

The background of the slide features a large, faint, circular seal of the Arkansas Department of Human Services. The seal contains the text "LEGISLATIVE AUDIT" at the top and "ARKANSAS" at the bottom. In the center is a shield with various symbols, including a star and a banner.

# **Review of Eligibility and Enrollment Framework (EEF) Project Procurement**

---

**Arkansas Department of Human Services**

**For the period May 2011 through January 2016**

This report is presented in response to a request by the Joint Performance Review Committee of the General Assembly, approved by the Executive Committee of the Legislative Joint Auditing Committee, for ALA to review procurements made by the Department of Human Services (DHS) in relation to the Eligibility and Enrollment Framework (EEF) Project.

## Update from Prior Report

- CAI represented DHS in negotiations with Noridian
- Apparent conflict of interest since CAI received contracts for developing EEF

Exhibit I	
State of Arkansas	
Payments to Computer Aid, Inc. (CAI)	
For Fiscal Years 2007 through 2016	
Fiscal Year	Total Expenditures
2007	\$ 1,336,142
2008	2,774,163
2009	4,757,170
2010	7,914,574
2011	10,207,560
2012	15,135,845
2013	15,026,291
2014	45,382,474
2015	55,252,220
2016	38,673,301
Total	\$ 196,459,740

*Source: Arkansas Administrative Statewide Information System (AASIS; unaudited by Arkansas Legislative Audit)*

In June 2015, ALA issued a special report reviewing selected software procurements and cooperative purchasing agreements at DHS, which included the EEF project. As noted in the prior report, DHS began negotiations with Noridian to finalize the contract for the EEF Project and was represented in negotiations by a contracted individual working for Computer Aid, Inc. (CAI). Using CAI to represent the State in negotiations appears to be a conflict of interest as defined in Federal Code since CAI subsequently received contracts for development of the software system.

Payments by the State to CAI from fiscal year 2007 through June 30, 2016, totaled \$196,459,740 and are shown on the screen and in Exhibit I on page 3 of the report. Billing information for CAI on behalf of various state entities for fiscal years 2011 through 2016 is provided in Appendix C.

## Total EEF Project Cost

(Exhibit II)

<b>Total Professional Services</b>	<b>123,508,320</b>
<b>Other Expenses</b>	
Software licensing	25,373,922
Arkansas employee payroll & benefits	2,408,049
Facility rental, equipment, & supplies	1,632,663
<b>Total Other Expenses</b>	<b>29,414,634</b>
<b>Total Project Cost</b>	<b>\$ 152,922,954</b>

Total project costs related to design, development, and implementation of EEF as of June 30, 2016, totaled \$152,922,954. These expenditures are shown in detail in Exhibit II on page 4 of the report.

## **Objective #1: Review Billable Time**

### **CAI Cooperative Purchasing Agreement**

- Contracting for EEF development was in compliance with process in place prior to 10/1/15, with one exception
- DIS implemented additional requirements for employing subcontractors under the CAI contract, effective 10/1/15

Our first objective regarding the EEF Project was to review the approval process and documentation supporting billable time. Prior to October 1, 2015, Arkansas agencies were required to adhere to a certain process when utilizing the State's cooperative purchasing agreement with CAI for IT needs, regardless of whether services were provided on-site or off-site. All contracting for the development of the EEF Project utilized these guidelines, with the exception of one statement of work (SOW) with eSystems, Inc., initiated in December 2015 for application maintenance and operations. Beginning October 1, 2015, the Department of Information Systems (DIS) implemented additional requirements to which agencies must adhere when employing subcontractors under the CAI contract.

## **Objective #1: Review Billable Time (cont.)**

### **ALA Vendor Billing Test**

- 84% of timesheets approved by former CIO at DHS
- 16% approved by contractor in Project Management Office
- No documentation available regarding methodology used to determine if time charged by vendors was appropriate

In the automated environment used for vendor billing, time records were reviewed by DHS staff or Project Management Office contractors to determine if time charged by vendors appeared appropriate. Based on the use of a time and materials contract (i.e., a staff augmentation contract), completion of an end product would not have been the determining factor for authorizing payment for services. In the test of personnel time payments tested by ALA staff, 84% of time sheets were approved by Dick Wyatt, former CIO at DHS. The remaining 16% of timesheets were approved by a contractor in the Project Management Office. No documentation was available regarding the methodology used to determine if time charged by vendors was appropriate.

## **Objective #2: Review Additions to/ Deletions of Remote Resources**

- DHS could not provide a comprehensive file of program coding or changes made by remote vendors
- No expense incurred for programming code received from other states, unless code must be modified
- Cost of modification could not be determined

Our second objective was to review the additions to and deletions of remote resources from the EEF Project. ALA staff requested information from DHS and DIS regarding the manner in which program coding and changes were monitored by the agencies. Monitoring program coding or changes to coding allows an agency to review and approve modifications to a system and withhold payment for coding that fails user acceptance testing. The only vendor identified by DHS as operating at a remote location was RedMane Technologies. As of report date, DHS was unable to provide a comprehensive file of program coding or changes made by vendors at remote locations.

In accordance with Federal Code, DHS received and provided programming code to other states during the development of the EEF system. According to DHS personnel, the State of Arkansas received programming code from North Carolina and Maryland and provided code to South Carolina. DHS has stated that no expense was incurred for programming code received from other states; however, if the code received must be modified, DHS would incur expenses associated with the modifications. As discussed in the section on page 7 related to Objective 4, the cost of modification could not be determined.

### **Objective #3: Review Skills, Knowledge, and Experience of Contracted Personnel**

- 90% of all professional services obtained under CAI contract
- Of 40 contractors tested, 10 had not previously worked with the Cúram software

Our third objective was to review the skills, knowledge, and experience of the personnel employed under the cooperative purchasing agreement or other contracts. To augment staff requirements for the design, development, and implementation of the EEF Project, DHS developed SOWs with various vendors through two methods: (a) a cooperative purchasing agreement with CAI or (b) directly with vendors currently under other statewide contracts. Approximately 90% of all professional services were obtained under the CAI contract.

To determine if the State was provided with knowledgeable contractors, ALA staff selected 40 contractors and reviewed their résumés and experience. Based on the résumés reviewed, ALA staff noted that 10 contractors had not previously worked with the Cúram software. Although not a requirement of the various SOWs, previous experience with the Cúram software would have provided a basis to evaluate the contractors' skills and abilities.

## Review of Selected Contractors and Amounts Paid (Exhibit III)

Contractor Name	Vendor	Date of Work (Month/Year)	Amount
Bindal, Mukul	eSystems, Inc.	2/13 - 12/15	\$ 819,130
Chevula, Kumar	eSystems, Inc.	5/13 - 12/15	1,248,128
Choudhary, Prasoon K	eSystems, Inc.	5/13 - 12/15	1,299,581
Darya, Saeed	eSystems, Inc.	9/15 - 12/15	135,609
Deng, Zeyu	RedMane Technology LLC	7/14 - 8/14	27,786
Eichorn, Paul	First Data Government Solutions, LP	3/14 - 1/15	271,099
Faris, Lori	Consumer Health Technologies, Inc. (dba EngagePoint)	4/13 - 1/15	943,302
Harris, Felisha	Computer Aid, Inc. (CAI)	9/12 - 12/12	50,960
Kahn, Sanford	Northrop Grumman Systems Corporation	3/14 - 2/16	799,710
Shah, Sameer	RedMane Technology LLC	1/14 - 10/15	947,971
Starlard, Willard	First Data Government Solutions, LP	7/13 - 12/15	745,551
Subbiah, Sudhakar	Consumer Health Technologies, Inc. (dba EngagePoint)	7/13 - 9/14	570,885
	eSystems, Inc.	5/15 - 12/15	195,862
Tripumeni, Yogi	Consumer Health Technologies, Inc. (dba EngagePoint)	11/13 - 1/15	453,180
	RedMane Technology LLC	3/15 - 12/15	276,981
Vallepu, Venkateswara	eSystems, Inc.	12/14 - 12/15	401,286
Vankadara, Guru Vamshi K	eSystems, Inc.	6/13 - 12/15	944,449
Zeni, Ovais	RedMane Technology LLC	8/14 - 12/15	304,611
<b>Total Paid</b>			<b>\$ 25,008,543</b>

The contractors selected, vendor, date of work, and amount paid to each are shown in Exhibit III on page 8, a portion of which is provided on the slide. The total amount paid to these contractors selected for testing as of February 28, 2016, was \$25,008,543.

## **Objective #4: Review Payment of Invoices**

- CAI electronically submits billable time to DIS and adds a 6.9% charge
- DIS bills state agencies for CAI invoice
- Billing is a matter of time worked that has been approved

Our fourth objective was to review payment of invoices for adherence to applicable laws and regulations. CAI electronically submits billable time to DIS and adds a 6.9% charge. In turn, DIS bills state agencies for the total CAI invoice. Due to the electronic billing and contract methodology, billing is simply a matter of time worked that has been approved, as discussed on page 6 regarding Objective 1.

## **Objective #5: Review Contractual Delivery Dates**

- ALA reviewed 30% of statements of work and delivery timeline
- Payments were not tied to project delivery
- DHS could not provide detailed project documentation
- ALA staff could not determine whether items were delivered

Our final objective was to review contractual delivery dates and whether they were met. ALA staff selected SOWs representing approximately 30% of the SOWs, identified various deliverables, and requested documentation from DHS to determine if these items were received by DHS in accordance with the SOWs' delivery timeline.

In response to the request for documentation, DHS personnel stated that work performed was on a time and materials basis, and deliverables identified in the various SOWs were not actually deliverables but indicators of projects on which the vendor was expected to work. No payments were tied to delivery of the project, and daily work was not limited to the projects or timeline.

Because DHS did not consider the deliverables as projects to be completed within the associated dates and was unable to provide detailed project documentation, ALA staff could not determine whether items were delivered. It should be noted that DHS did provide release notes and deployment listings as documentation; however, these items lacked substantive information regarding programmer, approver, or results testing.

# Conclusion

## Department of Human Services

- Assumed all risk associated with EEF design and development
- Lacked project management knowledge for project of this size and scope
- Amended a contract with Cognosante in July 2015 to provide project management
- Assigned personnel to begin staffing a Project Management Office

By utilizing time and materials contracts, DHS assumed all risk associated with the design and development of the EEF Project. Based on interviews with DHS personnel and the lack of sufficient documentation noted in this report, DHS personnel lacked the project management knowledge needed for producing systems of the size and scope of the EEF Project. In July 2015, DHS amended an existing contract with Cognosante to provide project management of the EEF Project. In addition, DHS has assigned personnel to begin staffing a Project Management Office.

The background of the slide features a large, faint, circular seal of the Arkansas Department of Human Services. The seal contains the text "LEGISLATIVE AUDIT" at the top and "ARKANSAS" at the bottom. In the center, there is a shield with a sun, a river, and a plow, with the words "RESNA" and "POPULUS" on either side.

# **Review of Eligibility and Enrollment Framework (EEF) Project Procurement**

---

**Arkansas Department of Human Services**

**For the period May 2011 through January 2016**