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Main points

The Workers' Compensation Board's (WCB) project management processes for its Eclipse Claims Replacement Project were adequate except that WCB did not:

- ◆ provide progress reports to senior management and the Board of Directors showing the estimated completion date and the forecasted costs to complete the project
- ◆ prepare a complete detailed project plan early in the project including a critical path analysis
- ◆ base the project budget and deadline on a detailed project plan
- ◆ retain evidence of approval of key documents such as project charters and communication plans

WCB should provide senior management and the Board reports that include the forecasted costs to complete the Eclipse Project as well as the estimated completion date of the project.

Introduction

The Saskatchewan Workers’ Compensation Board (WCB) operates under *The Workers’ Compensation Act, 1979* (Act). The Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for administration of the Act.

Our 2010 Report – Volume 1 includes the results of our other audit work at WCB for the year ended December 31, 2009. This chapter reports the results of our audit of WCB’s project management processes to implement its Eclipse Claims Replacement Project (Eclipse Project).

Also, this chapter provides an update on the status of outstanding recommendations made by the Standing Committee on Public Accounts (PAC).

Claims management system

WCB’s claims management system is critical to the delivery of its services. The system tracks injured workers’ claims and makes payments. WCB uses the financial information and claims data from the system to create financial reports including estimates of future claim costs.

WCB’s existing claims management system uses an old technology. With older technology, it is often more difficult to make system changes and enhancements. WCB began its assessment of the existing system in 2005. In 2008, WCB decided to purchase a new claims management system. WCB plans to modify the software to meet its specific needs.

The Eclipse Project is a significant project and a significant investment in information technology (IT) for WCB. When the project was approved in 2009, WCB expected the new system to cost approximately \$19 million with annual operating costs of approximately \$1 million.

Management told us this project will result in WCB having modern software to replace its existing claims management system. Management also told us that the new system is intended to make it easier for WCB’s staff to maintain the system and implement future enhancements.

WCB made an agreement with a supplier to provide the new system software. WCB has also contracted with a number of IT firms to provide assistance in working on the project. WCB started working on the project in August 2009. WCB initially planned to complete the project by December 2010 and implement the new system on January 1, 2011. In September 2010, WCB estimated the completion date to be September 2011 with costs expected to be approximately 50% higher than the original budget.

Large IT projects are inherently risky. Strong project management controls and processes can reduce these risks and increase the likelihood of a project's success. These controls and processes can help ensure that projects:

- ◆ are done on time (time management)
- ◆ are done on budget and includes all costs (cost management)
- ◆ meet client needs (scope management)
- ◆ use quality standards including independent quality reviews (quality management)

Our objective, criteria, and conclusions

The objective of this audit was to assess whether WCB had adequate project management processes for its Eclipse Project as of July 31, 2010.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*.

Exhibit 1 sets out the criteria that we used to do our work. We based the criteria upon international standards, literature, and reports of other auditors (see selected references). We discussed the criteria with WCB's management. They agreed with the criteria.

We concluded that, as of July 31, 2010, WCB had adequate project management processes for its Eclipse Project except that WCB did not:

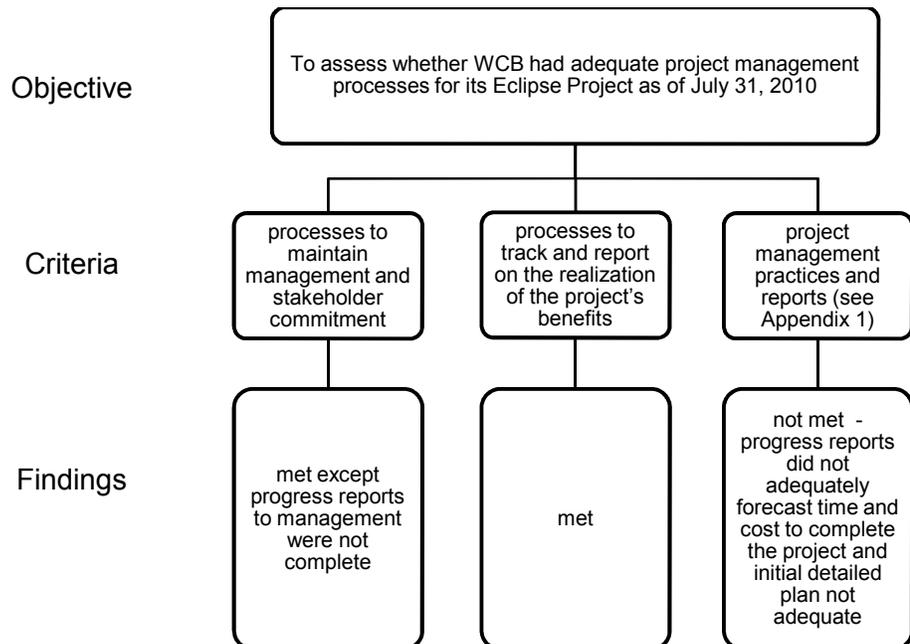
- ◆ **provide progress reports to senior management and the Board of Directors showing the estimated completion date and the forecasted costs to complete the project**

- ◆ prepare a complete detailed project plan early in the project including a critical path analysis
- ◆ base the project budget and deadline on a detailed project plan
- ◆ retain evidence of approval of key documents such as project charters and communication plans

Key findings and recommendations

Exhibit 1 provides a brief summary of key findings by criterion. Following the exhibit, we set out, in more detail the criteria (expectations) in italics and key findings along with related recommendations, if any.

Exhibit 1



Criterion 1 – Maintaining management and stakeholder commitment

We expected WCB to have project management processes to obtain and maintain strong senior management commitment to the project. We expected senior management would:

- ◆ *ensure that the project fits within WCB's strategic plan*
- ◆ *be accountable for the success of the project*

- ◆ *establish a strong project team with adequate resources to carry out the project*
- ◆ *have clear timely communication and reporting throughout the project*

As mentioned earlier, WCB's claims system is key to providing services to its clients. WCB's strategic plan specifies a goal of improving the quality of customer service for employers and injured workers.¹ One of the initiatives listed in the strategic plan is the replacement of its claims system.

Senior management of WCB has taken responsibility for the project. It has approved the budget and human resources for the project. It also has requested regular updates on the progress of the project. The project team included an Executive Steering Committee to oversee the project. The Executive Steering Committee was comprised of three Vice-Presidents and the Executive Assistant to the Chief Executive Officer. WCB had an adequate project team including a full-time Project Director.

The project team did not adequately report the project cost forecasts. We describe this in detail under Criterion 3. Without complete project cost forecasts, it is difficult for senior management to assess if the project team will complete the project within its budget.

Criterion 2 – Tracking and reporting on the realization of the project's benefits

We expected WCB to:

- ◆ *have a process to quantify and track project benefits throughout the project and after implementation*
- ◆ *base these benefits on a strong business case that is consistent with its vision, strategic goals, and objectives*

The benefits outlined should be measurable and management should report regularly on the achievement of the benefits. The business case should outline the full costs of the project and compare the costs to the expected benefits. A project is not complete until the benefits are realized.

¹ WCB Strategic and Operational Plan 2010-2012, p. 7.

WCB outlined in its project plan (project charter²) the expected benefits of the project. The expected benefits are consistent with the strategic goals of WCB. A number of expected benefits outlined in the project charter have specific measurable targets. WCB has set out a process to track and report on the realization of the project benefits. WCB plans to use its existing balanced scorecard system to track and monitor the realization of key benefits.

WCB developed a business case for the project. The business case concluded that WCB should purchase a new claims system rather than build it internally.

Criterion 3 – Project management practices and reports

We expected WCB to have good project management systems and practices to control the implementation of the project as outlined by the nine areas in Exhibit 2.

Good project management practices include planning and reporting progress against the plan. The project teams should collectively have the necessary experience, skills, and leadership to manage the project including managing risks and quality of work, and communicating progress and successes. Good project management systems and practices help ensure that project teams meet deadlines, contain costs, and meet requirements.

WCB’s project team has set out a process to centrally track and report on possible issues and project risks including those identified in the project charter. The project team frequently discussed and updated issues and risks at their team meetings. The process also included identifying mitigation strategies to reduce the risks to an acceptable level.

Senior management set a project deadline as a method to manage the project and to focus on the original objectives of the project. However, this was done without having a complete detailed plan in place before the project began to assess whether the budget and deadline can be attained. A detailed plan would have outlined the steps needed to carry out the project. Without a detailed plan, the project team did not know the

² A Project Charter sets out project information such as the project’s objective, team, budget, risks, benefits, and reporting structure.

total amount of effort required to complete the project and could not assess if the project was progressing as planned.

Also, without a complete detailed project plan, the team was unable to assess which tasks could not be delayed without affecting the planned implementation date (critical path analysis). Those specific tasks would be critical to completing the project in time. The project team began to assess the critical path in June 2010, which was late in the project. This late assessment decreased the effectiveness of the critical path analysis as a tool to manage and monitor the project.

In January 2010, WCB's internal audit recommended that WCB create an overall detailed project plan and share it with the project team. Management agreed with internal audit's recommendation. In February 2010, the project team developed a detailed plan, about seven months after the project began.

As mentioned earlier, WCB needs to improve its progress reporting on the project. Although the project team assessed a risk of not meeting the set deadline, the progress reports that the steering committees received did not indicate a significant risk of not meeting the deadline and being over budget. For example, the August 2010 reports to the steering committees, show the project to be \$5.4 million under budget and did not highlight a risk of not meeting the January 1, 2011 deadline. However, some of the project documentation indicates that there was a high likelihood that WCB would not meet the deadline and the overall project budget.

WCB prepared and provided progress reports to senior management and the Board. However, the August 2010 reports did not include the project cost forecasts to complete the project. Also, those reports did not indicate that it was apparent that project would be late and over budget. Without this information, senior management and the Board were unable to adequately monitor the project and ensure corrective action was taken.

- 1. We recommend that the Workers' Compensation Board provide senior management and the Board reports that include the forecasted costs to complete the Eclipse Claims Replacement Project as well as the estimated completion date of the project.**

Although there was no board minute approving the project, the Board did receive periodic updates on the progress of the project and approved annual capital expenditures for the project. The project team did not retain evidence of approvals of key project documents such as project charters, approved time lines, and communication strategies.

WCB developed a communication plan for the project. The communication plan specified that there would be periodic reporting of the project to all employees at WCB. WCB assigned one person to provide that periodic reporting to ensure a consistent message. Communication of the project occurred through several means including face-to-face meetings and providing information on WCB’s intranet.

The project team monitors the scope of the project through a central system. That system requires approval of any changes to the original scope that the project team requests. The system centrally tracks all of the pending and approved change requests.

Exhibit 2 – Project management framework

The three general criteria of a strong project management climate are:

- ◆ management commitment to the project
- ◆ the project’s ability to achieve its objectives and benefits
- ◆ good project management systems and practices

We will audit to these criteria based on the risk and scope of our project. We will use the Project Management Institute’s standard titled *A Guide to the Project Management Body of Knowledge* to support the above three criteria. The nine processes are:

1. *Integration management* – the processes required to ensure that the various elements of a project are properly co-ordinated.
2. *Scope management* – the processes involved in determining what the users need, how the needs will be met, and verifying if they are met.
3. *Time management* – the processes to plan, schedule, and control the project’s activities to help get the project done on time.
4. *Cost management* – the processes to plan, estimate, and control the project costs.
5. *Quality management* – the processes needed to evaluate if the project is managed well and meets the stakeholders’ needs.
6. *Human resource management* – the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.
7. *Communication management* – the processes, including the organizational structure, used to ensure the timely and complete creation, movement, and storage of information.
8. *Risk management* – the processes to identify, evaluate, plan, and respond to risks.
9. *Procurement management* – the processes to decide what to contract for tendering and selecting the best contractor; and negotiating, managing, and closing the contract.

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Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on the recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.³

Exhibit 3

PAC REPORT YEAR ⁴	OUTSTANDING RECOMMENDATION	STATUS
Workers’ Compensation Board		
2009	PAC concurs: 19-1 that the Workers’ Compensation Board formally communicate its information needs for the industrial safety program to the Ministry of Advanced Education, Employment and Labour.	Not implemented (as at December 31, 2008). A follow-up is planned for 2011.
2009	PAC concurs: 19-2 that the Workers’ Compensation Board establish processes for assessing the costs and impact of the industrial safety program on the Workers’ Compensation Board’s injury prevention and safety programs.	Not implemented (as at December 31, 2008). A follow-up is planned for 2011.
2009	PAC concurs: 19-3 that the Workers’ Compensation Board management report its assessment of the impact of the industrial safety program on the injury prevention and safety to the members of the Board.	Not implemented (as at December 31, 2008). A follow-up is planned for 2011.
2009	PAC concurs: 19-4 that the Workers’ Compensation Board ensure there is Order in Council approval for payment of the industrial safety program costs before paying those costs.	Not implemented (as at December 31, 2008). A follow-up is planned for 2011.

³ For the definitions of the key terms used in the exhibit, see Chapter 24 – Standing Committee on Public Accounts.

⁴ “PAC Report Year” refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR ⁴	OUTSTANDING RECOMMENDATION	STATUS
2009	PAC concurs: 19-5 that the Workers' Compensation Board document its analysis of the effectiveness of its injury prevention and safety programs and document any changes required.	Not implemented (as at December 31, 2008). A follow-up is planned for 2011.

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