PERFORMANCE AUDIT REPORT

Kansas Eligibility Enforcement System: Evaluating Delays in the System's Implementation

Legislative Division of Post Audit

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December 10, 2015

To: Members, Legislative Post Audit Committee

Representative John Barker, Chair   Senator Michael O'Donnell, Vice-Chair
Representative Tom Burroughs   Senator Anthony Hensley
Representative Peggy Mast   Senator Laura Kelly
Representative Virgil Peck, Jr.   Senator Jeff Longbine
Representative Ed Trimmer   Senator Julia Lynn

This report contains the findings, conclusions, and recommendations from our completed performance audit, *The Kansas Eligibility Enforcement System: Evaluating Delays in the System's Implementation.* The audit was requested by the House Standing Committee on Appropriations. We would be happy to discuss the findings, recommendations, or any other items presented in this report with any legislative committees, individual legislators, or other state officials.

Sincerely,

Scott Frank
Legislative Post Auditor

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The Kansas Eligibility Enforcement System: Evaluating Delays in the System's Implementation

In August 2011, Kansas signed a contract with Accenture to design a new eligibility determination system for medical and social service benefits. Known as the Kansas Eligibility Enforcement System (KEES), the project was originally estimated to take about two years to complete and cost about $138 million to build and $50 million to maintain for five years. The original KEES project plan called for a web-based application system and would help streamline eligibility determination for state medical and social service benefits. The system was intended to link several state and federal databases to help identify errors or fraudulent claims.

Since the KEES contract was signed with Accenture in 2011, the project had several delays and missed deadlines. As a result, the Kansas Enterprise Project Management Office has placed the KEES project on caution or alert status on numerous occasions. KEES was originally scheduled to be completed by May 2014, but current projections now show KEES will not be completed until at least August 2016.

Legislators have expressed concern that delays in the system's implementation may have increased the project's costs and affected the system's functionality.

This performance audit answers the following question:

1. **Have delays or other changes to the KEES project resulted in additional costs, reduced anticipated savings, or reduced system functionality?**

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in *Appendix A*. For reporting purpose, we have collapsed the two scope statement questions into one.

Our work included a variety of steps to evaluate how project delays and other changes have affected system costs, anticipated savings, or system functionality. Specifically, we interviewed staff from the Kansas Department of Health and Environment (KDHE), the Kansas Department for Children and Families (DCF), and the Kansas Information Technology Office to gain a better understanding of the KEES project and how it has changed over time. We also reviewed relevant KEES project documents including presentations provided to legislative committees, the

state's contract with Accenture, project status and budget reports, and external project evaluations. Based on this documentation and our interviews with KDHE and DCF officials, we identified significant changes to the KEES project's timelines, scope, budget, and deliverables. We did not perform any work on internal controls because such work was unnecessary to answer the audit question.

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. Overall, we believe the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our findings begin on page 7, following a brief overview of the Kansas Eligibility Enforcement System.

Overview of the Kansas Eligibility Enforcement System (KEES)

KEES is an Integrated Eligibility System for the State's Medical and Social Service Programs

In 2011, Kansas Department of Health and Environment (KDHE) and Department for Children and Families (DCF) officials combined two information technology projects, K-Med and Avenues, under a single project called the Kansas Eligibility Enforcement System (KEES).

- K-Med was an eligibility determination system for <u>medical</u> assistance programs such as Medicaid and the Children's Health Insurance Program (CHIP).

- Avenues was an eligibility determination system for <u>social service</u> assistance programs including Temporary Assistance for Needy Families (TANF), Low Income Energy Assistance Program (LIEAP), the Refugee Cash Program, Work Programs, and Child Care Subsidies.

KEES was intended to allow individuals to apply for state medical and social service benefits through a single publicly available web portal. Prior to KEES, individuals could not submit electronic applications for both medical and social service programs. KEES's original project plan called for a single publicly available web portal. This would allow individuals to apply for multiple medical and social services benefits by completing and submitting a single online application. The web portal was also intended to allow individuals to review the status of their applications once submitted.

KEES was also intended to have automated eligibility determination for medical and social service benefits. The original KEES plan called for software that could automatically verify applicants' information by crosschecking it against existing state and federal databases. For example, KEES would verify whether an applicant was currently unemployed by communicating with other existing wage and employment databases. Once verified, KEES' software would automatically determine which medical or social service benefits an applicant would be eligible to receive. KDHE officials believed KEES' automated function would reduce the number of human errors made during the eligibility determination process.

Finally, the KEES system was intended to serve as an interface to share information with the federal government's health care exchange under the Affordable Care Act. Under the Affordable Care Act, the state had a choice to create its own health insurance exchange or allow the federal government to create and operate one on its behalf. The state chose the latter option, but elected to

still have KDHE make eligibility determinations for Medicaid and CHIP applications. As a result of this decision, the state needed a way to transfer KDHE's Medicaid and CHIP eligibility information to the federally operated health care exchange. The state decided to build this feature into the KEES system, and have it serve as the link between the state and federal systems.

As Originally Planned, KEES Was to Be Completed in 2014 and Cost a Total of $138 Million to Build and $50 Million to Maintain for Five Years

The KEES project was originally scheduled to be finished by May 2014, taking about two years to complete. The first detailed planning document for KEES was submitted to the Kansas Information Technology Office (KITO) in January 2012. According to this document, the medical and social service eligibility systems (K-Med and Avenues) were originally scheduled to be completed by December 2013. Other smaller system components, such as a new customer service contact center, were scheduled to be completed by May 2014.

KDHE and DCF officials originally estimated it would cost $138 million to build KEES and about $50 million to maintain it for five years. Officials from these agencies submitted budget requests to the Department of Health and Human Services (HHS) starting in 2011. The original budget showed it would cost an estimated $138 million to build KEES. The majority of these costs were for expected payments to Accenture—the vendor selected by the state to develop software for the KEES project. A smaller portion of these costs were associated with salaries for state staff working on the KEES project. These estimated maintenance costs included troubleshooting problems with the system, updating or modifying existing software, as well as other necessary services to keep KEES operational.

Federal grants will be used to pay for 85% of the build costs, and 75% of the maintenance costs. Grants from federal agencies, including HHS and the United States Department of Agriculture (USDA), provide federal funding for KEES. For example, some of the federal funds included are Medicaid, Foster Care, LIEAP, TANF, and SNAP. In general, 85% of the cost to build KEES will be funded by federal grants, with the remaining 15% being funded with state funds. Similarly, about 75% of KEES' maintenance costs will be funded with federal grants, with 25% being covered by state general funds.

Oversight, Management, and Development of the KEES Project Involves Numerous Federal, State, and Private Entities

Federal entities, the state, and an independent evaluator all have oversight roles on the KEES project. *Figure OV-1* below summarizes the federal, state, and private entities involved in the oversight, management, and design of the KEES system. As the figures shows, several entities provide oversight of the KEES project. Specifically, HHS tracks the progress of the KEES project in order to ensure federal funds are issued and used appropriately.

Figure OV-1		
Summary of Private, State, and Federal Entities Involved in the KEES Project		
Entity Name	**Entity Affiliation**	**Entity's Responsibility**
Oversight		
The Department of Health and Human Services (HHS)	Federal	KDHE and DCF officials must submit budget requests to HHS, which includes the Centers for Medicare and Medicaid Services (CMS), to receive funding for KEES. HHS and CMS officials review these budgets to ensure there is a justifiable reason to approve the budget requests.
United State Department of Agriculture (USDA)	Federal	KDHE and DCF officials must submit budget requests to USDA. USDA administers the Supplemental Nutrition Assistance Program (SNAP) and funding from this program has been used to help fund the Avenues component of KEES.
Software Engineering Services	Private	ITEC policies require regular independent reviews for any IT project with an estimated cost of at least $10 million over three years. The KEES project met these criteria and has received independent evaluations since May 2012.
Kansas Information Technology Office (KITO)	State	KDHE officials must submit a quarterly status report to KITO staff detailing KEES' current cost, schedule, and other important information. KITO staff summarize this information and provides it to JCIT for their review.
Joint Committee on Information Technology (JCIT)	State	KITO's quarterly reports are provided to JCIT members for their review. JCIT members may call upon KDHE or DCF officials to testify to answer any specific questions they may have.
Management		
Kansas Department of Health and Environment (KDHE)	State	KDHE officials are responsible for managing the medical eligibility component of KEES (K-Med). Additionally, the overall KEES project director works for KDHE.
Kansas Department for Children and Families (DCF)	State	DCF officials are responsible for managing the social services eligibility component (Avenues).
Design		
Accenture	Private	Accenture is a private contractor that has been hired to build and maintain KEES.
Source: KEES contract, documents submitted to federal agencies, and information provided by KDHE and DCF officials (audited).		

Additionally, a private independent evaluator conducts quarterly reviews of the project. At the state level, KITO officials collect and summarize quarterly status reports from KDHE and DCF on the project's status. KITO officials then distribute this information to members of the Joint Committee on Information Technology (JCIT). We identified a problem with cost information reported to JCIT which is described in more detail on page 14 of the report.

Managing the KEES project is a joint effort between KDHE and DCF officials. As previously mentioned, the KEES project consists of two subprojects. KDHE is responsible for managing the medical eligibility component of KEES (K-Med), whereas DCF is responsible for managing the social services eligibility component (Avenues). KEES is a joint project involving both agencies, however the overall KEES project director works for KDHE.

Accenture is under contract with KDHE and DCF to build and maintain the KEES system. In 2011, Accenture signed a contract with the state to build and maintain K-Med. The contract included an executable option for Accenture to also build the state's social services eligibility determination project (Avenues). This option was executed immediately after the contract was signed for K-Med, at which point the joint project became known as KEES. Accenture is the primary entity responsible for building and maintaining both sub-projects that make up KEES.

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Question 1: Have Project Delays or Other Changes to the KEES Project Resulted in Additional Costs, Reduced Anticipated Savings, or Reduced System Functionality?
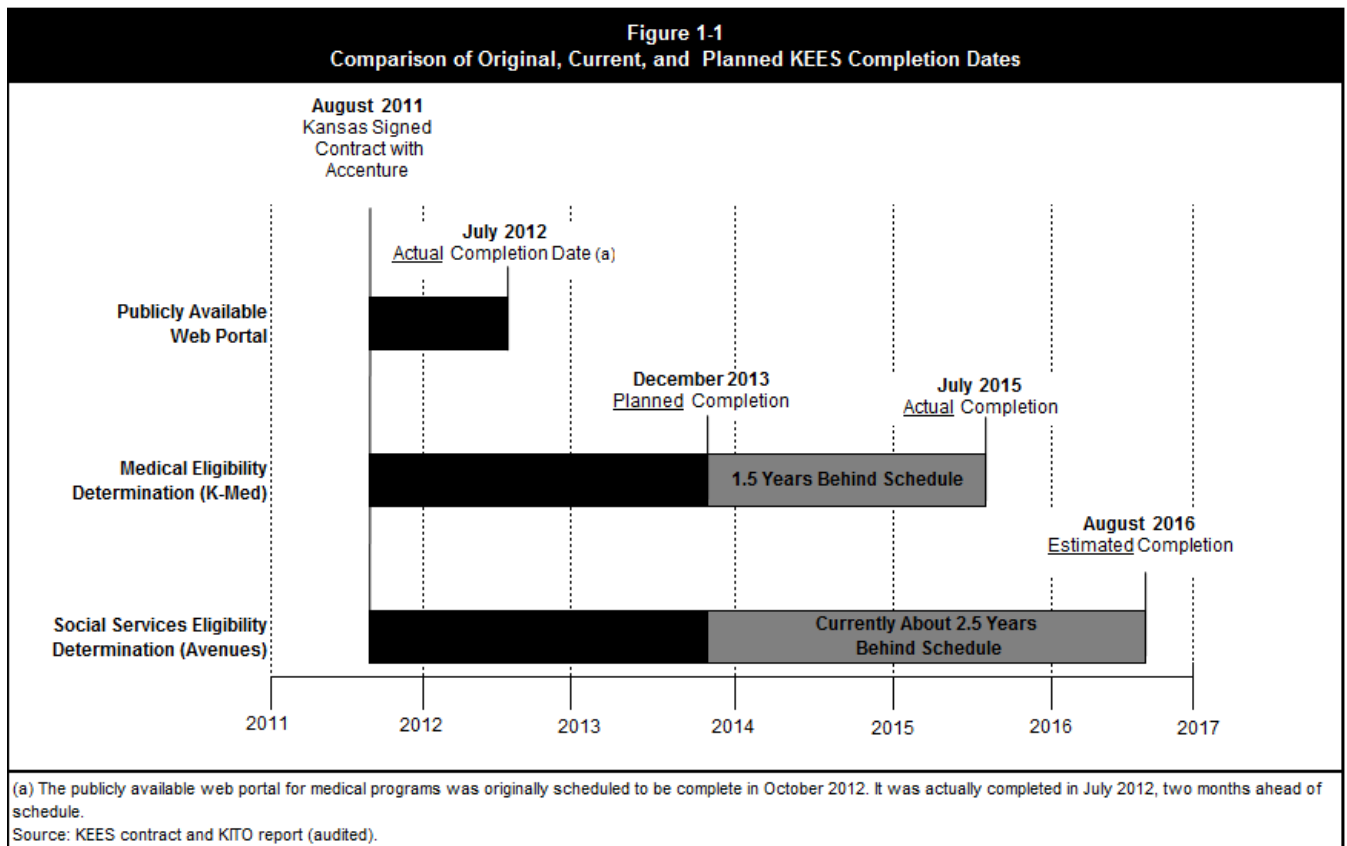
Although it appears the main functionality of the KEES project will work as planned, the project has suffered from significant delays, additional costs, and reductions in both savings and functionality. Specifically, as of November 2015, the core of the KEES project was approximately two and a half years behind the original schedule (p. 7). Further, if completed by August 2016, KEES will likely have exceeded the original budget to build, maintain, and operate the system by at least $46 million (p. 9). In addition, although it appears the main functionality of KEES will work as planned, some important components have been significantly postponed or reduced (p. 11). The state is also unlikely to realize all the estimated savings expected from KEES because the original estimates of those savings were based on faulty assumptions (p. 14). It appears that project management issues early in the KEES project and other changes led to many of the current problems we identified (p. 16). Finally, state oversight bodies do not always receive complete information about IT projects like KEES (p. 17).

As of November 2015, the Core of the KEES Project Was Approximately Two and a Half Years Behind the Original Schedule

The Kansas Eligibility Enforcement System (KEES) consists of two subprojects, K-Med and Avenues. We compared the original completion dates to the actual (or currently projected) completion dates for the system's three major components: the publicly available web portal, the medical eligibility determination piece (K-Med), and the social services eligibility determination piece (Avenues). *Figure 1-1* on the next page shows the current status of each of these components.

The first component of the project, the publicly available <u>web portal</u> for medical programs, was completed slightly ahead of schedule in July 2012. As planned, the web portal would allow individuals to apply for multiple medical benefits on a single website. This web portal was originally estimated to be completed in October 2012. Kansas Department of Health and Environment (KDHE) officials and Kansas Information Technology Office (KITO) reports both showed the web portal for medical programs was implemented in July 2012, slightly ahead of schedule.

Department for Children and Families (DCF) officials originally planned to incorporate the <u>social service</u> programs (Avenues) into this publicly available web portal by December 2013. Instead, as discussed on page 11, DCF officials now plan to develop a <u>separate</u> web portal for social service programs by August 2016.

Figure 1-1
Comparison of Original, Current, and Planned KEES Completion Dates

(a) The publicly available web portal for medical programs was originally scheduled to be complete in October 2012. It was actually completed in July 2012, two months ahead of schedule.
Source: KEES contract and KITO report (audited).

The medical eligibility component of KEES (K-Med) was completed in July 2015—about a year and a half behind schedule. As *Figure 1-1* shows, K-Med was originally scheduled to be complete in December 2013. However, KDHE officials and KITO reports both indicate that this functionality was not completed until July 2015. Additionally, although K-Med is currently available and is being used to determine eligibility for medical programs, some work remains to enhance its "no-touch" verification function. This is discussed in more detail on page 11of the report.

Assuming the current deadlines are met, the social services eligibility component of KEES (Avenues) will be complete in August 2016—at least two and a half years behind schedule. As *Figure 1-1* shows, Avenues was originally scheduled to be completed along with K-Med in December 2013. However, DCF officials told us Avenues will not be complete until at least August 2016. Assuming Avenues is completed by this date, work on Avenues would be finished about two and a half years behind schedule.

Once Completed, KEES Will Likely Exceed the Original Budget to Build, Maintain, and Operate the System by at Least $46 Million Through August 2016
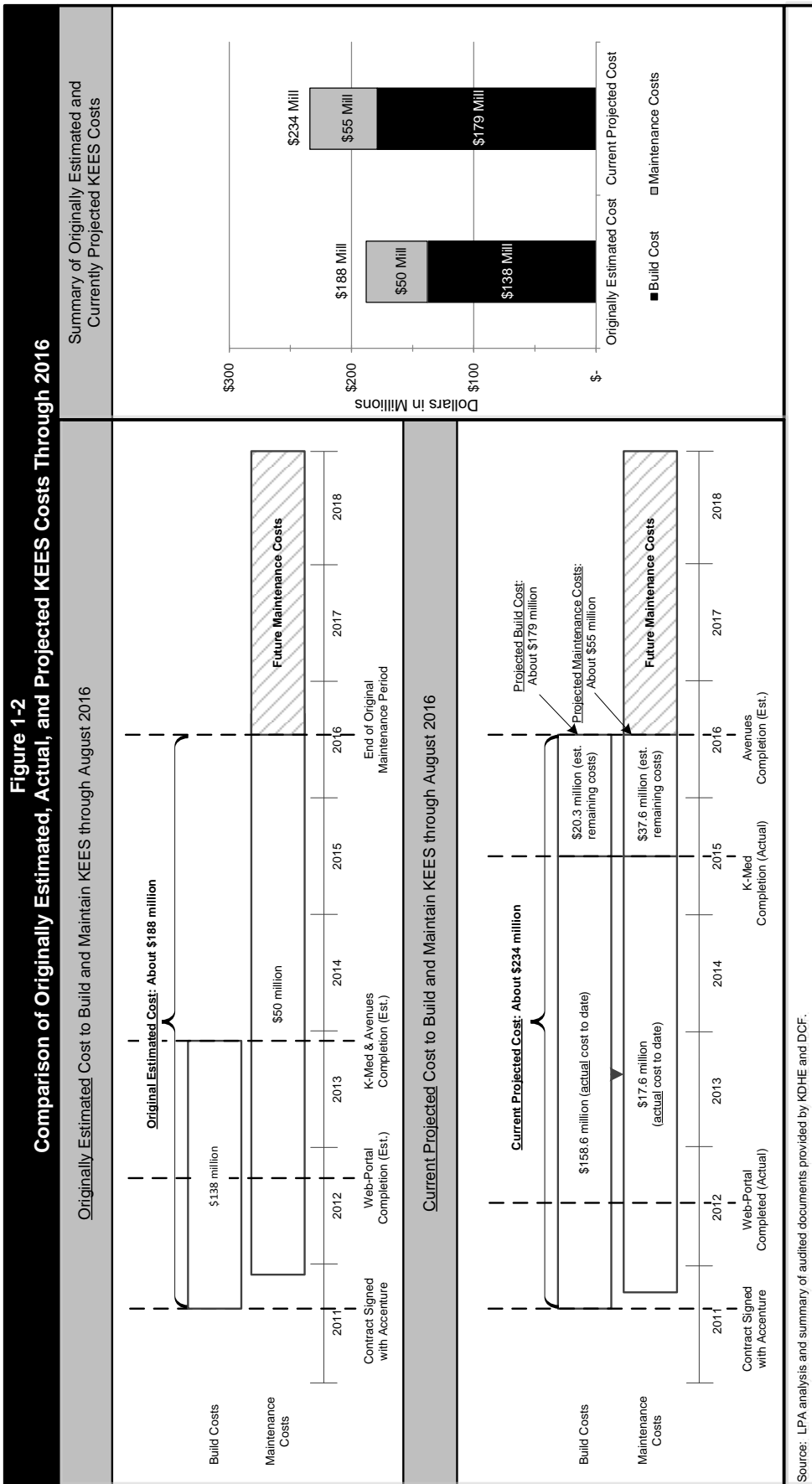
Federal grants fund most of the cost to build and maintain KEES. As a result, the Department of Health and Human Services (HHS) approves federal funding for KEES. We reviewed budget documents submitted to CMS and HHS as well as contract documents with Accenture to determine whether the KEES project is currently on budget.

The original estimate was for about $188 million to build and maintain KEES through August 2016 (the currently estimated project completion date). To determine whether KEES is still on budget, we compared the actual and projected costs to build and maintain KEES (through August 2016) to the originally estimated cost to build and maintain KEES (also through August 2016).

- **In total, KEES was originally estimated to cost about $138 million to build and was estimated to be completed in December 2013.** *Figure 1-2* on the next page compares the originally estimated and currently anticipated cost to build and maintain KEES through August 2016. As *Figure 1-2* shows, the KEES project was originally scheduled to be completed near the end of 2013 with an estimated total build cost of $138 million.

- **KDHE officials originally estimated it would cost about $50 million to maintain the system through August 2016.** According to KDHE officials, maintenance for KEES would have cost about $10 million per year. As *Figure 1-2* shows, this maintenance period would have begun in late 2011 and ended by August 2016.

Through August 2016 it will likely cost about $234 million to build and maintain KEES—about $46 million more than originally budgeted for the same time period. Our review showed increased costs to both build and maintain the system, as described below:

- **It will likely cost about $179 million to complete building KEES by the planned completion date of August 2016.** As *Figure 1-2* shows, about $159 million had already been spent to build KEES as of June 2015. KDHE and DCF officials estimate that an additional $20 million will be needed to complete building KEES by the planned completion date of August 2016. Therefore, if the KEES project is completed by that date, we estimate the total cost to build KEES will be about $179 million.

- **It will likely cost about $55 million to maintain KEES through August 2016.** As *Figure 1-2* also shows, Accenture began maintaining portions of KEES in late 2011. As of June 2015, $17.6 million had spent to maintain KEES. Further, KDHE officials project an additional $37.6 million will be spent to maintain KEES through August 2016. It is important to note that KEES will continue to incur maintenance costs past August 2016. However, we excluded future maintenance costs from our analysis to help ensure a more accurate comparison of originally estimated and currently anticipated costs.

Figure 1-2

Comparison of Originally Estimated, Actual, and Projected KEES Costs Through 2016

Originally Estimated Cost to Build and Maintain KEES through August 2016

Build Costs

Original Estimated Cost: About $188 million

$138 million

Maintenance Costs

$50 million

Future Maintenance Costs

2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018

Contract Signed with Accenture

Web-Portal Completion (Est.)

K-Med & Avenues Completion (Est.)

End of Original Maintenance Period

Current Projected Cost to Build and Maintain KEES through August 2016

Build Costs

Current Projected Cost: About $234 million

$158.6 million (actual cost to date)

$20.3 million (est. remaining costs)

Projected Build Cost: About $179 million

Maintenance Costs

$17.6 million (actual cost to date)

$37.6 million (est. remaining costs)

Projected Maintenance Costs: About $55 million

Future Maintenance Costs

2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018

Contract Signed with Accenture

Web-Portal Completed (Actual)

K-Med Completion (Actual)

Avenues Completion (Est.)

Summary of Originally Estimated and Currently Projected KEES Costs

$234 Mill

$55 Mill

$179 Mill

$188 Mill

$50 Mill

$138 Mill

Dollars in Millions

$300 | $200 | $100 | $-

Originally Estimated Cost   Current Projected Cost

■ Build Cost   □ Maintenance Costs

Source: LPA analysis and summary of audited documents provided by KDHE and DCF.

- **Therefore, KEES will likely cost at least $46 million (about $7.5 million in state funds) more than what was originally planned to build and maintain the system through August 2016.** We estimate it will likely cost about $234 million to build and maintain KEES through August 2016. This is about $46 million more than the $188 million KDHE and DCF officials originally estimated. Because KEES is partially federally funded, we estimate the state's share of the estimated additional cost would be about $7.5 million.

In making these estimates, we assumed that KEES will be completed by August 2016. Any additional delays in completing KEES could cause the project to cost more than the $46 million we projected.

Although it Appears the Main Functionality of KEES Will Work as Planned, Some Important Components Have Been Significantly Postponed or Reduced

The state's original contract with Accenture included a list of expected features and functions for the KEES system. We reviewed amendments to the contract, change requests, and interviewed KDHE and DCF officials to understand how the system's functionality has evolved. Based on this work, we identified any significant changes to the features and functions of the system. These are summarized in *Figure 1-3* on the next page.

Once completed, KEES' <u>main</u> function—its ability to centrally process medical and social service program eligibility—will be provided as originally planned. As *Figure 1-3* shows, centralization of the eligibility process is a critical component of the KEES system. Prior to KEES, individuals could not submit electronic applications for both medical and social service benefits. The state also relied on several different legacy mainframe-systems to process the applications to determine individuals' eligibility. KEES would update the state's eligibility process by centralizing the application and determination processes into a single system. More specifically:

- **KEES will provide a centralized way for applicants to <u>apply</u> for medical and social service benefits, although two separate web portals will be used instead of a single, integrated portal.** As originally planned, the KEES web portal would allow individuals to complete a single application for multiple medical and social service benefits. Currently, KDHE and DCF officials plan on having two separate web portals, one for medical benefits and one for social service benefits. Although in a different form than originally planned, these new portals will still centralize the application process for multiple medical and social service benefit programs under two applications. The portal for medical benefits was implemented in July 2012. The portal for social services benefits is estimated to be completed in August 2016.

- **KEES will also provide a centralized way to <u>determine</u> applicant's eligibility for both medical and social service benefits.** As originally planned, in most cases KEES would automatically verify the accuracy of applications received from the online portal. Once verified, KEES would determine which medical or social service benefits the applicant was eligible to receive. Although the verification process is less automated than expected, KEES can currently determine which medical benefits an applicant is eligible to receive. DCF officials have not implemented the social service eligibility determination component, but they plan to have this component available by August 2016. The limitations of the automated verification process are discussed in more detail on the next page.

Figure 1-3 Summary Description and Status of Important and Minor Functionality in KEES		
Functionality	**Description**	**Status**
Important Functionality		
Centralized User Portal	A website for applicants to complete and submit an online application for medical and social services benefits	<u>Partially Implemented</u> - The medical portal (K-Med) was delivered on schedule in July 2012. Social service programs (Avenues) will now have a separate portal and is scheduled to be complete by August 2016.
Centralized Eligibility Determination	A single system to determine eligibility for medical and social services programs	<u>Implemented</u> (K-Med) - As of July 2015, KEES is making eligibility determinations for medical programs.
		<u>Postponed</u> (Avenues) - The ability to determine eligibility for social services (Avenues) was postponed. Currently, Avenues is not scheduled to be complete until August 2016, which is about two and a half years behind schedule.
Automatic Verification	Connects to several state and federal databases to automatically verify information provided by the application, in most cases removing the need for worker involvement and client-provided supporting documentation	<u>Partially Implemented</u> - KEES can verify some application information automatically, but in most cases supporting documentation or worker involvement is still required.
Less Important Functionality		
Virtual Contact Center	A consolidated contact center to improve customer service by speeding up response times and increasing workforce efficiency	<u>Removed from Plan</u> - The Virtual Contact Center was completely removed from the KEES plan and a credit toward costs was given by Accenture.
Business Intelligence and Reporting	Data management and reporting system allowing officials to easily retrieve data and prepare reports in an effort to make the agency more efficient and knowledgeable about the kind of individuals applying for medical and social service benefits.	<u>Partially Implemented</u> - Core reporting functions are available now. However, KDHE officials told us it will take time for staff to become familiar with and fully utilize the reporting system.
Application Features	The ability for consumers to go online to review the status of, and make changes to, their applications	<u>Postponed</u> - There is not currently a deadline for these features, but they are still in scope.
Notice Features	The ability to generate required notifications regarding eligibility determination	<u>Partially Implemented</u> - Notices for <u>medical</u> programs are automatically generated, but the process is less automated than originally planned. There is additional work planned, but a deadline is not currently scheduled.
Source: LPA analysis of contract with Accenture, change request and interviews with KDHE and DCF officials.		

However, two <u>important</u> components of KEES have been significantly postponed or will have their functionality significantly reduced. Our review of amendments to the Accenture contract, change requests, and interviews with KDHE and DCF officials showed the following two KEES components were significantly postponed or reduced in functionality.

- **The entire social service eligibility component has been postponed at least two and a half years because of project delays.** The ability to centrally determine eligibility for social service benefits is a major component of the KEES promised functionality. DCF officials estimate this component will not be ready until August 2016, approximately two and a half years behind schedule. As a result, state staff have had to rely on far less efficient processes and systems to determine eligibility for these programs for much longer than originally intended.

- **KEES' ability to automatically verify eligibility information is limited because of variations in client data.** As originally planned, KEES would provide a more automated process to verify applicants' information for medical eligibility. Human involvement in this process would have been reserved for complicated eligibility decisions. However, at this time automated verification is used mostly for new client applications which KDHE officials estimate accounts for about 10% of the clients currently in the system. Moreover, KDHE officials explained that KEES' ability to automatically verify information for existing clients is limited because of differences between existing records and current applications. These differences can prevent KEES from automatically linking current applications to clients' previous records. For example, differences in how a client's name is spelled can prevent an automatic match. In these cases, human involvement is needed to ensure the person is identified correctly.

  KDHE officials told us that KEES' automated functionality for K-Med should improve over time, but did not provide an official deadline for when this would occur. DCF officials told us that the Avenues component of KEES was never intended to have a fully automated verification function. However, DCF officials told us they plan to incorporate some of the automated verification features of KEES into Avenues by August 2016.

Finally, some <u>less important</u> features of the KEES system were postponed or removed entirely. Originally, KDHE and DCF officials developed a comprehensive plan to implement KEES. This plan divided the work into several smaller pieces, some of which appeared less important to the system than others. Our review showed that some of these less important pieces of work have been postponed or removed from the overall project plan.

- **Reporting and customer service features have been postponed or removed entirely.** As originally planned, KEES would allow KDHE and DCF officials to easily retrieve and prepare reports to analyze data on the frequency and type of applications KEES'

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receives. This would be done in an effort to make the agency more efficient and knowledgeable about KEES' user base. According to KDHE officials, the core reporting functionality is currently available. However, KDHE officials told us that because the reporting system is relatively new, it will take time for staff to become familiar with it and fully utilize the reporting system.

In addition, the original project plan included a step to build a new customer service contact center, which has since been removed. Among other things, this consolidated contact center was intended to improve customer service by reducing response times on applicants' questions. However, DCF officials told us they no longer plan to create this contact center and instead changed how they process applications—which officials say helped them process applications more timely.

- **Some of the KEES application features have been postponed.** As originally planned, the publicly available web portal would allow individuals to view the status of their application and edit their application online. Currently, the web portal does not offer either of these features. KDHE officials told us they still plan to implement these features at a later date, but did not provide an official deadline for when this would occur.

  In addition, certain features related to eligibility notifications have been postponed. As originally planned, KEES would automatically prepare required notifications regarding an applicant's eligibility. Currently, these notices are automatically generated, but the process requires more human involvement than originally planned. KDHE officials told us they still plan to eventually improve the automation of this process, but did not provide an official deadline for when this would occur.

Although these changes resulted in fewer features for KEES than originally planned, they do not appear to significantly affect KEES' ability to act as a centralized eligibility determination system for medical and social service programs.

The State is Unlikely to Realize All the Estimated Savings Expected from KEES Because Estimates Were Based on Faulty Assumptions

KDHE and DCF officials have consistently reported that implementing KEES could save the state about $300 million over about a ten-year period. Near the beginning of the KEES project (2011), KDHE and DCF officials estimated KEES could generate savings for the state in a number of areas. These included avoiding staff increases, fraud reductions, and avoiding federal penalties. KDHE and DCF officials continue to report these estimates to the executive branch chief information technology officer as part of their updated planning documents. However, most the staff responsible for creating these estimates are no longer employed by KDHE or DCF, and current officials were unfamiliar with how these estimates were calculated. We attempted to review the assumptions made behind four of the cost savings estimates.

Savings from KEES will likely be much less than the originally estimated $300 million over ten years. Additional interviews with KDHE and DCF staff revealed the four estimates we reviewed were largely based on assumptions that now seem unreasonable, making the estimates themselves highly unlikely.

- **It is <u>unlikely</u> the state will save $134 million by <u>avoiding federal penalties</u> because the savings baselines were overstated.** KDHE and DCF officials estimated KEES would help avoid about $134 million in penalties through fiscal year 2024, mostly associated with the Temporarily Assistance for Needy Families (TANF) program. However, current officials were unable to explain the methodology behind this estimate. Additionally, our review showed that the state has paid just one TANF penalty in recent years of about $300,000. DCF officials told us that future penalties could be more frequent if the state did not implement a modern eligibility system like KEES. Although this is certainly possible, there is no evidence that future penalties would occur often enough or would be as severe as officials estimated.

- **The state is also <u>unlikely</u> to save $21 million in <u>staffing costs</u> as anticipated, because this estimate assumed that KEES would be highly automated.** There were two main assumptions behind this estimate. First, the state would need additional staff to accommodate increased caseloads once Medicaid eligibility was expanded under the Affordable Care Act. Second, KDHE officials reported that the costs associated with this staffing increase could be avoided because the eligibility verification and determination process would be highly automated, requiring less human interaction. Specifically, KDHE and DCF officials estimated KEES would allow the state to avoid about $21 million in future staff increases through 2024. However, the state did not end up expanding Medicaid, and more importantly the system is not nearly as automated as originally planned, as the verification process still requires staff intervention.

- **It is <u>unlikely</u> the state will realize most of the estimated $26 million in savings related to paper and postage.** Past KDHE and DCF officials estimated that KEES' digital documentation and e-notification features could save the state about $26 million in office supplies and postage costs over 10 years (about $2.6 million per year). While KEES likely will reduce some expenses associated with paper and postage, the savings likely will fall far short of this projection. That is because, according to the state's accounting records, the two agencies combined averaged a <u>total</u> of only $3.1 million a year on postage, printing, and stationary from 2011 through 2013.

- **KEES will <u>likely</u> prevent some benefits from being awarded inappropriately, but it is not clear how much this could save the state.** Past KDHE and DCF officials estimated KEES' ability to detect fraud could save the state about $51 million through fiscal year 2024. In general, fraud detection requires two elements: the ability to cross-check applicants' information between databases for accuracy, and the ability to perform data analytics to identify outliers

or trends that could signify intent to commit fraud. As planned, KEES will be able to interface with several databases to cross check applicants' information, preventing benefits from being awarded inappropriately. However, KEES does not include data analytic software necessary to identify intent to commit fraud. It is unclear at this time how much preventing inappropriate payments could actually save the state.

We identified about $1 million in costs the state <u>likely</u> will avoid by replacing several legacy systems with KEES. Currently, the state uses several legacy mainframe computer systems to process individuals' applications for social service benefits. According to DCF documentation, some of these systems were first implemented about 20 years ago. When completed, KEES will allow the state to eliminate five of these systems, including the Kan-Pay system which has been used to process online vendor payments for social service programs. Based on cost estimates provided by DCF officials, we estimate the state will save about $1 million annually by eliminating these systems.

Project Management Issues Early in the KEES Project and Other Changes Led to Many of the Current Problems We Identified

Kansas' Information Technology Executive Council (ITEC) is responsible for establishing state policy related to information technology. One of those ITEC policies requires regular independent reviews be conducted for any IT project with an estimated cost of at least $10 million over three years. The KEES project met these criteria and has undergone independent evaluations by the firm Software Engineering Services, since May 2012. We reviewed those evaluations to identify potential causes for the problems with KEES' schedule, costs, and functionality.

Independent evaluations conducted early in the KEES project revealed some significant problems regarding project management. These evaluations are completed during the course of the project and often contain important findings regarding status and potential risks.

- **The original project schedule was unrealistic, making it difficult for the KEES project to meet the initial deadlines.** The first independent evaluation conducted in May 2012 found the KEES project schedule was unrealistic. Current KDHE and DCF officials also agreed that the original schedule was very aggressive. Although deadlines have since been changed, these original aggressive deadlines made it difficult for the state and Accenture staff to meet project deadlines from the very beginning of the project.

- **Unrealistic deadlines were exacerbated by poor communication between the vendor and state staff.** The first independent evaluation found that state officials and Accenture did not clearly communicate key project decisions or milestones, which put the KEES project at risk of falling further behind schedule.

State officials identified two specific reasons why KEES cost more to build than originally budgeted. We asked KDHE and DCF officials to describe the reasons why KEES has cost more to build than originally planned. They offered the following two reasons:

- **Federal and state policy changes also required more modifications to the software than planned.** For example, KDHE officials told us KEES' software had to be modified to account for recent federal policy changes regarding medical eligibility of non-citizens. KDHE officials also told us that KEES' software had to be modified to account for state policy changes, such as those included in Executive Re-organization Order 43 which moved the Medicaid and eligibility for services function from DCF to KDHE.

- **Accenture's software required more significant modifications than planned.** According to KDHE and DCF officials, Accenture's "out-of-the-box" software required more modifications than originally planned. Although many modifications to the software were anticipated, far more extensive changes were required to meet the state's needs. These modifications required additional time to plan, design, and implement and therefore increased the cost to build KEES.

Recent independent evaluations and discussions with stakeholders indicate that project management of KEES has improved over time. Our review of the independent evaluations show that the frequency and severity of findings have somewhat decreased in recent years, indicating management of the KEES project has improved since 2012. Additionally, stakeholders we spoke to also reported improvements to the project management of KEES in recent years.

OTHER FINDINGS

State Oversight Bodies Do Not Always Receive Complete Information about IT Projects Like KEES

Kansas' Information Technology Executive Council (ITEC) requires any agency implementing an IT project with an estimated cumulative cost of $250,000 or more to submit quarterly reports to the executive branch chief information technology officer (CITO) and to the Legislature's Joint Committee on Information Technology (JCIT). Our review identified some problems related to the cost information submitted for the KEES project.

The Kansas Information Technology Office (KITO) provides summary quarterly reports to the executive branch CITO and to the Legislature's JCIT. KITO administers the daily operations of ITEC. As part of that effort, KITO reviews and summarizes the quarterly information submitted by agencies implementing large IT projects. KITO uses that information to report the current status of

the state's large IT projects to JCIT. We found several issues with KITO's summary quarterly reports submitted to JCIT. Those issues include:

- **Quarterly summary reports were based on information that is self-reported by agency officials.** KITO officials review and summarize the quarterly information submitted by the agencies that are implementing large IT projects and provide the summarized information to the executive branch CITO and the JCIT. However, KITO officials told us they rely mostly on the self-reported information which is not checked or verified.

- **The reports may be based on recast schedules which do not represent the original project deadlines.** For example, the KEES project plan has been updated three times since it was originally approved in early February 2012. The project deadlines and proposed budget were revised in each of the three updates. KITO officials used the revised, rather than the original, project plans to determine the current status of the project. Revising the deadlines and the budget makes sense from an ongoing project management perspective because officials must accommodate changes to the project plan and manage towards new project goals. However, for accountability purposes, repeatedly revising the deadlines and the project budget obscured the extent to which the project had fallen behind schedule and gone over budget.

- **The cost information in the reports was incomplete.** Kansas Department of Health and Environment (KDHE) quarterly reports to KITO showed that $122.9 million had been spent to build KEES as of June 2015. However, in the most recent information submitted by KDHE to the Centers for Medicare and Medicaid and the Department of Health and Human Services, actual costs to build KEES totaled about $158.6 million. The two reported amounts are difference because KDHE did not include certain non-IT costs, such as software maintenance costs, supplies and travel expenses. These costs were excluded because ITEC policies and guidelines are vague regarding which IT costs should be reported, and it has become common for agencies to individually determine which costs to report to KITO.

- **The reports did not include the results of independent evaluations.** ITEC policy requires IT projects with a total cost of at least $10 million over three years to be reviewed regularly by an independent evaluator. These evaluations are completed during the course of the project and often contain important findings regarding the project's status and potential risks. Although these reports identified several problems with the KEES project early on and were regularly submitted to branch CITOs, the information is not included in the summary quarterly reports prepared by KITO.

We found similar issues in our performance audit of the Department of Revenue's Motor Vehicle Modernization Project. Our October 2014 audit of the Department of Motor Vehicle (DMV) Modernization Project found that monitoring reports used by the state's top IT officials and the legislature did

not always provide an accurate or timely picture of the project. At least partially as a result of that audit, the 2015 Legislature passed House Bill 2010, which in the future will allow our staff to monitor ongoing information technology projects to identify and alert oversight bodies of potential problems early on.

Conclusion

Developing the new Kansas Eligibility Enforcement System (KEES) has been a significant undertaking for the state, replacing a number of outdated systems and merging the application process for a number of medical and social service programs. The project has required coordination between two key state agencies—KDHE and DCF—as well as a private contractor, and federal agencies.

Unfortunately, the KEES project has fallen significantly behind schedule and gone over budget. In addition, while the final system will provide the core functionality that was promised—a centralized eligibility determination system for medical and social service programs—many other features have been delayed, modified, or eliminated entirely. The problems can be traced to early issues with the project, including overly aggressive deadlines and problems with how the project was managed. Recent evidence indicates those issues have improved over time. However, the early mistakes will result in the state getting a less robust <u>medical</u> benefits system than was originally intended and at minimum, has delayed the <u>social services</u> portion of KEES by at least two and half years.

Recommendations for Executive Action

1. To address the issues regarding inaccurate cost savings estimates discussed on pages 14 through 16, KDHE officials should:
   a. No longer report these inaccurate cost saving estimates to the executive branch chief information technology officer.

   b. Revaluate KEES' current functionality and other relevant factors when updating KEES' savings in the future.

2. To address the issue with limited oversight of large IT projects discussed on pages 17 through 19, the Information Technology Executive Council should consider amending current policy to clarify which costs associated with an IT project should be included in the quarterly reports to KITO.

Recommendations for Legislative Action

1. To ensure the KEES project does not go further over budget or over schedule as discussed on pages 7 through 11, the JCIT should continue hearing regular testimony from KDHE and DCF officials on the status of the project until KEES is complete.

APPENDIX A
Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on March 4, 2015. The audit was requested by the House Committee on Appropriations.

SCOPE STATEMENT

The Kansas Eligibility Enforcement System: Evaluating Delays in the System's Implementation

In August 2011, Kansas signed a $135 million contract with Accenture to design a new benefits eligibility computer system to help identify and prevent fraudulent claims for Medicaid and other state assistance programs. Of that amount, approximately $85 million was intended to pay for the system itself, and $50 million for its operation during a five-year period. This system, called the Kansas Eligibility Enforcement System (KEES), is a web-based system intended to help streamline enrollment for state medical and human service benefits. The system also links several state agency databases to help agency staff identify applicants who provide inconsistent or inaccurate information regarding their income, age, or other relevant eligibility factors.

Since the KEES project began in February 2012, it has been subject to numerous delays and missed deadlines. The Kansas Enterprise Project Management Office (EPMO) has placed the KEES project on caution or alert status on numerous occasions because of delays in the project's schedule and insufficient task or deliverable completion rates. According to EPMO quarterly reports, all phases of the project were originally anticipated do be complete by November 2013. As of February 2015, the project is ongoing with no estimated completion or implementation date.

Legislators have expressed concern that delays in the system's implementation may have increased the project's costs and affected the system's functionality.

A performance audit in this area would address the following questions:

1. **What is the current status of the Kansas Eligibility Enforcement System project?**
   To answer this question, we would interview Department of Health and Environment staff and review relevant reports from the Kansas Enterprise Project Management Office (EPMO) to determine the current status of the project in terms of scope, schedule, and budget. As part of that work, we would compare the project's current schedule against its planned schedule and would interview agency officials to determine any reasons for project delays. We would augment this work by interviewing staff from the EPMO to obtain their assessment of that project, and to identify any potential threats to its final implementation. We would perform additional work in this area as necessary.

2. **Have project delays or other changes resulted in additional costs, reduced anticipated savings, or reductions in the system's functionality?** To answer this question, we would use information collected in Question 1 and work with Department of Health and Environment officials to identify significant changes to the KEES project's timelines, scope, or deliverables. Specifically, we would determine which components of the project have been completed and would try to compare planned to actual costs for those components. Moreover, we would interview department officials and would review available project documents to determine whether changes in project scope or deliverables have increased the project's cost or reduced the system's functionality. We

would also look for any project changes that might have reduced anticipated savings related to improvements in hardware or technology (e.g. upgrading from an antiquated mainframe system). For any of these changes we identified, we would interview department officials to determine why these changes were made. We would perform additional work in this area as necessary.

Estimated Resources: 3 LPA staff
Estimated Time: 4 months (a)

(a)   From the audit start date to our best estimate of when it would be ready for the committee.

APPENDIX B
Agency Response

On November 16, 2015 we provided copies of the draft audit report to the Kansas Department of Health and Environment. Its response is included as this Appendix. Following the agency's written response is a table listing the department's specific implementation plan for the recommendation. Agency officials agreed to implement our recommendation and had no comments in their formal response that required us to change the report.

Kansas Department of Health and Environment
Office of Information Technology Services
1000 SW Jackson St, Suite 540
Topeka, KS 66612

Kansas
Office of the Governor
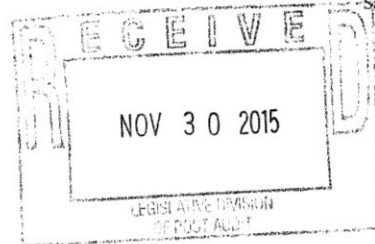*Office of Information*
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Glen Yancey
CIO, Kansas Department of Health and Environment

Sam Brownback, Governor

November 30, 2015

Mr. Scott Frank
Legislative Division of Post Audit
800 SW Jackson Street, Suite 1200
Topeka, KS 66612

RE: KDHE Response to LPA performance audit, *The Kansas Eligibility Enforcement System: Evaluating Delays in the System's Implementation.*

Dear Mr. Frank

I greatly appreciate the opportunity to provide a response to the LPA performance audit, *The Kansas Eligibility Enforcement System: Evaluating Delays in the System's Implementation.*

The Kansas Eligibility Enforcement System (KEES) project began in 2011 to replace the mainframe legacy system KAECSES with an integrated Health and Human Services eligibility determination system. KEES will provide means tested eligibility determinations for the following Kansas benefit programs: Medicaid and the Children's Health Insurance Program (CHIP), The Supplemental Nutrition Assistance Program (SNAP), Low Income Energy Assistance Program (LIEAP), Temporary Assistance to Needy Families (TANF) and the Childcare Subsidy Program.

Accenture LLP was awarded the contract to develop the KEES system and was subsequently awarded additional scope to host the KEES system and provide operations, maintenance, enhancement and support services for both the Kansas Department of Health and Environment and the Department for Children and Families. The value of the Accenture contract with Kansas if all options were exercised was $190 million through August of 2016. Additional contractual obligations, staff salary and benefits, hardware and software expenses, and other related project expenses was estimated at $44 million through August 2016. Kansas submitted the Accenture contract and the required Advanced Planning Document and budget projections to the Federal Administration for Children and Families (ACF) on September 30, 2011. Kansas received final approval for the KEES project from the Centers for Medicare and Medicaid Services (CMS) on July 24, 2012.

Originally scheduled for production implementation in October of 2013, the KEES project encountered numerous challenges that eventually pushed the implementation of the Medicaid eligibility functions to June 2015. Between October 2013 and June 2015 KanCare eligibility has been determined using a CMS approved contingency plan. KEES worked closely with CMS and the other Federal partners to ensure that KEES project activity, progress and expenditures were fully transparent. Additionally, KEES worked closely with the Kansas Information Technology Office (KITO) to ensure that all required project reporting was in compliance with KITO and State requirements.

The delay in the implementation of KEES can be attributed to several factors. Delayed guidance and rule-making regarding the Implementation of the Affordable Care Act, changes and amendments to Federal design requirements subsequent to the completion of KEES Detailed System Design, functional enhancements to the base KEES system design, misunderstood design requirements, and a redesign of the interface to the Medicaid

benefit enrollment system the Medicaid Management Information System (MMIS) to decrease the error rate were all contributing factors to the delay.

Throughout the project KDHE and DCF have worked with CMS and our other Federal partners, Accenture, State partners, and project stakeholders to improve project governance and accountability, effectively manage costs, and deliver a system that meets the needs of Kansans, providing benefit determinations timely and accurately.

KEES will continue to work with the Kansas Information Technology Office (KITO) to ensure that project reporting meets all KITO reporting requirements regarding project activity, project status and project costs.

Regular financial and performance audits are required by CMS and other Federal partner rules for benefit eligibility determination activities. KDHE and DCF will continue to actively monitor and audit the financial and operational performance of the KEES system to effectively prioritize and manage changes to the KEES system to ensure that KEES continues to meet the program objectives for Kansas Health and Human Services benefit programs.

KEES welcomes the continued participation of LPA with the KEES Project to review KEES project activities and deliverable outcomes. As effective stewards of Kansas tax dollars, KDHE and DCF continue to work to ensure that State and Federal funds are appropriately and efficiently spent to meet KEES project objectives to effectively serve the needs of Kansas. KDHE is confident that decisions made with regard to the monies spent on the KEES project and Kansas means tested eligibility programs meet this requirement.

Sincerely,

Glen Yancey
CIO, Kansas Department of Health and Environment
Office of Information Technology Services

Itemized Response to LPA Recommendations

Audit Title: The Kansas Eligibility Enforcement System: Evaluating Delays in the System's Implementation
Agency: KDHE

LPA Recommendation	Agency Action Plan
Have delays or other changes to the KEES project resulted in additional costs, reduced anticipated savings, or reduced system functionality?	
1. To address issues regarding inaccurate cost savings estimates, KDHE officials should take the following steps:	
a. No longer report these inaccurate cost savings estimates to the executive branch chief information technology officer.	KEES will continue to work with KITO to comply with all KITO project reporting requirements for project status and costs. KEES will review any future submissions of DA 518 and DA 519 documents to accurately project any future cost savings.
b. Revaluate KEES' current functionality and other relevant factors when updating KEES' savings in the future.	Regular financial and performance audits are required under CMS rules for Medicaid Eligibility Determination Activity. KEES will continue to actively monitor and audit the financial and operational performance of the KEES System and any projected cost savings attributed to functional improvements with KEES and provide this information to appropriate officials.