the NCTracks Certification Process**

The inability to meet key milestones set in the plan and detailed timeline provided to the General Assembly was partially due to weaknesses in the overall governance process of the NCTracks certification project. For example, as a result of the certification process being behind schedule, weekly and monthly NCTracks status reports since March 2014, have consistently cited the need to update the certification master schedule to reflect the actual progress and establish new dates for the completion of key activities. However, as of May 27, 2014, this had not occurred.

While the Department informed the General Assembly on April 17, 2014, that the target was to begin the CMS certification process in October 2014, as noted above, the NCTracks master schedule did not reflect this.<sup>8</sup>

<b>Summary: Key Certification Milestones &amp; Status</b>		
<b>Key Milestone</b>	<b>Scheduled Completion Date</b>	<b>Status</b> (as of May 27, 2014)
NCTracks Artifact Collection	January 2, 2014	Not completed - In progress
DHHS Submits NCTracks Certification Request to CMS	January 17, 2014	Formal Request for Certification Had Not Been Sent
Final Quality Assurance Review of NCTracks Artifacts	April 30, 2014	Not completed - In progress
<b>Sources:</b> MMIS [NCTracks] System Certification Plan Preliminary Report – January 2014; NCTracks Artifact Review Schedule		

### **Recommendations:**

1. The Department should work with CSC to establish an updated NCTracks certification project schedule.
2. The Department should provide the General Assembly a follow-up NCTracks Certification Plan Report that includes the status of the project and updated schedule.
3. The Department should develop a plan for how it will determine damages and hold CSC accountable in the event the vendor fails to meet contract terms regarding certification.

<sup>8</sup> <http://www.ncleg.net/documentsites/committees/JLOCHHS/Handouts%20and%20Minutes%20by%20Interim/2013-14%20Interim%20HHS%20Handouts/April%2017,%202014/Presentations/DHHS/20140417%20JLOC%20-%20IV%20Medicaid%20Data%20Analytics%20V%20NCTracks%20Update%20-%20FINAL.pdf>

## AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES

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**Agency Response:** *[The responses below are a portion of the Department's full response which can be found in Appendix E.]*

[Recommendation #1] The Department agrees with the Auditor's recommendation. The Department has updated the summary project schedule, which is attached hereto as Attachment 2. We also updated the detailed schedule (i.e., Integrated Master Schedule or IMS) on July 10, 2014. The NCTracks Certification Lead will be responsible for making subsequent updates to the summary project schedule as the need for updates arises.

[Recommendation #2] The Department respectfully disagrees with this recommendation based on the fact that it fulfilled the requirements of Section 12A.4.(g)(4) of Session Law 2013-360 to provide the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management with **a preliminary report** on the Department's plan for achieving system certification on January 15, 2014 (emphasis added) and has continued to formally and informally apprise these entities about the status for achieving certification.

Most recently, the Department provided the Joint Legislative Oversight Committee on Health and Human Services with a Certification Project update on April 17, 2014. (Attached hereto, as Attachment 1, is the slide that the DHHS CIO Joe Cooper presented along with his talking notes; and, which was provided to the Office of the State Auditor on May 20, 2014.). One key message in the presentation is the bullet that established the estimated CMS review preparedness date as "Target: October 2014 to begin process."

[Recommendation #3] In accordance with Replacement MMIS [NCTracks] Contract RFP Section 30.44.3, CSC is potentially liable for federal funding lost by the State due to NCTracks' failure to achieve maximum retroactive reimbursement. However, determining the damages to be paid by CSC is not simply a matter of calculating the difference between the State's potential reimbursement and the State's actual reimbursement because RFP Section 30.44.3 further provides that CSC is liable for certification-related damages only "to the extent they result from [CSC's] actions or inactions." Determining which CSC "actions or inactions" contributed to delay of certification, and how much delay resulted in each instance, would be a complex undertaking. Reducing such an analysis to dollar values may require the assistance of a consulting firm with skill and experience in forensic accounting, as well as in assessing complicated software development and outsourcing projects.

In the event federal funds are lost by the State due to NCTracks' failure to achieve maximum retroactive reimbursement, attorneys in the Office of the DHHS General Counsel will, with assistance from the NC Department of Justice as needed, evaluate the facts, contractual and legal obligations, and potential remedies. DHHS may identify suitable consulting firms to assess the amount of damages owed by CSC, if any. DHHS will contact candidate firms to confirm their capabilities and availability, but DHHS would not engage any consulting firm until after CMS has officially communicated to DHHS the date back to which CMS will grant North Carolina retroactive reimbursement.

## AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES

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### **FINDING #2: UNRESOLVED RISKS EXIST THAT COULD DELAY THE FEDERAL CERTIFICATION OF NCTRACKS**

While the Department and CSC have monitored NCTracks risks, documentation shows that unresolved risks, defects, and data problems in the system have been identified that could delay the federal certification of the system. Furthermore, some of the identified risks exist as a result of the system not meeting required federal capabilities within established deadlines.

#### **CSC Identified Some Risks To NCTracks Certification**

As late as February 2014, CSC identified risks to the overall NCTracks certification process that could prevent NCTracks from receiving federal retroactive reimbursement back to the operational start date, or July 1, 2013. CSC also identified the risk of additional cost to the State.

On February 25, 2014, CSC, “to consolidate the various outstanding CMS certification items,” entered an NCTracks certification risk into the project risk-tracking tool. The description of this risk stated:

*“NCTracks has been operating for more than 6 months and many of the concerns that have been raised before or since Go Live have been eliminated. However there are still several concerns and possibly unknown items that could affect certification of NCTracks. **There is a risk that functionality gaps will pose a finding or possibly effect the certification of the system back to 7/1/2013. The impact of not obtaining certification could be costs exceeding 25% of the operating costs for the period that certification is not granted.**” (Emphasis Added)*

#### **Certification Risks Exist Related to NCTracks Defects**

As of June 2, 2014, 918 NCTracks defects remained unresolved. During the audit, 79 unresolved defects in the system were identified as having the potential to affect the certification of NCTracks. Areas affected by these defects included: provider enrollment, provider payment, and financial reporting.

NCTracks reports reviewed by auditors showed that CSC has begun to flag all CMS certification related defects and indicated that CSC would, “*develop a process for reviewing new defects as they are entered to determine if they have an impact on CMS Certification.*”

Overall, while the Department and CSC have made efforts to identify and monitor defects that could affect certification, this information indicates that there may be a risk NCTracks is not meeting all applicable federal requirements in certain business areas. As a result, the readiness of NCTracks for certification is questionable and may further extend the timeline for the Department to request certification from CMS.

## AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES

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### **The State's Medicaid Statistical File Contains Incorrect Data**

Documentation shows an unresolved issue pertaining to invalid information in the State's Medicaid Statistical Information System (MSIS) file could jeopardize the certification of NCTracks.

**Medicaid Statistical Information System (MSIS) File:** States submit quarterly eligibility and claims program data to CMS through the MSIS file. The five files include one (1) file which contains eligibility and demographic characteristics for each person enrolled in Medicaid at any time during the quarter, and four (4) separate files of claims adjudicated for payment during the quarter for long-term care services, drugs, inpatient hospital stays and all other types of services.

The description that the Department and CSC used to explain the MSIS issue stated:

*“For CMS Certification at least one quarterly MSIS file transmission must be successfully accepted by CMS. The MSIS file submission must contain valid data – the previous submission has incorrect data in 3 of the 5 files. If a successful MSIS file transmission does not occur it will jeopardize CMS Certification.”*

Auditors found that the MSIS file issue was entered into the project's risk-tracking tool on March 28, 2014. As of May 20, 2014, almost two months later, the status of this issue was still “In Progress”.

### **Recommendation:**

The Department should ensure that all documentation tracking NCTracks certification risks and issues is continuously updated to ensure all risks are monitored adequately and fully addressed.

**Agency Response:** *[The response below is a portion of the Department's full response which can be found in Appendix E.]*

The Department agrees with the Auditor's recommendation. DHHS has updated and will continue to update all documentation that tracks NCTracks certification risks and issues to ensure all risks are monitored adequately and fully addressed. The NCTracks Certification Lead will be responsible for making subsequent updates to all documentation that tracks NCTracks certification risks and issues to ensure all risks are monitored adequately and fully addressed.

## OTHER INFORMATION

### Implementation of Prior NCTracks Audit Recommendations

On December 9, 2013, the Office of the State Auditor released an NCTracks post-implementation audit report titled *Department of Health and Human Services, NCTracks – Post Implementation*.<sup>9</sup> Among other things, the report highlighted four key findings and auditors made five recommendations applicable to DHHS.

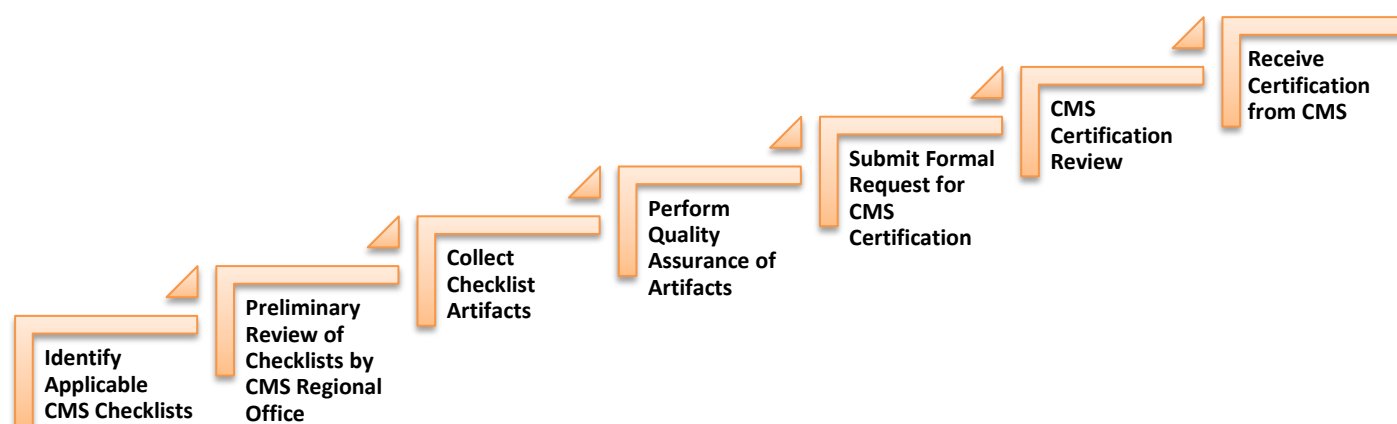
As of May 27, 2014, DHHS had adequately implemented three out of five recommendations. However, at the end of audit fieldwork, two major recommendations had yet to be implemented and were past their target implementation date by more than five months. Between fieldwork and publication of this report the Department developed a document that addressed one of these recommendations. Summaries of the two audit recommendations are below.

<b>Prior Finding:</b>	<b>The Department had an inadequate framework for the timely resolution of NCTracks defects.</b>
<b>OSA Recommendation:</b>	The Department should establish official guidelines, metrics, and a methodology for tracking the timely resolution of defects. The Department should monitor CSC performance against these metrics.
<b>DHHS Response in December 2013</b>	In addition to its existing means of managing defects described in DHHS' response above [Appendix F], DHHS will establish formal guidelines, metrics and a methodology for tracking defect resolution. Target resolution times will represent guidelines and not contractual commitments by the vendor, as the NCTracks program managers cannot predict how long future/unknown defects will take to remediate. Responsible entity: Program Management Office. <u>Target implementation date: January 1, 2014.</u>
<b>Current Status as of July 2014</b>	<b>The Department has yet to adequately implement the recommendation.</b> A document that begins to address the recommendation was developed. However, this is being refined to add clarity and guidelines for monitoring and ensuring the timely resolution of defects.

<b>Prior Finding:</b>	<b>The State lacks a comprehensive action plan to address all NCTracks issues.</b>
<b>OSA Recommendation:</b>	The Department should develop a master action plan and integrate, in a traceable manner, all documents related to addressing NCTracks issues.
<b>DHHS Response in December 2013</b>	DHHS is developing a single document outlining its master action plan to present all NCTracks issues for consideration and disposition by the existing "Executive Change Control Body" (ECC). <u>The integration of all related documents will be completed by a target date of January 1, 2014.</u>
<b>Current Status as of July 2014</b>	<b>The Department has created documentation to address NCTracks issues.</b> The full integration of documents was not feasible; however, the Department has made documentation more traceable.

<sup>9</sup> <http://www.ncauditor.net/EPSSWeb/Reports/InfoSystems/ISA-2013-4410B.pdf>

### Brief Overview: Certification Key Activities



### CMS Medicaid Enterprise Certification Roadmap<sup>10</sup>

#### Milestone 1: State Goals & Objectives

*Determine goals and objectives for the new or replacement MMIS.*

#### Milestone 2: APD Development

*State agency uses its goals and objectives and the Toolkit to work with CMS RO in preparing the APD.*

#### Milestone 3: Release RFP; Sign Contract

*The State agency uses the Toolkit while preparing the RFP and finalizing a contract with a vendor.*

#### Milestone 4: Validate MMIS Functionality

*The State agency uses the Toolkit checklists for guidance.*

#### Milestone 5: Pre-Certification Meeting/Call with CMS

*The State agency uses the Toolkit to prepare for the pre-certification meeting or call.*

#### Milestone 6: MMIS Certification Visit

*The State agency and CMS use the Toolkit protocol and checklists.*

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<sup>10</sup> <http://www.cms.gov/Research-Statistics-Data-and-Systems/Computer-Data-and-Systems/MMIS/Downloads/mectchapter2.pdf>

## **CSC Certification Responsibilities**

### **NCTRACKS CONTRACT EXCERPT**

#### **RFP Section 30.44.3      System Certification – Contract Requirement**

The Vendor shall apply its best efforts in assisting the State to achieve Federal certification approval for the maximum allowable enhanced FFP for the Replacement MMIS within one (1) year of the Operational Start Date, as well as to obtain approval of FFP retroactively to the Operational Start Date. In addition, the Vendor shall apply its best efforts to assist the State in maintaining Federal certification approval for the maximum allowable enhanced FFP for the Replacement MMIS throughout the life of the Contract.

Should certification fail to be achieved within one (1) year of the Operational Start Date, the Vendor shall be liable for damages to the extent they result from its actions or inactions relating to the lack of certification. Should certification fail to be approved retroactively to the Operational Start Date, the Vendor shall be liable for any damages resulting from its actions or inactions relating to the loss of maximum allowable enhanced FFP. Should de-certification of the Replacement MMIS, or any component part of it, occur prior to Contract termination, the Vendor shall be liable for any damages resulting from its actions or inactions relating to the de-certification and loss of maximum allowable enhanced FFP.



## APPENDIX C – ARTIFACT COLLECTION SUMMARY

### Artifact Collection Summary

(Cumulative to Date as of May 27, 2014)

CMS Business Area Checklist	# of Artifacts Required	# of Artifacts Obtained
Beneficiary Management (BE)	44	44
Provider Management (PR)	36	31
Reference Data Management (RF)	20	20
Claims Receipt (CR)	27	27
Claims Adjudication (CA)	94	92
Pharmacy Point of Service (POS)	53	53
Third Party Liability (TPL)	25	25
Program Management Reporting (PM)	52	38
Federal Reporting (FR)	9	1
Financial Management (FI)	34	34
Decision Support System/Data Warehouse (DSS)	20	19
Security and Privacy (SP)	28	28
Program Integrity (PI)	37	37
Managed Care Enrollment (ME)	24	24
Managed Care Organization Interfaces (MC)	43	42
Managed Care PIHP and PAHP (MP)	39	39
PCCM and Gatekeeper Managed Care (MG)	30	30
HCBS Waivers (WA)	22	22
<b>TOTAL</b>	<b>637</b>	<b>606</b>
<b>Source:</b> NCTracks Joint Management Operations Team Meeting Documentation		
<b>Note:</b> Based on audit scope, auditors did not assess the reliability of obtained artifacts.		

## APPENDIX D – AUDITOR’S RESPONSE

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### Auditor’s Response

This audit was conducted as part of an effort to keep the General Assembly informed on the progress of NCTracks and to follow-up on the high risk we identified in the May 2013 NCTracks Pre-Implementation audit regarding the possibility of a delayed CMS certification.

The Department has generally agreed with the recommendations made in our report.

However, we are required to provide additional explanation when an agency’s response could potentially cloud an issue, mislead the reader, or inappropriately minimize the importance of our findings.

Generally Accepted Government Auditing Standards state,

When the audited entity’s comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, or when planned corrective actions do not adequately address the auditor’s recommendations, the auditors should evaluate the validity of the audited entity’s comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement.

To ensure the availability of complete and accurate information and in accordance with Generally Accepted Government Auditing Standards, we offer the following clarifications.

**1. The Department disagrees with our recommendation to provide the General Assembly with a follow-up NCTracks Certification Plan Report that includes the status of the project and updated schedule. (Department Response pg. 2)**

While the Department fulfilled the requirements of Section 12A.4.(g)(4) of Session Law 2013-360 on January 15, 2014, by providing the General Assembly a “preliminary report on the Department’s plan for achieving system certification,” major changes to the NCTracks certification project timeline have occurred since then and all stakeholders, including the General Assembly, should receive an updated detailed plan outlining the new roadmap.

The NCTracks system certification plan preliminary report provided - as requested by the General Assembly - a very detailed roadmap of how NCTracks would achieve certification by July 1, 2014. However, the Department did not provide any formal, updated, or detailed plans in April when it informed legislative oversight committees of the new certification target date of October 2014.

A detailed follow-up plan will assist in the governance of the overall system certification project. This is especially important since the NCTracks certification process failed to meet its original schedule.

**2. The Department’s response to Finding #1 could potentially mislead the reader. (Department Response pg. 6)**

In its response the Department states:

## APPENDIX D – AUDITOR’S RESPONSE

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*“As noted above, the fact that NCTracks was not certified by July 1, 2014, will not likely impact savings going forward and retroactively to as early as July 1, 2013, once certification is achieved.”*

While the State could receive retroactive reimbursement to as early as July 1, 2013, once certification is achieved, this is not guaranteed. During the audit, auditors were told by CMS that there have been instances where states do not receive retroactive reimbursement back to the operational start date. According to CMS:

*“Each state requesting CMS certification must demonstrate that all systems which constitute the MMIS are fully functional by the certification date requested in the formal notice to CMS. In full system replacement certifications such as North Carolina CMS will determine if each function of the MMIS was fully operational by the review of empirical evidence on the date requested by the state, or determine if a different date should be used.”*

3. **The Department’s response to Finding #2 states, “All certification impacted defects identified prior to June 1, 2014, have been remediated.” (Department Response pg. 8)**

Auditors did not confirm this claim.

4. **The Department’s response to Finding #2 states, “It is incorrect and misleading to imply that the identification, monitoring, and remediation of defects by the Department and CSC necessarily draws the certification-readiness of NCTracks substantially into question.” (Department Response pg. 8)**

Auditors did not determine independently that the identification, monitoring, and remediation of defects is an issue. Employees of the Department and its contractor, CSC, documented that they were concerned that the existing NCTracks defect identification and resolution process may put certification at risk.

5. **The Department’s response to Finding #2 fails to include important facts, which could mislead the reader. (Department Response pg. 9)**

In its response, the Department states:

*“As a point of clarification it should be noted that “incorrect data” referred to the absence of certain data. None of the data that was present in the files was incorrect.”*

*“As of April 18, 2014, CMS had accepted three of the five files. CMS accepted the remaining two files on July 23, 2014.”*

It should be noted that “incorrect data” was the language used by Department or CSC personnel when they recorded the risk, not auditors. Moreover, regardless of whether the Medicaid Statistical Information System (MSIS) files have incorrect or missing data, the issues should be resolved so that NCTracks can meet federal requirements.

Furthermore, while the submitted MSIS files identified in this audit have now been accepted by CMS, the Department has been informed by CMS of the State’s need to apply retro-corrections and other necessary corrective changes to ensure NC MSIS files submitted in the future also meet federal requirements. Work in this area remains.

## APPENDIX E – DEPARTMENT RESPONSE

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### North Carolina Department of Health and Human Services

Pat McCrory  
Governor

Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

July 30, 2014

The Honorable Beth A. Wood, State Auditor  
Office of the State Auditor  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Dear Auditor Wood:

We have reviewed your Information Systems Audit Report, with elements of economy and efficiency and program results, entitled *Department of Health and Human Services, NCTracks – Federal Government Certification Status*, in the form that it was provided to us on July 23, 2014. The following is our response to the Report Findings and Recommendations.

#### **EXECUTIVE SUMMARY**

State Auditor's text, excerpted from the Audit's Executive Summary:

#### **KEY FINDINGS**

- The NCTracks certification process did not achieve the original milestones set in the plan and detailed timeline provided to the General Assembly in January 2014.

***DHHS Response:*** The report provided by the Department to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on January 15, 2014, for achieving system certification in accordance with the requirements of Section 12A.4.(g)(4) of Session Law 2013-360 was a **preliminary report** according to the expressed language of the referenced Session Law. In addition, the Department has continued to formally and informally apprise these entities about the status for achieving certification; including a presentation given to the Joint Legislative Oversight Committee on Health and Human Services with a Certification Project update on April 17, 2014. (See Attachment 1 to this Department response document, which is the slide Joe Cooper, the DHHS CIO,

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*presented along with his talking notes.) A copy of this document was provided to the Office of the State Auditor on May 20, 2014).*

- At the completion of the audit fieldwork and preparation of the draft report, the NCTracks system was not ready for the Department to request certification from the federal government, which delays the State from achieving operational cost savings sooner.

**DHHS Response:** *During the two months following completion of the audit fieldwork, DHHS made sufficient progress in preparing for federal certification and requested federal certification prior to the Auditor's issuance of this final report. DHHS sent a letter to CMS on July 2, 2014, stating that NCTracks is ready for certification review based on the checklists from the Medicaid Enterprise Certification Toolkit submitted therewith and requesting CMS to begin its certification site visit anytime after October 28, 2014. Although there may have been a delay in the State achieving reimbursement sooner due to the NCTracks system not being certified by July 1, 2014, as planned by the Department, a successful review will result in savings going forward and retroactively to as early as July 1, 2013. Furthermore, DHHS has not budgeted to achieve these savings in SFY 2014-15.*

### **KEY RECOMMENDATIONS**

- The Department should work with CSC to establish an updated NCTracks certification project schedule.

**DHHS Response:** *The Department agrees with the Auditor's recommendation. The Department has updated the summary project schedule, which is attached hereto as Attachment 2. We also updated the detailed schedule (i.e., Integrated Master Schedule or IMS) on July 10, 2014. The NCTracks Certification Lead will be responsible for making subsequent updates to the summary project schedule as the need for updates arises.*

- The Department should provide the General Assembly a follow-up NCTracks Certification Plan Report that includes the status of the project and updated schedule.

**DHHS Response:** *The Department respectfully disagrees with this recommendation based on the fact that it fulfilled the requirements of Section 12A.4.(g)(4) of Session Law 2013-360 to provide the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management with a **preliminary report** on the Department's plan for achieving system certification on January 15, 2014 (emphasis added) and has continued to formally and informally apprise these entities about the status for achieving certification.*

*Most recently, the Department provided the Joint Legislative Oversight Committee on Health and Human Services with a Certification Project update on April 17, 2014. Attached hereto, as Attachment 1, is the slide that DHHS CIO Joe Cooper presented along with his talking notes; and which was also provided to the Office of the State Auditor on May 20, 2014. One key message in the presentation is the bullet that established the estimated CMS review preparedness date as "Target: October 2014 to begin process". Another key point that was delivered verbally by Joe Cooper, as noted in his speaking notes on the slide, was the following statement: "The actual timing of certification will depend on a combination of events involving all parties – CMS, CSC and the state. We hope to begin the process in October. So, while we hope to have certification by the end of 2014, I can't promise an exact date because ultimately CMS*

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*controls the timing.” Consistent with the April 17 presentation comments above, the Department’s July 2, 2014, letter to CMS requested that the certification review begin anytime after October 28, 2014.*

- The Department should develop a plan for how it will determine damages and hold CSC accountable in the event the vendor fails to meet contract terms regarding certification.

**DHHS Response:** *In accordance with Replacement MMIS Contract RFP Section 30.44.3, CSC is potentially liable for federal funding lost by the State due to NCTracks’ failure to achieve maximum retroactive reimbursement. However, determining the damages to be paid by CSC is not simply a matter of calculating the difference between the State’s potential reimbursement and the State’s actual reimbursement because RFP Section 30.44.3 further provides that CSC is liable for certification-related damages only “to the extent they result from [CSC’s] actions or inactions.” Determining which CSC “actions or inactions” contributed to delay of certification, and how much delay resulted in each instance, would be a complex undertaking. Reducing such an analysis to dollar values may require the assistance of a consulting firm with skill and experience in forensic accounting, as well as in assessing complicated software development and outsourcing projects.*

*In the event federal funds are lost by the State due to NCTracks’ failure to achieve maximum retroactive reimbursement, attorneys in the Office of the DHHS General Counsel will, with assistance from the NC Department of Justice as needed, evaluate the facts, contractual and legal obligations, and potential remedies. DHHS may identify suitable consulting firms to assess the amount of damages owed by CSC, if any. DHHS will contact candidate firms to confirm their capabilities and availability, but DHHS would not engage any consulting firm until after CMS has officially communicated to DHHS the date back to which CMS will grant North Carolina retroactive reimbursement.*

*Given the many thousands of actions by CSC since the beginning of the NCTracks project, it could be extremely wasteful for the State to pay a consulting firm to begin to analyze them before CMS has communicated its reimbursement decision because (1) CMS may grant maximum reimbursement back to July 1, 2013, and (2) if CMS specifies some other date, in effect CMS may declare that CSC’s “actions or inactions” after that date could not possibly have contributed to any failure of the State to achieve the maximum possible federal funding. In other words, DHHS will not know the bounds of the damage analysis until CMS makes its decision and devoting State and consulting firm personnel to in-depth damage analyses before CMS has spoken could result in wasteful analysis of irrelevant CSC activities.*

### **OTHER INFORMATION**

At the end of fieldwork, two major audit recommendations from the previous NCTracks audit had yet to be implemented and were past the Department’s target implementation date by more than five months.

**DHHS Response:** *Since the end of fieldwork, the Auditor has reviewed the Department’s implementation of one of these recommendations. The Department has committed to implement the remaining recommendation by November 14, 2014. More information is provided on this topic in the DHHS response to the “Other Information Section” later in this response.*



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### INFORMATION SYSTEMS AUDIT

#### BACKGROUND

State Auditor's excerpted text:

On May 22, 2013, the Office of the State Auditor released an NCTracks pre-implementation audit report titled *Department of Health and Human Services, NCTracks (MMIS Replacement) – Implementation*. The report stated, "If user acceptance testing is accepted without addressing these issues, a high risk exists that critical NCTracks functions could have major errors on go-live and possibly lead to a delayed CMS certification of the system."

*DHHS Response: The Department submitted an extensive response to the above referenced audit report, which included DHHS' viewpoint regarding the readiness of NCTracks for go-live. The Department's response is included as Attachment 3.*

On January 15, 2014, the Department submitted this report to the General Assembly. Among other things, the Department's report stated, "The State [DHHS] anticipates that it will be able to submit the system certification request to CMS in January 2014."

*DHHS Response: The entire preliminary report was provided by the Department to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on January 15, 2014, for achieving system certification in accordance with the requirements of Section 12A.4(g)(4) of Session Law 2013-360. As noted above in the Department's related response to the Executive Summary, the Department has continued to formally and informally apprise these entities about the status for achieving certification; including a presentation given to the Joint Legislative Oversight Committee on Health and Human Services with a Certification Project update on April 17, 2014. Attached hereto, as Attachment 1, is the slide Joe Cooper presented along with his talking notes. This document was also provided to the Office of the State Auditor on May 20, 2014.*

A summary of the CMS certification roadmap process is provided in Appendix A.

#### **FINDING #1: THE NCTRACKS CERTIFICATION PROCESS IS BEHIND SCHEDULE**

State Auditor's excerpted text:

While the State budgeted to fund 50% of the operational costs of NCTracks for SFY 2014/2015, the sooner the system achieves federal certification the sooner the State will save \$9.6 million a year going forward and potentially retroactively to July 1, 2013.

*DHHS Response: The Department would note that its plan is to budget funds at 50% of the NCTracks operational costs until June 30, 2016.*



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### NCTracks Was Not Certified By July 1, 2014

Overall, the current status of the NCTracks certification process does not reflect what the Department indicated in its January report to the General Assembly. In the report, the Department informed the General Assembly that, “The plan allows for sufficient time to complete any necessary cleanup work by March 2014.”

As of May 27, 2014, almost two months after the Department’s anticipated timeframe, cleanup work remained.

**DHHS Response:** As noted above, the report provided by the Department to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on January 15, 2014, for achieving system certification in accordance with the requirements of Section 12A.4.(g)(4) of Session Law 2013-360 was a **preliminary report** according to the expressed language of the referenced Session Law. In addition, the Department has continued to formally and informally apprise these entities about the status for achieving certification; including a presentation given to the Joint Legislative Oversight Committee on Health and Human Services with a Certification Project update on April 17, 2014. (See Attachment 1 to this Department response document, which is the slide Joe Cooper, presented along with his talking notes.) A copy of this document was provided to the Office of the State Auditor on May 20, 2014).

### No Formal Request Made to CMS for NCTracks Certification

State Auditor’s excerpted text:

At the end of audit fieldwork, the Department had not officially requested certification of NCTracks from CMS.

**DHHS Response:** DHHS sent a letter to CMS on July 2, 2014, stating that NCTracks is ready for certification review based on the checklists from the Medicaid Enterprise Certification Toolkit submitted therewith and requesting CMS to begin its certification site visit anytime after October 28, 2014.

The plan and detailed timeline provided to the General Assembly on January 15, 2014, indicated that the certification request would be submitted to CMS by January 17, 2014. Among other things, the Department’s report stated:

“The State [DHHS] anticipates that it will be able to submit the system certification request to CMS in January 2014.”

The plan submitted to the General Assembly in January also stated:

“The State’s target date to receive CMS system certification for NCTracks is May 2014. This date is dependent upon CMS’s response to the States’ requested certification date.”

**DHHS Response:** As noted above, the report provided by the Department to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on January 15, 2014, for achieving system certification in accordance with the requirements of Section 12A.4.(g)(4) of Session Law 2013-360 was a **preliminary report** according to the expressed language of the referenced Session Law. In addition, the Department has continued to formally and informally

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*apprise these entities about the status for achieving certification; including a presentation given to the Joint Legislative Oversight Committee on Health and Human Services with a Certification Project update on April 17, 2014. (See Attachment 1 to this Department response document, which is the slide presented by Joe Cooper along with his talking notes). A copy of this document was provided to the Office of the State Auditor on May 20, 2014).*

Overall, the NCTracks system was not certified by July 1, 2014, and the request for certification has not been made to CMS because of existing unresolved risks and not completing required certification tasks as planned. Until existing risks are resolved and key tasks are completed earning federal certification is unlikely.

**DHHS Response:** *DHHS sent a letter to CMS on July 2, 2014, stating that NCTracks is ready for certification review based on the checklists from the Medicaid Enterprise Certification Toolkit submitted therewith and requesting CMS to begin its certification site visit anytime after October 28, 2014.*

*The Department has appropriately managed the certification process, including identifying and remediating risks associated therewith. Thus, it did not submit its letter to CMS requesting certification until it reasonably determined that NCTracks is ready for certification review based on the checklists from the Medicaid Enterprise Certification Toolkit.*

*As noted above, the fact that NCTracks was not certified by July 1, 2014, will not likely impact savings going forward and retroactively to as early as July 1, 2013, once certification is achieved.*

### **Recommendations:**

1. The Department should work with CSC to establish an updated NCTracks certification project schedule.

**DHHS Response:** *The Department agrees with the Auditor's recommendation. The Department has updated the summary project schedule, which is attached hereto as Attachment 2. We also updated the detailed schedule (i.e., Integrated Master Schedule or IMS) on July 10, 2014. The NCTracks Certification Lead will be responsible for making subsequent updates to the summary project schedule as the need for updates arises.*

2. The Department should provide the General Assembly a follow-up NCTracks Certification Plan Report that includes the status of the project and updated schedule.

**DHHS Response:** *The Department respectfully disagrees with this recommendation based on the fact that it fulfilled the requirements of Section 12A.4.(g)(4) of Session Law 2013-360 to provide the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management with a preliminary report on the Department's plan for achieving system certification on January 15, 2014 (emphasis added) and has continued to formally and informally apprise these entities about the status for achieving certification.*

*Most recently, the Department provided the Joint Legislative Oversight Committee on Health and Human Services with a Certification Project update on April 17, 2014. (Attached hereto, as Attachment 1, is the slide that the DHHS CIO Joe Cooper presented along with his talking notes; and, which was provided to the Office of the State Auditor on May 20, 2014.). One key message in the presentation is the bullet that established the estimated CMS review preparedness date as "Target: October 2014 to begin process."*

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*Another key point that Joe Cooper delivered verbally, as noted in the speaking notes on the slide, was the following statement: "The actual timing of certification will depend on a combination of events involving all parties – CMS, CSC and the state. We hope to begin the process in October. So, while we hope to have certification by the end of 2014, I can't promise an exact date because ultimately CMS controls the timing."*

*Consistent with the April 17 presentation comments above, the Department's July 2, 2014 letter to CMS requested that the certification review begin anytime after October 28, 2014.*

3. The Department should develop a plan for how it will determine damages and hold CSC accountable in the event the vendor fails to meet contract terms regarding certification.

**DHHS Response:** *In accordance with Replacement MMIS Contract RFP Section 30.44.3, CSC is potentially liable for federal funding lost by the State due to NCTracks' failure to achieve maximum retroactive reimbursement. However, determining the damages to be paid by CSC is not simply a matter of calculating the difference between the State's potential reimbursement and the State's actual reimbursement because RFP Section 30.44.3 further provides that CSC is liable for certification-related damages only "to the extent they result from [CSC's] actions or inactions." Determining which CSC "actions or inactions" contributed to delay of certification, and how much delay resulted in each instance, would be a complex undertaking. Reducing such an analysis to dollar values may require the assistance of a consulting firm with skill and experience in forensic accounting, as well as in assessing complicated software development and outsourcing projects.*

*In the event federal funds are lost by the State due to NCTracks' failure to achieve maximum retroactive reimbursement, attorneys in the Office of the DHHS General Counsel will, with assistance from the NC Department of Justice as needed, evaluate the facts, contractual and legal obligations, and potential remedies. DHHS may identify suitable consulting firms to assess the amount of damages owed by CSC, if any. DHHS will contact candidate firms to confirm their capabilities and availability, but DHHS would not engage any consulting firm until after CMS has officially communicated to DHHS the date back to which CMS will grant North Carolina retroactive reimbursement.*

*Given the many thousands of actions by CSC since the beginning of the NCTracks project, it could be extremely wasteful for the State to pay a consulting firm to begin to analyze them before CMS has communicated its reimbursement decision because (1) CMS may grant maximum reimbursement back to July 1, 2013, and (2) if CMS specifies some other date, in effect CMS may declare that CSC's "actions or inactions" after that date could not possibly have contributed to any failure of the State to achieve the maximum possible federal funding. In other words, DHHS will not know the bounds of the damage analysis until CMS makes its decision and devoting State and consulting firm personnel to in-depth damage analyses before CMS has spoken could result in wasteful analysis of irrelevant CSC activities.*

### **FINDING #2: UNRESOLVED RISKS EXIST THAT COULD DELAY THE FEDERAL CERTIFICATION OF NCTRACKS**

State Auditor's excerpted text:

#### **CSC Identified Some Risks To NCTracks Certification**

As late as February 2014, CSC identified risks to the overall NCTracks certification process that could prevent NCTracks from receiving federal retroactive reimbursement back to the operational start date, or July 1, 2013. CSC also identified the risk of additional cost to the State.

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On February 25, 2014, CSC, “to consolidate the various outstanding CMS certification items”, entered an NCTracks certification risk into the project risk-tracking tool. The description of this risk stated:

*“NCTracks has been operating for more than 6 months and many of the concerns that have been raised before or since Go Live have been eliminated. However there are still several concerns and possibly unknown items that could affect certification of NCTracks. There is a risk that functionality gaps will pose a finding or possibly effect the certification of the system back to 7/1/2013. The impact of not obtaining certification could be costs exceeding 25% of the operating costs for the period that certification is not granted.” (Emphasis added)*

**DHHS Response:** *The above description reflects effective risk management as part of the NCTracks certification project. Personnel who are assigned to populate the risk-tracking tool are expected to document all reasonably conceivable risks, ranging from highly likely risks to risks of low probability. The reference in the above risk to “possibly unknown items” reflects that this is a routine, non-specific, catchall expression of risk.*

### **Certification Risks Exist Related to NCTracks Defects**

State Auditor’s excerpted text:

During the audit, 79 unresolved defects in the system were identified as having the potential to affect the certification of NCTracks.

**DHHS Response:** *The State Auditor was informed of the 79 potentially certification-impacting defects through normal operation of the Replacement MMIS’ transparent defect identification processes. All certification impacted defects identified prior to June 1, 2014, have been remediated. Any subsequently identified defects will receive priority remediation.*

Overall, while the Department and CSC have made efforts to identify and monitor defects that could affect certification, this information indicates that there may be a risk NCTracks is not meeting all applicable federal requirements in certain business areas. As a result, the readiness of NCTracks for certification is questionable and may further extend the timeline for the Department to request certification from CMS.

**DHHS Response:** *The Department and CSC continually identify risks as a routine activity of effective project management. Because every “risk” is by nature a probability, the reader is likely to interpret the Auditor’s words, “there may be a risk” as equivalent to saying, “there is a risk.” It is incorrect and misleading to imply that the identification, monitoring, and remediation of defects by the Department and CSC necessarily draws the certification-readiness of NCTracks substantially into question. In fact, DHHS sent a letter to CMS on July 2, 2014, stating that NCTracks is ready for certification review based on the checklists from the Medicaid Enterprise Certification Toolkit that DHHS submitted with the letter. The letter requests CMS to begin its certification site visit anytime after October 28, 2014.*

### **The State’s Medicaid Statistical File Contains Incorrect Data**

State Auditor’s complete text under this subheading:

Documentation shows an unresolved issue pertaining to invalid information in the State’s Medicaid Statistical Information System (MSIS) file could jeopardize the certification of NCTracks.

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**Medicaid Statistical Information System (MSIS) File:** States submit quarterly eligibility and claims program data to CMS through the MSIS file. The five files include one (1) file which contains eligibility and demographic characteristics for each person enrolled in Medicaid at any time during the quarter, and four (4) separate files of claims adjudicated for payment during the quarter for long-term care services, drugs, inpatient hospital stays and all other types of services.

The description that the Department and CSC used to explain the MSIS issue stated:

*"For CMS Certification at least one quarterly MSIS file transmission must be successfully accepted by CMS. The MSIS file submission must contain valid data – the previous submission has incorrect data in 3 of the 5 files. If a successful MSIS file transmission does not occur it will jeopardize CMS Certification."*

**DHHS Response:** *As a point of clarification it should be noted that "incorrect data" referred to the absence of certain data. None of the data that was present in the files was incorrect.*

Auditors found that the MSIS file issue was entered on March 28, 2014. As of May 20, 2014, almost two months later, the status of this issue was still "In Progress".

**DHHS Response:** *It is important to note that the timeline of the CMS file review aligns with the schedule presented April 17, 2014, to the Joint Legislative Oversight Committee on Health and Human Services and the Department's letter of July 2, 2014, to CMS. As of April 18, 2014, CMS had accepted three of the five files. CMS accepted the remaining two files on July 23, 2014.*

### **Recommendation:**

The Department should ensure that all documentation tracking NCTracks certification risks and issues is continuously updated to ensure all risks are monitored adequately and fully addressed.

**DHHS Response:** *The Department agrees with the Auditor's recommendation. DHHS has updated and will continue to update all documentation that tracks NCTracks certification risks and issues to ensure all risks are monitored adequately and fully addressed. The NCTracks Certification Lead will be responsible for making subsequent updates to all documentation that tracks NCTracks certification risks and issues to ensure all risks are monitored adequately and fully addressed.*

## **OTHER INFORMATION**

### **Implementation of Prior NCTracks Audit Recommendations**

State Auditor's complete text under this heading:

On December 9, 2013, the Office of the State Auditor released an NCTracks post-implementation audit report titled *Department of Health and Human Services, NCTracks – Post Implementation*. Among other things, the report highlighted four key findings and auditors made five recommendations applicable to DHHS.

As of May 27, 2014, DHHS has adequately implemented three out of five recommendations. However, two major recommendations have yet to be implemented and are past their target implementation date by more than five months. Summaries of the two unimplemented audit recommendations are below.

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<b>Prior Finding:</b>	<b>The Department had an inadequate framework for the timely resolution of NCTracks defects.</b>
<b>OSA Recommendation:</b>	The Department should establish official guidelines, metrics, and a methodology for tracking the timely resolution of defects. The Department should monitor CSC performance against these metrics.
<b>DHHS Response in December 2013</b>	In addition to its existing means of managing defects described in DHHS' response above [ <i>Appendix F</i> ], DHHS will establish formal guidelines, metrics and a methodology for tracking defect resolution. Target resolution times will represent guidelines and not contractual commitments by the vendor, as the NCTracks program managers cannot predict how long future/unknown defects will take to remediate. Responsible entity: Program Management Office. <u>Target implementation date: January 1, 2014.</u>
<b>Current Status as of July 2014</b>	<b>The Department has yet to adequately implement the recommendation.</b> A document that begins to address the recommendation was developed. However, this is being refined to add clarity and guidelines for monitoring and ensuring the timely resolution of defects.

<b>Prior Finding:</b>	<b>The state lacks a comprehensive action plan to address all NCTracks issues.</b>
<b>OSA Recommendation:</b>	The Department should develop a master action plan and integrate, in a traceable manner, all documents related to addressing NCTracks issues.
<b>DHHS Response in December 2013</b>	DHHS is developing a single document outlining its master action plan to present all NCTracks issues for consideration and disposition by the existing "Executive Change Control Body" (ECC). <u>The integration of all related documents will be completed by a target date of January 1, 2014.</u>
<b>Current Status as of July 2014</b>	The Department has created documentation to address NCTracks issues. The full integration of documents was not feasible; however, the Department has made documentation more traceable.



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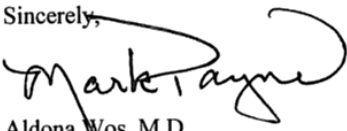
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***DHHS Response:** On June 30, 2014, the Department completed a document that addresses the two audit recommendations summarized in the tables above, which this audit identifies as "unimplemented recommendations." The document was sent to the Office of the State Auditor on July 2, 2014, for their records. The Department has already begun to implement the formal guidelines, metrics, and methodology as defined in the document.*

*The Department received additional guidance from OSA on July 22, 2014 regarding the document. The Auditor indicated that the portion of the document concerning the second recommendation above (the recommendation to develop a master action plan) has been reviewed. The Department will modify the portion of the document concerning the first recommendation (the recommendation to improve tracking timely resolution of defects) by adding a new section that provides more detail regarding timely resolution of defects and explains how this information relates to the contractual SLAs that govern CSC's defect resolution activities. The Office of NCTracks' Business Services Group will be responsible for producing the document and submitting it by November 14, 2014.*

We appreciate the time and resources the State Auditor's Office invested in this review as we work toward the common goal of better serving North Carolina Medicaid patients and medical providers. If you need any additional information, please contact me at (919) 855-3060.

Sincerely,

  
for Aldona Wos, M.D.  
Secretary

cc: Mark Payne, DHHS Chief of Staff  
Joseph A. Cooper, DHHS Chief Information Officer  
Chet Spruill, DHHS Director of Internal Audit  
Donnamarie Baldwin, DHHS Internal Auditor  
Angie Sligh, DHHS Director of the Office of NCTracks  
Chris Estes, ITS State Chief Information Officer  
Robin Cummings, M.D., DHHS Deputy Secretary for Health Services  
Emery Milliken, DHHS General Counsel




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### Attachment 1 – DHHS Response to the OSA NCTracks Certification Audit Report

Slide #12 -- April 17, 2014 DHHS Presentation to the NCGA



**dhhs**  
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES

### **Certification from Centers for Medicare and Medicaid Services**

- **92% ready**
- **Mock interviews are underway**
- **Target: October 2014 to begin process**

JOINT LEGISLATIVE OVERSIGHT COMMITTEE: APRIL 17, 2014 1

#### Slide 12: Certification from Centers for Medicare and Medicaid Services

As everyone here knows, certification from the federal Centers for Medicare and Medicaid Services, better known as CMS, directly affects the State budget. Once we have certification, many services will be paid with 75 percent federal funds. In the meantime, most services are paid at 50 percent.

As you remember, we have budgeted at the 50 percent rate for the next two years, so we have a nice cushion. And the sooner we get certification, the sooner we can start saving funds in the state budget. As a reminder, upon certification the credit would be retroactively applied to July 1, 2013.

We are 92 percent ready. Practice or mock interviews have begun with state staff and with our fiscal agent, the Computer Science Corporation, and with our data warehouse vendor, Truven.

The actual timing of certification will depend on a combination of events involving all parties – CMS, CSC and the State. We hope to begin the process in October. So, while we hope to have certification by the end of 2014, I can't promise an exact date because ultimately CMS controls the timing.



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### Attachment 2 – DHHS Response to the OSA NCTracks Certification Audit Report

#	Outstanding Tasks / Action Items for CMS Certification	Start Date	End Date	New Start Date	New End Date
1	Ongoing impact reviews and artifact collection	07/01/13	04/30/14	07/01/13	10/28/14
2	Manage deferred items	07/01/13	04/30/14	07/01/13	10/28/14
3	Continue collection of artifacts/Review Sessions with CSC/Identify and QA artifacts	01/10/14	04/30/14	01/10/14	10/28/14
4	Review System with Certification Checklist	07/01/13	07/01/14	07/01/13	10/01/14
5	Final Folder Prep - Production Artifact Remediation	04/21/14	06/04/14	04/21/14	10/28/14
6	Final QA review	04/30/14	04/30/14	04/30/14	10/28/14
7	MMIS Certification	06/03/13	07/01/14	06/03/13	05/23/15
8	MMIS Certification Start	06/03/13	06/03/13	06/03/13	06/03/13
9	Post Implementation Assessment	06/03/13	07/01/14	06/03/13	05/23/15
10	Create Certification Package for Go-Live (Prepare presentation, document steps to take place for the Post Implementation Assessment and review by the CMS Certification SME)	06/03/13	08/02/13	06/03/13	08/02/13
11	Review completed checklists with RO	09/20/13	12/10/13	09/20/13	12/10/13
12	Perform internal mock interviews/coaching with CSC/State leads (First Round)	01/24/14	04/24/14	03/17/14	07/30/14
13	Perform internal mock interviews/coaching with CSC/State leads (Second Round)			07/28/14	09/15/14
14	Submit Certification Request	01/24/14	01/24/14	07/02/14	07/02/14
15	CMS Review Certification Request	01/24/14	04/18/14	07/02/14	09/02/14
16	Receive Acceptance Date for Certification Review	04/18/14	04/18/14	09/09/14	09/09/14
17	Provide system access to CMS reviewers	04/18/14	04/18/14	09/09/14	11/14/14
18	Provide Training of MMIS System to CMS reviewers and Artifact Overview	04/21/14	05/16/14	09/30/14	11/14/14
19	Respond to CMS auditor questions and/or assigned actions	04/21/14	06/17/14	04/21/14	05/23/15
20	Kickoff presentation for CMS	05/16/14	05/16/14	11/17/14	11/17/14
21	Manage triage group to answer CMS questions during certification			11/17/14	11/21/14
22	Final Day of Certification Review - Closing remarks with CMS and State	05/30/14	05/30/14	11/21/14	11/21/14
23	MMIS Certification Complete	07/01/14	07/01/14	01/21/15	01/21/15
24	Time allotted for Corrective Action			11/21/14	02/20/15
25	CMS validates issues are resolved			02/23/15	03/23/15
26	Receive Certification from CMS	07/01/14	07/01/14	05/23/15	05/23/15
27	MMIS Certification Complete	07/01/14	07/01/14	05/23/15	05/23/15



## APPENDIX E – DEPARTMENT RESPONSE

Attachment 3

(Extracted from May 2013 OSA NCTracks Performance Audit)

### APPENDIX F – DEPARTMENT RESPONSE



#### North Carolina Department of Health and Human Services

Pat McCrory  
Governor

Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

May 16, 2013

The Honorable Beth A. Wood, State Auditor  
Office of the State Auditor  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Dear Auditor Wood:

We have reviewed the results of your performance audit of information technology controls titled *Department of Health and Human Services, NCTracks (MMIS Replacement) – Implementation*. The following represents our responses to the Report Findings and Recommendations.

#### **FINDINGS AND RECOMMENDATIONS**

##### **FINDING #1: HUNDREDS OF CRITICAL USER TEST CASES WERE NOT EXECUTED**

NCTracks has not been fully tested to confirm that it can produce and support the most critical business functions.

- (1) All critical priority test cases were not executed
- (2) All key user role test cases were not fully executed
- (3) Integrated test documentation does not exist

If user acceptance testing is accepted without addressing these issues, a high risk exists that critical NCTracks functions could have major errors on go-live and possibly lead to a delayed CMS certification of the system.

The Department did not provide adequate oversight during user testing. By failing to track and ensure that all critical priority test cases were executed, the Department lacks sufficient information to assess whether NCTracks meets the requirements of its users.

The *State of North Carolina Statewide Information Security Manual*, states that Agencies shall develop a process to ensure that new systems and equipment are fully tested and formally accepted by users before management accepts the systems and places into the operational environment.

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The *ISACA COBIT5 Framework* states that organizations should undertake all tests in accordance with the test plan, that the test plan reflects an assessment of risk, and that all functional and technical requirements are tested

#### Recommendations:

1. The Department should review the high priority test cases that were not executed and assess against the "Gap List" that will be used to determine and schedule test cases during the user acceptance testing in May.

*DHHS Response: The Department agrees with this recommendation and has completed such an assessment. During planning for the May UAT, staff from OMMISS and the divisions participating in the NCTracks project conducted a risk assessment, and created a list of testing gaps, including high-priority test cases. Each gap was then assessed to verify that the testing concern had not yet been addressed in any phase of user acceptance or production simulation testing. In some cases, "gaps" had, in fact, been tested and were removed from the list. Any gaps that could be tested as part of change request testing or defect validation were assigned to an appropriate test scenario. All remaining gaps were assigned individual test cases for execution in May.*

2. The Department should develop, prior to go-live, a comprehensive user acceptance testing "scheduled vs. not executed" test case report and this report should be available to all Department NCTracks stakeholders.

*DHHS Response: The Department agrees with this recommendation and plans to develop a "scheduled but not executed" test case report following completion of the May user acceptance testing. The report will be made available to all Department NCTracks stakeholders.*

3. The Department should test, during the user acceptance testing in May, all NCTracks user role test cases that have not been executed.

*DHHS Response: The Department agrees with this recommendation and is testing all State and Provider user roles during the May user acceptance testing period. Fiscal agent roles will be tested by CSC, with documentation to be provided by CSC listing the roles tested and the method used to accomplish the test.*

4. A report that shows the status of all user role test cases should be developed and shared with all the authorizing managers of the new system prior to go-live.

*DHHS Response: The Department agrees with this recommendation. Following completion of the May user acceptance testing, a list of test cases used to test State and provider roles, along with test case execution results, will be made available to Department authorizing managers.*

5. NCTracks accounts for Department users should be created with enough time prior to July 1, 2013, to allow all the new system users to view and test their own level of access and request necessary adjustments.

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***DHHS Response:** The Department does not disagree with this recommendation, but believes it would be unwise, at this late juncture, to modify the implementation plan at the level of detail specified in the recommendation.*

*The programmatic batch processes for creating the Department's individual user access accounts have been tested during the May user acceptance test UAT.*

*As part of the May UAT testing, OMMISS has worked with users to ensure they have requested roles appropriate to their approved business requirements upon go live. This exercise completely mimics the actual production processes and access rights.*

*OMMISS will also work with authorizing managers within DHHS to help ensure employees are provisioned with the correct user roles. Training sessions are underway to help authorizing managers understand the steps to be undertaken for their staff to gain the required NCTracks access. If users encounter problems following the operational start of the system, OMMISS will work with CSC to resolve the issues.*

6. The Department should continue to work with providers to ensure that they understand the user role and access control process on go-live.

***DHHS Response:** The Department agrees with this recommendation. Training for providers is ongoing using multiple delivery methods. Instructor-led training is being conducted in six cities throughout North Carolina. Providers and their staff can attend in person or view the training over the Internet using WebEx. Each of these training courses is being recorded for access by providers and their staff at a future date over the Internet. In addition, computer based training modules are accessible through the NCTracks web portal.*

7. The Department should integrate, in a traceable manner, all the documents about NCTracks requirements, business processes, test builds, and test cases.

***DHHS Response:** The Department agrees with this recommendation. The requirements traceability matrix, which traces requirements to business processes, and the development builds will be extended to include: The 12,667 test cases executed by CSC during build system integration testing and reviewed by OMMISS staff; the test cases executed by the Department during user build acceptance testing; and, the test cases executed by the Department during user acceptance testing.*

8. Once requirements are linked to test cases, the Department should re-evaluate user acceptance testing results to assess whether or not all NCTracks functional requirements were tested.

***DHHS Response:** The Department does not disagree with this recommendation; however considering the extensive amount of testing NCTracks has undergone over the past thirty months it is not practical to complete this assessment prior to go-live.*

#### **FINDING #2: PRODUCTION SIMULATION TESTING PROCESS FLAWED**

Serious flaws exist in the production testing process that began on August 29, 2012, and ended on the rescheduled date of March 16, 2013.



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- (1) Acceptance criteria for NCTracks was not established before production testing
- (2) The vendor building NCTracks developed the acceptance criteria
- (3) A detailed and integrated test plan with test benchmarks was not created
- (4) The severity of test defects identified was not reviewed and assessed jointly with the vendor

Inadequate oversight of production testing by the Department risks the readiness of NCTracks to fully support production operations. As a result of not having a defined test plan and testing acceptance criteria, the Department relied solely on the vendor. This increases the risk that the Vendor underreported the severity of defects to meet acceptance criteria and could lead the Department to inadequately assess the overall production system testing and encounter issues on go-live.

#### Recommendations:

1. The Department should develop documentation that clearly identifies the benchmarks for tests conducted during the production simulation testing phase.

*DHHS Response: The Department agrees with this recommendation. OMMISS will define benchmarks for tests conducted during PST that did not have clearly defined benchmarks. As noted in the audit report, additional benchmarks are not required for the comparative claims test.*

2. The Department should evaluate final production simulation test results against benchmarks

*DHHS Response: The Department agrees with this recommendation. The results of each test will be compared against the new benchmarks. Additionally, the results will be reviewed with the NCTracks Executive Committee.*

3. The Department should revisit the current acceptance criteria for the production simulation testing phase and receive formal approval by the NCTracks Executive Committee.

*DHHS Response: The Department agrees with this recommendation. The acceptance criteria for production simulation testing have been reviewed and approved by the NCMMIS+ Steering Committee.*

4. The Department should assess final production simulation test results against the revised production simulation testing acceptance criteria.

*DHHS Response: The Department agrees with this recommendation. The final production simulation test results will be assessed against the acceptance criteria for PST approved by the NCMMIS+ Steering Committee on May 14, 2013.*

5. As part of the production simulation testing deliverable review, the Department should conduct a review of all open test defects and their assigned severities before production testing is accepted.

*DHHS Response: The Department agrees with this recommendation. As noted in the audit report, OMMISS had planned to conduct such a review at the conclusion of production simulation testing. OMMISS, working with its Test Management Services vendor, SLI, reviewed all open defects following the completion of production simulation testing and the submission of the PST Final Results deliverable. During this review, it was discovered that CSC had misclassified 14 defects as severity three that should have been classified as severity two. This change in severity was made prior to the acceptance of the*

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*deliverable. OMMISS confirmed that the change in severity classification for these 14 defects did not affect the achievement of the PST acceptance criteria.*

#### **FINDING #3: INDEPENDENT ASSESSMENTS ARE FLAWED AND PUT SYSTEM READINESS AT RISK**

During the user acceptance testing and production simulation testing phases, Maximus, the independent verification and validation (IV&V) services vendor, relied exclusively on the test result reports of other vendors to conduct its own test case analysis. By relying on other vendors, Maximus did not minimize system implementation risks as required by the federal Centers for Medicare and Medicaid Services (CMS).

In addition, the state's Enterprise Project Management Office (EPMO) has not assessed the NCTracks project properly as a result of having: (1) inflexible project indicator guidelines, and (2) a weakness in its project portfolio management tool. By consistently rating the overall NCTracks project as "Green", even though it has warranted "Yellow" ratings at times, EPMO has increased the perception that this project has no issues or risks as it nears go-live.

#### **Recommendations:**

1. The Department and EPMO should review the Maximus contract to assess work deliverables and identify improvement areas and current limited capabilities to monitor and require that Maximus provides an effective and independent service that will facilitate the required CMS certification for NCTracks.

***DHHS Response:** The Department accepts this recommendation and will work with the EPMO and Maximus to finalize the Maximus work plan to ensure it clearly identifies work deliverables that will facilitate the required CMS certification.*

2. EPMO should request, based on the findings of this report, that Maximus conduct an independent assessment of test cases executed during the user acceptance testing in May and deliver an "ad-hoc report".

***DHHS Response:** The Enterprise Project Management Office (EPMO) will respond to this recommendation.*

3. EPMO should adjust the frequency in which all major state IT projects are required to complete their overall risk assessment so that it occurs on a quarterly basis rather than waiting for a project to move to a new phase.

***DHHS Response:** The Enterprise Project Management Office (EPMO) will respond to this recommendation.*

4. EPMO should develop additional enterprise criteria and enhance processes to assist in effectively assessing all state IT projects that are within six months of go-live.

***DHHS Response:** The Enterprise Project Management Office (EPMO) will respond to this recommendation.*



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#### **FINDING #4: ACCESS CONTROL AND SECURITY ENVIRONMENT AT RISK ON GO-LIVE**

The Department has not made key decisions that are necessary for the proper implementation and documentation of the access control and security environment of NCTracks. This could lead to a delayed and insecure implementation of the NCTracks system.

- (1) How to create approximately 1,500 Department and non-state user accounts for go-live
- (2) How to manage the Privacy and Security Officer role on go-live

The Department and CSC (the vendor) indicate that these key decisions and related documentation have not been established due to additional time needed to evaluate options. Also, no current plan or documented timeline is in place that shows when these decisions must be made. This is a significant risk considering that the original operational readiness date of February 28, 2013, has already passed.

The *State of North Carolina Statewide Information Security Manual*, states:

“Whether the system is developed or updated by in-house staff or by a third-party vendor, agencies shall ensure that each new or updated system includes adequate system documentation. Agencies shall ensure that system documentation is readily available to support the staff responsible for operating, securing and maintaining new and updated systems.”

#### **Recommendations:**

1. The Department should make these key decisions with sufficient time prior to July 1, 2013, to allow staff the time to create and establish all key access control procedures and documentation, conduct internal reviews, and train appropriate staff.

*DHHS Response: Department agrees with this recommendation. The key decisions have been made: 1) Programmatic batch processes have been developed and tested in UAT for creating over 1,500 Department and Fiscal Agent user accounts 2) NCTracks will have a centralized Privacy and Security Office function.*

*All access control procedures have been defined and documented. Internal reviews have been conducted to ensure compliance with State policies and security framework. Training is being provided to appropriate staff on the access controls and security framework for NCTracks.*

2. The Department should document the decisions made and include the reasoning for the chosen approach.

*DHHS Response: The Department agrees with this recommendation. The Department has completed documentation of the batch process for creating NCTracks user accounts; and documentation regarding a centralized Privacy and Security Office function is in process.*

3. All documentation developed pertaining to NCTracks access controls and security should be stored securely in a centralized location known to management and should be readily available to support the staff responsible for operating, securing, and maintaining the new system on go-live.

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*DHHS Response: The Department agrees with this recommendation. All documentation developed pertaining to NCTracks access controls and security has been stored and secured on the project's document repository, ShareNet.*

#### **FINDING #5: NO FORMAL CRITERIA FRAMEWORK EXISTS TO DETERMINE IF NCTRACKS IS READY FOR GO-LIVE**

The Department does not have a formal Go/No-go criteria framework to determine if NCTracks is ready for go-live.

- (1) No go-live criteria framework exists
- (2) No documented draft on what the Go/No-go criteria will be
- (3) No documented timeline for when criteria will be completed

Not having any formal Go/No-go framework, criteria, and timeline is a result of inadequate go-live planning by the Department and increases the risk of implementing a system that may not be ready for operations considering that the original operational readiness date for NCTracks, February 28, 2013, has already passed. Additionally, the new system is currently undergoing additional major upgrades and testing and formal Go/No-go criteria should be pre-determined and not established after all test results are known.

#### **Recommendations:**

1. The NCTracks Executive Committee should establish a formal process and timeline for the Department to develop, review, and approve a go-live criteria framework for NCTracks before the completion of the user acceptance testing in May.

*DHHS Response: The Department agrees with this recommendation. The system acceptance criteria have been formalized and approved by the NCMMIS+ Steering Committee on May 14, 2013.*

2. The Department should re-evaluate its current "Go" decision for July 1, 2013, once final Go/No-go criteria is established and documented. This assessment should incorporate the final user acceptance testing and production simulation testing results.

*DHHS Response: The Department agrees with this recommendation. Upon completion of user acceptance and production simulation testing, the Go/No-go decision will be re-evaluated using the formalized criteria approved by the NCMMIS+ Steering Committee.*

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We greatly appreciate the assistance and professionalism provided by your audit staff in the performance of this audit. If you need any additional information, please contact Mary R. Johnson at (919) 855-3738.

Sincerely,



Aldona Vos, M.D.

AZW:mrj

cc: Sherry Bradsher, Deputy Secretary  
Matt McKillip, Senior Policy Advisor  
Joseph Cooper, Jr., Chief Information Officer  
Ms. Angeline Sligh, Director, Office of Management Information  
System Services  
Emery B. Milliken, General Counsel  
Jim Slate, Director, Budget and Analysis  
Laketha M. Miller, Controller  
Chet Spruill, Director, Office of Internal Audit  
Monica Hughes, Branch Head, Audit Resolution & Monitoring



## ORDERING INFORMATION

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For additional information contact:

Bill Holmes  
Director of External Affairs  
919-807-7513

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This audit was conducted in 650 hours at an approximate cost of \$49,400. The total cost of the audit represents .009% of the total NCTracks cost of \$497,017,478.