MONTANA DPHHS
Healthy People. Healthy Communities.

Department of Public Health and Human Services

Director's Office ♦ PO Box 4210 ♦ Helena, MT 59620 ♦ (406) 444-5622 ♦ www.dphhs.mt.gov

Steve Bullock, Governor

Richard H. Opper, Director

November 26, 2014

Mr. Rick Dastin
Corporate Vice President
Chief Development Engineer
Xerox Services
100 Clinton Avenue South
Rochester, NY 14644

Re: Xerox to Provide the State with an Acceptable Corrective Action Plan by December 12, 2014 – Contract No. 12-12-1-01-001-1

Dear Mr. Dastin:

This letter is to notify Xerox that it must provide a Corrective Action Plan (CAP) to the State by no later than **Friday, December 12, 2014.** The CAP must sufficiently address the issues summarized below and identified more specifically in Attachment A to this notice and receive the State of Montana's acceptance. If Xerox fails to provide a CAP, the State will have little option, in light of the history of Xerox's deficiencies, to consider all options available to it under the Contract.

On June 18, 2014, the State provided Xerox with a Notice of Material Breach, which identified a history of missed deadlines and performance deficiencies since the inception of the Contract. On July 18, 2014, the State accepted the Xerox Re-planned Work Plan and notified Xerox that it had cured the deficiencies identified in the Notice of Material Breach. In the notification letter, DPHHS wrote that, to be successful, "Xerox simply needs to meet all deadlines outlined in the Re-planned Work Plan." Additionally, DPHHS clearly communicated to Xerox that, to be successful, Xerox would also need to improve its execution in the following areas:

- Improving timeliness of task completion;
- Improving its preparation for meetings with the State;
- Adding experienced project staff that have extensive Health Enterprise knowledge;
- Reducing the attrition of project team members; and
- Increasing the quality of sessions with our staff and the work products that your staff produces.

Finally, DPHHS reiterated that it would be vigilant in monitoring Contract performance.

Beginning almost immediately after acceptance of the Re-planned Work Plan, and consistently throughout the four months since, Xerox has demonstrated an inability to improve its performance in each of the areas specified in the State's July 18 letter. Thus, pursuant to Section 29 of the Contract, DPHHS sent to Xerox a letter requesting that Xerox provide formal written assurance regarding five specific items. On August 22, 2014, Xerox provided the requested written assurance, including the assurance that "Xerox has implemented quality reviews to deliver complete and accurate work products associated with the Re-planned Work Plan necessary to support the MMIS project."

Despite these assurances, Xerox's project execution continues to fall short of the minimum standard necessary to meet project requirements:

- **Project Schedule Management**: Xerox is not successfully executing the accepted Re-planned Work Plan. Since July 18, 2014, DPHHS has been able to accept only 13% of the work plan tasks designated as Deliverables ("D:") and Interim Deliverables ("D-I") (the "Deliverables") and 41% of the Deliverables are past due. The Xerox weekly status report indicates that fifty-four percent (54%) of the Deliverables scheduled for delivery in the next 90 calendar days are projected to be late.
- **Design Session Preparation and Execution:** The Xerox team does not come to design sessions adequately prepared to engage in effective design discussion and execution planning and implementation. Consequently, the Xerox design team fails to conduct effective design sessions and struggles to update documentation and prototypes as required for DPHHS to agree to move gap from pending status to a "functionally ready" status so they can be sent to development. Xerox design teams are not familiar with the functional area work plan and related key milestones, and Deliverables.
- **Project Staffing**: The Xerox project team continues to suffer frequent turnover at all levels, including functional area team members, and changes at project management and project executive levels. Since DPHHS and Public Knowledge formally identified turnover as a risk on July 18, 2013, Xerox has not been able to reduce or mitigate the impact of turnover on the day-to-day project activities. Project team continuity and execution, and the level of Health Enterprise and Medicaid knowledge across the team, have suffered as a result.
- **Design Documentation**: The design documentation (including design specifications, exhibits, business rules, valid values, use cases, prototypes) is incomplete, and it does not accurately reflect the actual functionality of Heath Enterprise system.
- **Deliverable Quality**: Deliverables frequently fail to meet the minimum standards necessary to accurately document the required system changes and guide the developer to realizing the functionality that satisfies the Contract requirements. As a result, Deliverables have been rejected and/or returned for comment because they are deficient.

DPHHS has repeatedly communicated concerns regarding documentation, design session and Deliverable quality issues to Xerox. Xerox requested specific details regarding the design session and Deliverable deficiencies. On September 18 and 19, 2014, Xerox held six separate one hour information sharing sessions with DPHHS in which DPHHS project team members identified the specific design session issues facing each functional area. On September 26, 2014, DPHHS performed a documentation/Deliverable walkthrough with Xerox to explain what constitutes a complete Deliverable. DPHHS presented a detailed list of contents required for Deliverables and submitted the information electronically to the Xerox project management office. Yet, Xerox's overall performance has not improved, and Xerox continues to fail to provide Deliverables that meet these criteria.

Xerox recognizes that it is having significant problems meeting Contract requirements.[1] In a presentation Xerox gave to DPHHS on November 6, 2014, Xerox presented its approach to correcting its deficient performance. Page 17 of the handout ("Attachment B" hereto) that Xerox distributed at the November 6th meeting summarizes its activities to improve performance. However, Xerox failed to commit to specific dates by which DPHHS would see substantial improvement in Xerox's overall execution of the project.

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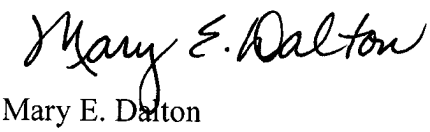
[1] Since September 1, 2014, Xerox has requested approval from DPHHS to make numerous changes to the project work plan including: 1) relocating 3 waiver tasks from the master work plan into a waiver specific work plan (approved by DPHHS 9/22/2014); 2) correcting the baseline cost and baseline work totals for 29 work plan tasks (approved by DPHHS 9/22/14); 3) correcting work plan tasks that do not have a unique identifier (approved by DPHHS 9/22/14); 4) correcting 488 tasks where the task usage was incorrect due to a software defect in Microsoft Project (approved by DPHHS 9/23/14); 5) canceling 3,478 work plan tasks that Xerox determined are no longer needed (approved by DPHHS 10/31/14); and 6) requesting to reschedule 5,284 work plan tasks of which DPHHS reviewed and tentatively agreed to approve less than 25% of the requested tasks. Items 1-4 represent routine work plan maintenance common on any large project. Items 5 and 6, however, are unusual and create significant concerns regarding a work plan that was approved less than five months ago.

These performance issues are ongoing and serious, despite Xerox's repeated assurances that deficiencies have been addressed. The deficiencies are more specifically addressed in Attachment A. Xerox must present an acceptable CAP to the State by no later than Friday, December 12, 2014. The CAP must address the substantive and procedural actions that Xerox will take to address each category of deficiency. Xerox has informed DPHHS that it is already implementing measures to address its serious and ongoing performance issues. Thus, Xerox should be able to develop and present an acceptable CAP by December 12, 2014.

Sincerely,



Mary E. Dalton
State Medicaid Director

cc: Ron Baldwin
Richard Opper
Jeff Buska
Marie Matthews
Stuart Fuller
Susan Callaghan
Bob Zapfel
Debra Glickfeld Bang

ATTACHMENT A
CATEGORIES OF DEFICIENCES TO ADDRESS IN CORRECTIVE ACTION PLAN AND CORRECTIVE ACTIONS REQUIRED BY XEROX

Attachment A describes the minimum tasks that Xerox must perform for the CAP to be accepted by the Department. However, Xerox should also take other actions the Department and Xerox deem necessary to improve Xerox's performance and complete its obligations on this project.

A. DESIGN DOCUMENTATION DEFICIENCIES

Problem Statement:

The design documentation (including but not limited to design specifications, exhibits, business rules, valid values, use cases, and prototypes) is incomplete, and it does not accurately reflect the actual functionality of Heath Enterprise system.

- Business rule descriptions are missing or do not accurately reflect what the system does.
- Field specifications in the design documents are missing, inaccurate, or do not match the screens.
- Deficiencies in documentation require state staff to spend an extensive amount of time comparing Montana documentation with New Hampshire documentation and running system tests to get an accurate understanding of how the system actually works.
- Use Case flows are missing, incomplete or do not accurately reflect what the system does.
- Documents are poorly written and often do not conform to best practices for system documentation.
- Exhibits are not complete and are not in a standard format.
- Documentation is missing business rules, error messages, valid values, and other industry standard information.
- Documentation is either missing gap language or the gap language is incorrect.

Corrective Action Required:

Xerox must produce a comprehensive repository of Health Enterprise design documentation that contains artifacts that are complete and accurately represent the functionality of the version of Health Enterprise in Environment 92. Xerox must provide the Xerox design staff and DPHHS project team members with access to an electronic repository of updated, accurate, and complete Health Enterprise design documentation.

Xerox has previously stated that it has created an updated documentation repository in the Blueworks tool as part of the Health Enterprise Platform initiative. Xerox must provide the State project team members with access to this information in the Blueworks tool. Xerox has indicated that DPHHS can participate in the benefits of the Health Enterprise Platform at no additional cost. During the November 6, 2014, meeting DPHHS expressed interest in the Health Enterprise Platform, however Xerox has yet to submit the Health Enterprise Platform change request to DPHHS for acceptance.

Correction Schedule

Complete on or before 30 calendar days from the date of CAP acceptance.

B. INADEQUATE DESIGN SESSION PREPARATION

Problem Statement:

The Xerox team does not come to design sessions adequately prepared to engage in effective design discussion and execution planning and implementation. The Xerox design staff's lack of preparation manifests in the design sessions in the following ways:

The design staff does not demonstrate comprehensive knowledge and understanding of:

- the Medicaid program;
- the Montana MMIS RFP requirements;
- the Health Enterprise system for their functional area;
- the functional area and its corresponding business processes;.
- the fundamentals of a basic claim processing system; and
- the Xerox proposal.

The design staff fails to:

- prepare enough material to utilize the sprint time allocated;
- consistently submit design documentation to DPHHS with sufficient lead time for DPHHS to be prepared for the session;
- prepare solutions in advance of the meeting to address areas of the Health Enterprise that do not meet the Contract requirements;
- review documentation prior to session; often Xerox is looking at its own documents for the first time during a session;
- create accurate agendas; and
- complete related action items prior to a session.

The design staff is not able to explain accurately:

- the relationship of the design documentation to the behavior of the Health Enterprise system for a specific business process;
- the purpose, behavior, and specific logic of the business rules supporting a business process; and
- the purpose, behavior, and specific valid values supporting a business process.

Corrective Action Required

Xerox must provide its design team/staff with the training, tools and resources it needs to prepare the session agendas and the Montana specific design documentation necessary to conduct effective design sessions. Xerox management and internal QA must conduct periodic monitoring of design sessions to ensure design team/staff maintain quality design session preparation.

Pursuant to established protocol, all design documentation must reflect the business processes and use cases to be discussed in the sprint to DPHHS the Friday prior to the start of the sprint. The design documentation must be complete, accurate, and reflective of the functionality of the Health Enterprise system in demonstration Environment 92. For each design session, the Xerox functional area design teams must have: (i) reviewed the history of the topics to be covered in the sprint; (ii) developed a comprehensive understanding of the requirements, the capabilities and deficiencies of Health Enterprise; and (iii) developed proposed solutions to meet the known deficiencies.

The Xerox design staff must prepare enough material to make efficient use of the design session time allocated in the sprint. The Xerox design staff must complete work that was not finished in an earlier sprint work that was brought forward from a future sprint. The entire Xerox design staff for the functional area (functional lead, business analyst, expert (SME), and the POP) must have reviewed the material prior to the design session and developed a common understanding and vision of how to approach the design session for each of the business processes to be reviewed.

Correction Schedule

Xerox design staff must be fully prepared for all design sessions within 60 calendar days of CAP acceptance.

C. INEFFECTIVE DESIGN SESSION EXECUTION

Problem Statement:

The Xerox design team fails to conduct effective design sessions and struggles to update documentation and prototypes as required for DPHHS to agree to move gaps from a pending status to "functionally ready" status so they can be sent to development. Xerox design teams are not familiar with the functional area work plan and related key milestones, and Deliverables. The design sessions also fail in one or more of the following areas:

- Providing design material sufficient to efficiently utilize face-to-face design time with DPHHS;
- Explaining consistently the Xerox/Health Enterprise vision of the business process;
- Demonstrating consistently how the Health Enterprise business process satisfies the RFP requirements;
- Failing to conduct an efficient session that utilizes the time allocated for design sessions;
- Completing design activities at a pace necessary to support the project schedule;
- Completing updates to design documentation expeditiously between meetings within a sprint;
- Completing updates to the prototype expeditiously between sprint meetings;
- Failing to accurately answer system functionality questions during sessions, resulting in delays while waiting for an off-shore team to research and report in session;
- Xerox off-shore response is often incomplete or creates more questions and research time;
- Xerox staff are not familiar with Xerox project tools or the tools are not accessible during a session;
- Xerox staff are not familiar with project processes and project decisions;
- Meetings are conducted via internet phones. Participants are difficult to hear, do not pay attention and do not engage unless prompted;
- Prototype changes that have been previously demonstrated are overridden by older version of prototypes; and
- Failing to update traceability in DOORS for the design artifacts, gaps, and associated requirements.

Corrective Action Required:

Xerox must use design session time effectively so that key dates for interim deliverables, final deliverables, designated as D-I: and D: in the Re-planned Work Plan (the "Deliverables") and for project milestones. Xerox must also propose a design session schedule which is compatible with the resources of DPHHS and which does not exceed a maximum of 2 sessions per sprint per DPHHS business analyst or 8 concurrent functional areas per sprint.

For a design session to be productive and/or effective:

- Xerox must develop enough material to make efficient use of the available design session time;
- Xerox staff must be prepared and able to discuss proposed solutions for gaps that Xerox had identified (during design session preparation without DPHHS) where Health Enterprise does not meet the Contract requirements;
- Xerox staff must be prepared to discuss the previously identified gaps and discuss its proposed solution to address those gaps;
- Xerox design staff must show they are aware of the project work plan dependencies that they need to accomplish to meet project deadlines;
- The Xerox design team must be able to explain and demonstrate how the Montana business process is administered in Health Enterprise; and
- The Xerox design team must complete the necessary updates to the documentation and the prototype between design sessions in a sprint.

Correction Schedule

Xerox must execute effective design sessions within 60 calendar days of CAP acceptance.

D. DELIVERABLE QUALITY

Problem Statement:

Deliverables frequently fail to meet the minimum standards necessary to accurately document the required system changes and guide the developer to realizing the functionality that satisfies the Contract requirements. The Deliverables have been rejected and/or returned for comment because they are deficient in one or more of the following areas:

- The wrong template is used to create the Deliverables;
- Design sessions failed to complete all necessary changes as discussed in design sessions;
- Screen shots in the Deliverables do not match the prototype;
- Exhibits and use cases are incomplete or inaccurate;
- Business rules are incomplete, inaccurate, or not present;

- Valid values and system lists are either incomplete or not present;
- There is a failure to document all appropriate gaps in the Deliverable;
- Use cases are not correct for the business process; and
- Field specifications are incomplete.

Corrective Action Required:

Xerox must provide the State with accurate and complete Deliverables that use correct templates, that are based on the design sessions and the mutually agreed upon prototype, that include all of the agreed upon business rules, valid values and system list changes, that document the gaps for the business process, that were updated to reflect changes discussed at design sessions, and that meet Contract requirements. The screen shots in the Deliverable must match the agreed upon changes documented in the prototype, and the exhibits and use cases must be complete and accurate. Xerox must also provide the training and resources the project design team needs to produce high quality, accurate, and complete Deliverables. Xerox must also employ quality assurance personnel who have strong backgrounds in Medicaid systems and Health Enterprise and who can adequately evaluate Deliverables against Contract requirements and established protocols. In addition, Xerox must utilize the guidelines and list of contents DPHHS provided in September in the preparation and Quality Assurance review of the Deliverables.

Correction Schedule

Xerox must begin producing Deliverables that consistently meet Contract requirements within 90 calendar days of the date of CAP acceptance.

E. PROJECT SCHEDULE MANAGEMENT

Problem Statement:

Xerox is not successfully executing the accepted Re-planned Work Plan. Since July 18, 2014, DPHHS has been able to accept only 13% of the Deliverables and 41% of the Deliverables are past due. Per the Xerox weekly status report, 54% of the Deliverables scheduled for delivery in the next 90 calendar days are projected to be late.

On November 13, 2014, DPHHS project staff questioned the accuracy of the Xerox reported Schedule Performance Index (SPI) as the reported values did not correlate to the activities experienced in the project. On November 20, 2014, after conducting a review at DPHHS' request, Xerox disclosed it had discovered project work plan anomalies that resulted in an overstatement of the SPI and Earned Value (EV). Xerox found that the following problems exist: (i) the work plan task percent complete is not being updated based on the task completion in JIRA; and (ii) work plan tasks percent complete is being updated based on

elapsed time rather than the value earned based on the effort expended. Xerox anticipates that the current SPI of .989 (which indicates that the project is "Green") will go down. DPHHS expects the SPI will fall below .94 (which indicates that the project is "Red"). In calculating the SPI, Xerox must only take credit for tasks that are completed.

As a part of the required cure associated with the June 2014 Notice of Material Breach, Xerox committed to updating the work plan task percent complete based on the JIRA tasks completion function. DPHHS has not been able to validate that JIRA is driving the percent complete in the wok plan.

The lack of progress in the design sessions, together with the past due and projected late Deliverables, demonstrate an obvious disconnect between the most recent Xerox status report where the SPI was .989 (which indicates that the project is "Green"). As Xerox knows, DPHHS and Public Knowledge (PK) report the current schedule as "yellow" and "red" respectively. In addition, SPI indicators within the functional area work plans do not correlate to the progress (or lack of progress) that DPHHS observes and experiences in the weekly design sessions.

Corrective Action Required:

Xerox must align its resources, processes, and execution efforts in order to complete tasks and produce Deliverables as scheduled. Also, Xerox needs to create a reliable process where the completion of JIRA tasks drives the work plan task percent complete.

To improve the schedule management effectiveness:

- Xerox must eliminate time elapsed progress reporting for non-COTS work plan tasks;
- The Xerox schedule metrics must demonstrate consistent and reliable links between JIRA tasks and their associated project work plan task;
- Xerox must complete an audit of JIRA tasks to ensure that the JIRA tasks are mapped to the correct work plan task;
- Xerox must develop a consistent process to objectively measure progress for the COTS work plans;
- The design session activities must align with the project work plan deadlines for the functional areas;
- Xerox must complete the interim deliverables and final deliverables on-time in accordance with the re-planned work plan;
- Xerox must use the dependency information in JIRA to determine the appropriate schedule for business process review in the designs sessions; and
- The SPI must reflect the actual design/project progress.

Correction Schedule

Xerox must implement all corrective action measures to correct identified Project Schedule Management problems within 60 calendar days of the date of the CAP acceptance.

F. PROJECT MANAGEMENT METRICS PORTAL

Problem Statement:

Xerox updates the Project Management Reporting Metrics portal only once per week. DPHHS cannot reconcile the numbers in the portal reports and the overall project progress. The metrics reported in the portal do not align with Xerox reported SPI. For example:

- Planned Use Cases do not match the concept release plan;
- Committed Use Cases do not match agreed upon agenda;
- The reported count of the use cases at the end of a sprint shown as complete (Actual) does not match the number of use cases marked functionally ready in that sprint;
- Source file link does not work in the Xerox metrics report;
- The Xerox PMO is unable to access reports and they cannot answer questions or provide guidance for the metrics;
- The data is at least one week old and is not consistent with other project reporting metrics; and
- The Project Reporting Portal does not reflect the inventory of sprint committed work that was not completed and report the growing backlog of design work to be completed.

Corrective Action Required:

Xerox must update the portal data at least once a day, Monday through Friday, and propose changes to the reports that will assist DPHHS in evaluating not only the overall progress of the project, but in a specific functional area and sprint. Xerox needs to utilize the Project Reporting Portal to manage the concept work and reporting in the weekly status reports.

To improve the quality of project management reporting:

- The business processes scheduled for sprints must support the requirements of the project work plan;
- The actual work completed must reconcile with the number of items identified as functionally ready;
- The Xerox PMO must have direct access to the project management metrics portal;
- The Xerox PMO must be able to answer questions from DPHHS regarding the metrics reported on the project management metrics portal; and

- The data supporting the project management metrics portal must be updated each day.

Correction Schedule

Xerox must implement corrective actions to resolve the problems identified in the project management reporting portal within 30 calendar days of CAP acceptance.

G. Project Staffing

Problem Statement:

The Xerox project team continues to suffer frequent turnover at all levels, including functional area team members, and changes at project management and project executive levels. Since DPHHS and Public Knowledge formally identified turnover as a risk on July 18, 2013, Xerox has not been able to reduce or mitigate the impact of turnover on the day-to-day project activities. Project team continuity and execution, and the level of Health Enterprise and Medicaid knowledge across the team, have suffered as a result. Past project turnover has negatively impacted the project as follows:

- Inexperienced Xerox design staff are placed in positions for which they lack necessary performance skills (i.e., Functional Leads, Business Analysts, Subject Matter Experts, and others);
- Xerox design staff are given responsibility over functional areas of the project in which they lack necessary knowledge and historical perspective, and have not taken the time needed to review and obtain the needed knowledge and historical perspective of those areas;
- Team members lack sufficient knowledge of the MMIS RFP and the Xerox proposal response to understand the vision DPHHS is trying to accomplish;
- Xerox design staff does not having the organizational, consulting and system integration skills necessary to execute their duties successfully;
- Key Xerox design staff are not onsite in Helena during the sessions;
- Xerox design staff do not have access to the Fiscal Agent knowledge;
- Xerox design staff struggle to speak fluent English which makes it difficult for DPHHS staff to understand; and
- Xerox design staff have encountered visa issues that require them to leave the country.

Corrective Action Required

Xerox must create a comprehensive plan to reduce project staff turnover, mitigate the effects of past turnover and develop a specific transition processes to avoid future turnover issues. To improve the Xerox project team staffing:

- Xerox must implement a formal training program to develop the necessary skills and expertise (including consulting 101, how to prepare for design sessions, how to conduct effective design sessions) to fill the position they are asked to perform on the project;
- Xerox must implement a process for onboarding new resources that help them develop the necessary project history, MMIS RFP sections, and Xerox RFP response section necessary understanding to be successful in their role;
- Xerox must increase the on-site presence of key project staff for design sessions; and
- Xerox must improve the communication skills for non-native English speaking design staff.

Correction Schedule

Xerox must implement the processes to minimize staff turnover and the impact of staff turnover within 30 calendar days of CAP acceptance.

ATTACHMENT B

PAGE 17, NOVEMBER 6, 2014, XEROX PRESENTATION REGARDING PERFORMANCE CORRECTION

Remaining Project Concerns & Action Summary

Area	Issue Description	Countermeasure	Timing	Owner
Work plan	- Reporting and data quality - Tool integrity - Jira integration	- Hiring UMT, MS Project Mgm't experts (after MT consent) for both run and cure remedies	- Mid November	- C. Kutzer
SMEs	- Insufficient SMEs on HE impacting project velocity	- Adding Xerox direct & Infinite subcontractors with HE experience	- On board now	- D. Mitchell
Deliverable quality	- Process discipline weak in some areas - Insufficient QA	- Lean Six Sigma process improvement - Additional program mgm't - Staff changes	- LSS approach starting week of 11/10th - Staff adds/changes onboard now	- V. Croom - K. Merritt
Documentation	- Inaccuracies impacting sprint velocity	- Staffing added to fix documentation prior to sprint starts - Moving to the Platform where documentation is current via Blueworks	- Additional staff onboard now - Working platform decision/transition with the State	- C. Kutzer - R. Kadam
Strategy & Stability	- Future roadmap - Delivery stability and quality	- Move MT to the HE Platform	- Reviewing with the State now. - Onboarding ~45 day duration	- C. Kutzer - R. Kadam