

1 TRANSCRIPT OF PROCEEDINGS
2 BEFORE THE
3 TEXAS WORKFORCE COMMISSION
4 AUSTIN, TEXAS

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PUBLIC MEETING)
7 FOR THE TEXAS)
WORKFORCE COMMISSION)

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IT WORK SESSION

12

TUESDAY, JANUARY 27, 2015

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BE IT REMEMBERED THAT at 11:40 a.m., on
Tuesday, the 27th day of January 2015, the
above-entitled matter came on for hearing at the Texas
Workforce Commission, TWC Building, 101 East 15th
Street, Room 244, Austin, Texas, before ANDRES ALCANTAR,
Chairman, RONALD G. CONGLETON and HOPE ANDRADE,
Commissioners; and the following proceedings were
reported by William C. Beardmore, Certified Shorthand
Reporter.

1 P R O C E E D I N G S

2 TUESDAY, JANUARY 27, 2015

3 (11:40 a.m.)

4 MR. TEMPLE: So we're ready to go into IT
5 if you --

6 CHAIRMAN ALCANTAR: So who do you have
7 first on the IT update?

8 MR. TEMPLE: Lisa and Ed.

9 CHAIRMAN ALCANTAR: Good morning, Ed.

10 MR. SERNA: Good morning.

11 CHAIRMAN ALCANTAR: Good morning, Lisa.

12 MS. RICHARDSON: Good morning.

13 MR. SERNA: Mr. Chairman, Commissioners,
14 for the record, my name is Ed Serna. I'm Deputy
15 Executive Director with the Texas Workforce Commission.

16 I'm going to start off our presentation
17 with some information that we provided to you-all that
18 you requested earlier this month, and that has to do
19 with recommendations from staff for improving our IT --
20 the management of our IT projects.

21 This document -- these eight
22 recommendations are intended to be the start for a
23 dialogue with the commission as well as the start for us
24 actually taking actions to improve on some of our
25 management of these projects.

1 The eight recommendations are broken down
2 into two groups: Those that we believe we can take
3 immediate action on and those that may take a little bit
4 longer to implement.

5 The three that I would like to point out
6 specifically to you-all or draw attention to is No. 4.
7 We believe that we have not been successfully managing
8 our key milestones for these large IT projects.

9 A lot of times when you look at a large
10 project you set an overall project completion plan and
11 you work at that overall project completion plan, and we
12 believe that what we probably ought to be doing with
13 these really large projects is breaking them into
14 smaller segments and managing into those smaller
15 segments within the larger project plan, and we're
16 actually starting to do that with some of these projects
17 right now -- the ones that are active right now.

18 The other two that I want to draw your
19 attention to are No. 6 and No. 7. With regard to No. 6,
20 we believe we have very competent staff managing our
21 projects, but we don't know if we have the right mix of
22 staff managing the projects.

23 We have project managers, but we believe
24 we need to add contract managers to work with the
25 project managers to manage those. Those two

1 different -- those two different types of staff have
2 different skill sets. A project manager is focused on
3 managing a project, the task, the staff resources, et
4 cetera, et cetera, et cetera; whereas, a contract
5 manager is familiar with procurement and contract
6 requirements, state procurement and contract
7 requirements and focuses more on the terms and
8 conditions of the contract.

9 We believe that if we add dedicated
10 certified project -- contract managers to our projects
11 we'll be able to head off some of these issues that have
12 popped up that are more contractual and less project
13 process.

14 The other that I want to point out is
15 described as limited vendor consequences for
16 nonperformance. We don't believe that we, nor any
17 other -- in my experience any other agency in state
18 government really holds vendors accountable for their
19 failure to perform from the perspective of preventing
20 them from coming back into an agency and bidding again
21 and again and again on a project.

22 One of the things that we want to explore
23 with our Office of General Counsel and our Purchasing
24 Department is adding provisions into our contract and
25 into our procurement rules that, basically, if we have a

1 vendor that is not performing or failing to perform, not
2 only do we terminate the contract with that vendor but
3 we basically put them in a penalty box for some period
4 of time and just don't let them bid on TWC contracts
5 again, at least --

6 MR. TEMPLE: And we'll share this with our
7 sister agencies, with Lisa's counterparts, around the --
8 letting them know our situation.

9 That's a small world. That IT world is a
10 small world, but we'll formally let other agencies know
11 that we've put people in this category.

12 MR. SERNA: And it will be -- again, this
13 is the sixth state agency that I've had the opportunity
14 to work at, and no other state agency, including the
15 Department of Information Resources, do they take as
16 aggressive a position that I believe we should be
17 taking.

18 We'll continue to brief the commission on
19 the actions that we're taking, and, of course, we'll
20 seek your input and guidance on a lot of these actions
21 as we move forward.

22 I don't know if I can answer any questions
23 or if you have any comments on any of these.

24 CHAIRMAN ALCANTAR: Well, certainly, the
25 vendors are important. They make valuable

1 contributions. We've been very careful to develop a
2 very strategic, forward-thinking IT strategy here and
3 have invested dollars in support of making sure that we
4 are more effectively and efficiently responding to the
5 needs of our customers and our employees in terms of
6 giving them the right tools with the right capabilities
7 to allow them to be more successful.

8 There's also an understanding, certainly,
9 that I have that given the nature of the work that we do
10 and the linear approach to the work that involves our
11 Legacy systems that nonperformance or the failure of one
12 party to deliver on time and on schedule impacts and has
13 subsequent costs in terms of the overall strategy.

14 So I think that this is a nice response to
15 our request to have you look into what you could come up
16 here when we address the whole issue of the capital
17 rider adjustment.

18 It is probably a little different in terms
19 of setting higher and new expectations from -- on the
20 part of how we do business with these vendors, but I
21 think it's important to let them understand that we
22 value their partnership.

23 We do believe in performance, and there
24 are costs beyond that initial engagement that we have to
25 consider and they need to realize the implications of

1 that. Our first responsibility is maximizing value on
2 the public investment, and I think this sort of
3 undertaking goes a long way into making sure that we
4 manage these projects more effectively.

5 And, frankly, we want to make sure that
6 you have the tools in place to really hold these
7 different projects -- partners accountable and at the
8 same time meet the goals of high performance that we set
9 for you.

10 Commissioners, do you have any questions
11 or comments?

12 COMM. ANDRADE: Yes. First of all, thank
13 you so much, Ed. I feel much better now that you and
14 Lisa are overseeing this. But as I mentioned, too, I
15 have zero tolerance for nonperformance. We're not a
16 training ground. Okay?

17 So I think we need to put very specific
18 criteria on these contracts, that if they do not
19 perform, not only will they be forbidden to apply again
20 for work with our agency, but also they should be
21 penalized.

22 It's costing us money. It's affecting our
23 daily operations, and I just don't have any tolerance.
24 If you commit to you're going to do something, then you
25 deliver it, and if you can't then move out of the way

1 for someone else.

2 COMM. CONGLETON: I believe that's called
3 a "contract."

4 COMM. ANDRADE: I'm sorry?

5 COMM. CONGLETON: I believe that's called
6 a "contract."

7 COMM. ANDRADE: Yes, absolutely. You
8 know, I've been in that situation where I've
9 overcommitted myself and I had to pay for it, and it was
10 a learning lesson. So this agency deserves nothing but
11 the best and we should have the best vendors with us,
12 and those that perform will have an outstanding
13 recommendation from us, but those that do not -- we're
14 not a training ground.

15 So make sure that we put some very tight
16 rules in there that say, "If you can't deliver it, then
17 you should not be applying for this."

18 MR. SERNA: Yes, ma'am. We will.

19 COMM. ANDRADE: Thank you.

20 MR. SERNA: I appreciate your feedback.

21 CHAIRMAN ALCANTAR: Commissioner
22 Congleton.

23 COMM. CONGLETON: I agree with both of
24 you, and I agreed with him yesterday when he presented
25 this to me.

1 year, for the Calendar Year '14 of where we have rated
2 the performance of data center services of the
3 contracting itself.

4 So the second column that you see is the
5 overall score. So we have rated every single month in
6 2014 as No. 3, which is an acceptable rate. So they're
7 doing the job that we're asking them to do at an
8 acceptable level.

9 There are some areas that we're definitely
10 focusing on. As you can see, the backups have been a
11 consistent problem throughout 2014. Part of that is a
12 result of data center services provider went to a new
13 backup solution. They had difficulties implementing the
14 solution.

15 We had problems with the billing that they
16 had associated with it where we were being billed for
17 things inappropriately. So we had been working with
18 them every single month to get that resolved, and as you
19 can see even in December we are still continuing to work
20 with them -- excuse me -- on the backup solutions.

21 The other issue that we're having is under
22 the "service delivery." We still believe that it's
23 taking a little too long for the data center services
24 provider to answer our service request as we submit
25 tickets and requests to them.

1 For example, even to get a new server
2 stood up, it's still taking four to six months for us to
3 get a server when we request a new server. So these are
4 things that we're continuing to work with our customer
5 service reps through DIR and DCS, and we'll continue to
6 track this, and we will keep you updated on these as we
7 go forward.

8 Do you have any questions on the DCS
9 update?

10 CHAIRMAN ALCANTAR: This is very helpful.

11 MS. RICHARDSON: Thank you, sir.

12 CHAIRMAN ALCANTAR: I appreciate it.

13 MS. RICHARDSON: Absolutely. Just a few
14 other highlights from the IT arena.

15 Right now we're in the midst of our iPhone
16 refresh process. So we've -- so far staff had rolled
17 out about 40 iPhones, and that's about 40 percent of it.

18 We have about 100 iPhones that we're going
19 to be distributing throughout the agency, and that seems
20 to be going really well, and so far staff have been very
21 pleased with the phones that they've received. So I
22 think that's going very well.

23 The second item is, we're undergoing a
24 tablet pilot. If you recall last session, we did an
25 iPad pilot because at the time that was the most

1 up-to-date and efficient tool for staff to use who are
2 attending legislative sessions to be able to keep up,
3 take notes and kind of connect back with the office,
4 receive documents that they needed when they were at --
5 over in the Capitol area.

6 So this year the tablets or the Windows
7 devices have really come a long way in the last couple
8 of years. So we're doing a Windows tablet pilot. We've
9 ordered 11 devices, and we're going to be distributing
10 those to the staff who are most readily involved in the
11 legislative session.

12 So what this is going to do for us is not
13 only serve staff who have a critical need right now, but
14 it's also going to give us information, because this is
15 a pilot, to feed into our PC refresh which we're
16 planning for next year, because we want to see how we
17 may possibly use tablets to replace even some of our
18 desktops going forward in the future.

19 So this is kind of a test ground for us,
20 and we'll see how it feeds into PC refresh.

21 CHAIRMAN ALCANTAR: Very good.

22 MS. RICHARDSON: The other thing that I
23 just wanted to point out to you was some of the changes
24 that we made to your status reports for this quarter.

25 We believe that these improvements are

1 going to be able to help us to look at the greater
2 visibility and track our project status. As you will
3 see in each one of the summaries in the middle section
4 before the milestone table you will see a percent
5 complete for the full project, and that's something that
6 we've never really had before, but that's going to give
7 us all a better feel for where we stand on the project.

8 Additionally, we've added actual -- in
9 addition to some plan dates -- or -- excuse me -- in
10 addition to the actual dates, we've added plan dates for
11 both start and end for each one of our milestones,
12 again, so that we just get better visibility and we can
13 really be on track, and when we run into problems we'll
14 be able to address those faster.

15 Any questions on that?

16 CHAIRMAN ALCANTAR: It's a good change.
17 Thank you.

18 MS. RICHARDSON: Thank you, sir. With
19 that, I would like to turn it over to LaSha Lenzy to
20 give her update on the unemployment insurance projects.

21 COMM. ANDRADE: Before you-all leave --
22 may I say something, Mr. Chairman?

23 CHAIRMAN ALCANTAR: Absolutely.

24 COMM. ANDRADE: I'm still back to the
25 vendors. I'm concerned about the delays that this

1 causes us. Ed, also, you've got to remind the staff
2 that they have to be careful in their selection
3 evaluations in selecting these vendors that they be
4 proven, that they have experience in doing this; so not
5 just the vendor, but also in the staff that selected
6 these vendors.

7 MR. SERNA: Yes, ma'am. That would
8 probably be a good addition to our recommendations, is
9 that we look at the qualifications of the staff that we
10 have and then also the process that we go through to
11 evaluate -- to evaluate the vendors.

12 So we'll add that as one of our other
13 recommendations for improvements.

14 COMM. ANDRADE: All right. Thank you very
15 much.

16 MR. SERNA: You bet.

17 CHAIRMAN ALCANTAR: I appreciate that,
18 Commissioner. Thank you.

19 MS. LENZY: Good morning, Commissioners --

20 COMM. ANDRADE: Good morning.

21 MS. LENZY: -- Mr. Temple. For the
22 record, LaSha Lenzy, Unemployment Insurance Division.

23 CHAIRMAN ALCANTAR: Good morning.

24 MS. LENZY: Behind Tab 2 we have four
25 projects and it's two vendors; the first two projects,

1 tax modernization and tax electronic correspondence.

2 As you know, we did integrate those two
3 projects. No. 1, it's the same vendor, which is NTT
4 Data, and more so because it allows us to manage the
5 projects concurrently and it minimizes things like
6 resource contention and gives us a better return on our
7 investment. So that has helped us there.

8 We still do have problems with this
9 vendor, NTT Data, on the first project which is our tax
10 modernization. I know we've had various conversations
11 with you-all and you know the situation.

12 The relationship has improved, but the
13 project is still not where we would like for it to be.
14 They have given us a new timeline as far as when they
15 believe the project will be completed.

16 They gave us August of this year. Our
17 staff, IT and program staff, do not feel like that is a
18 realistic timeline. So our staffs are looking at that
19 timeline. We're looking more -- we would say more like
20 February of '16 would be realistic. If we were being
21 optimistic we would say maybe Thanksgiving of this year,
22 but in no case would we say --

23 MR. TEMPLE: They came back saying that
24 their numbers that they -- they couldn't sustain past --
25 they signed a contract. That's not our problem. You

1 know --

2 MS. LENZY: They do have a personal
3 problem.

4 MR. TEMPLE: And, quite frankly, you know,
5 testing and that sort of -- they're not even ready for
6 testing. Their plan had come up with testing to be done
7 yesterday, I guess, wasn't it? And they hadn't even --

8 MS. RICHARDSON: That would be for batch
9 testing.

10 MR. TEMPLE: So it's -- they're backing in
11 to a date that's not realistic. It's not serving our
12 best interest and so we have a contract and we're going
13 to hold them to it.

14 COMM. ANDRADE: Absolutely. Their problem
15 is not our problem.

16 MS. LENZY: It's not our problem. So
17 we're just saying, "Too bad. This is what we expect and
18 we're not going to take shortcuts."

19 However, on the electronic correspondence
20 project, they are delivering well. We've already
21 accepted three deliverables on this project from them.

22 As I said, it has worked well by having
23 the two integrated. So this one is going along pretty
24 smoothly, actually.

25 Any questions on it -- on electronic

1 correspondence?

2 CHAIRMAN ALCANTAR: No --

3 MS. LENZY: Okay. The other two
4 projects --

5 CHAIRMAN ALCANTAR: -- although I wish it
6 was the other way around in terms of impact on other
7 projects in terms of which one was on target and which
8 one's not.

9 Anyway, unnecessary commentary, but go
10 ahead.

11 MS. LENZY: Okay. The other two projects,
12 the vendor is Cooper Consulting. The first one is our
13 improved benefits user interface project. That's where
14 we're turning all of the green screens to more modern
15 technology. This was a big return on investment for us.

16 Again, with this vendor we've had
17 struggles and we've had several meetings with them to
18 explain our displeasure. The relationship has gotten
19 better.

20 The subcontractor, Pega Systems, has been
21 heavily involved. But some of the problems that they've
22 had is that they've had so much staff turnover in their
23 project managers, and so every time you change the staff
24 that they're sending here we lose ground. So their
25 staff leaving them has impacted us.

1 Ironically, on the other hand, on the
2 benefits electronic correspondence project that they are
3 working on, it is very much so far, far less complex
4 than benefit user interface. So they are doing fine on
5 that one.

6 It's coming along. We haven't seen any
7 issues --

8 MS. RICHARDSON: No.

9 MS. LENZY: -- any issues with that one
10 for benefits electronic correspondence.

11 CHAIRMAN ALCANTAR: I have no questions.
12 Commissioners. Thank you.

13 COMM. CONGLETON: Good.

14 MS. LENZY: Thank you. (Mic off) So
15 we'll move on and I will hand off Tab 3 to Reagan.

16 COMM. ANDRADE: Thank you, LaSha.

17 MS. LENZY: (Mic off) Thank you.

18 MS. MILLER: All right. Good morning,
19 Commissioners. The first thing I'll update you on are
20 our general workforce system enhancements.

21 We've had some general releases to CATS,
22 TWIST and WIT, but most notably the Texas Wide Open for
23 Veterans that Commissioner Andrade had supported. As
24 you're probably aware, we had some bumps in the road
25 when this initially was rolled out.

1 We've had some ongoing discussions with
2 DIR to make sure that we don't face these kinds of bumps
3 in the future. So they've modified their oversight to
4 ensure that they're keeping an eye on this particular
5 platform.

6 To date for the first month we had about
7 4100 hits.

8 COMM. ANDRADE: Great.

9 MS. MILLER: Yeah. So we'll keep --
10 85 percent of that has been from the U.S. So we'll keep
11 an eye to see if we start seeing some increased hits
12 from outside the country, and we'll let you know how
13 that looks.

14 We have some other items in progress. If
15 you have questions about any of those I'm happy to
16 address those. Certainly, based on your votes on the
17 Texas Rising Star Standards, we'll be looking at how our
18 automated systems need to be updated to reflect those
19 program changes, and I'd be happy to answer any
20 questions if you have any.

21 CHAIRMAN ALCANTAR: Well, on those TRS
22 platforms, just make sure they're easy to use and
23 reasonable --

24 MS. MILLER: Yes, sir.

25 CHAIRMAN ALCANTAR: -- whatever the design

1 is.

2 MS. MILLER: We'll have some changes to
3 make in our TWIST system. We're also partnering with
4 the University of Texas Health Science Center for an
5 online portal for our mentors and assessors and ease of
6 use will be critical to its functionality.

7 CHAIRMAN ALCANTAR: There's a lot of small
8 business owners that really need to understand it and it
9 needs to be very intuitive and easy to use.

10 MS. MILLER: Absolutely. We're also
11 hopeful that as they develop this platform, if a child
12 care provider has deficiencies in a particular area of
13 the standards there will be some indication of training
14 that they can take -- hopefully some online training --
15 that could help them increase their capacity in those
16 areas so that they would be able to pass those standards
17 in the future. So we'll keep you posted on that.

18 And then the second project, our largest
19 project, is Phase 1 of common components. This is the
20 project which consolidates some existing functionality
21 that's common to both TWIST and WIT into an integrated
22 system.

23 We are -- this is a vendor project, and,
24 you know, you've had lots of discussions where we want
25 to make sure that we're on top of our vendors and of

1 their deliverables. So we're working closely with them
2 to ensure that they're going to meet all deliverables.

3 As of the end of December they were
4 slightly behind on some of the first of those planned
5 deliverables. We're currently engaging with the
6 vendor's management team to make sure that they're on
7 top of this. And, in fact, both Lisa and I will be
8 actively involved in some upcoming meetings to ensure
9 that they understand TWC management's expectations in
10 their oversight of the program, and we'll keep you
11 posted on their progress in achieving these
12 deliverables.

13 CHAIRMAN ALCANTAR: Appreciate it. Thank
14 you.

15 MS. MILLER: (Mic off) Thank you.

16 MS. RICHARDSON: Next up is Paul Carmona.
17 It's under Tab 4.

18 CHAIRMAN ALCANTAR: Good morning, Paul.

19 MR. CARMONA: (Mic off) Good morning,
20 Commissioners. Paul Carmona, Regulatory Integrity
21 Division. Good news on our project -- (mic on) -- there
22 we go. Paul Carmona, Regulatory Integrity Division.

23 Good news on the improved fraud discovery
24 project. We're fully functional now, in production
25 since last summer. The next phase is the implementation

1 of the tax stage which is supposed to be moving along
2 this coming month; actually implemented in February of
3 2015.

4 Looking at the high-level timeline in the
5 table below, you can see all of the percentages of where
6 we are on the milestones. If you move into the tax
7 implementation, you see in the testing 95 percent --
8 95 percent and 90 percent. That's where we are right
9 now.

10 There's currently work underway to add
11 some other data; for example, TWIST data, TWIST child
12 care data, child care attendance data into the Aware
13 system, and that work is going on right now with the
14 implementation of the UI tax stage.

15 One of the notable things is the addition
16 of something called "FraudX." And you might remember
17 there was a spike earlier -- well, not earlier this
18 year; it was the middle of last year -- on the identity
19 theft claims.

20 Something we were doing at the time was we
21 were extracting UI data and sort of messaging it
22 ourselves -- not quite manually but close to it. We
23 were using Excel spreadsheets and coming up with our own
24 metrics to determine -- and scoring it ourselves and
25 coming up with our own scoring system on what we thought

1 was a high-level score that would flag something as
2 possibly a UI fraudulent claim -- an ID theft claim.

3 The FraudX system from the vendor that we
4 were already using for Aware said, you know, "We've got
5 this component and it's a predictive analysis type
6 component and we can use your data.

7 "We can apply this software and we can
8 offer you the predictive analysis to determine whether
9 something looks like a fraudulent claim or a fraud
10 claim" instead of doing it as we were doing it somewhat
11 manually.

12 The cost of that was an additional --
13 215,000 --

14 MS. RICHARDSON: That's right.

15 MR. CARMONA: -- \$215,000 to the contract.
16 So for predictive analysis software it was a reasonable
17 cost. That's where we are on the project.

18 You heard about the status of the tax --
19 the tax projects, but that's not -- that's not slowing
20 us down in what we're doing as far as the production.

21 Obviously, the functionality of some of
22 the tax components of the Aware system will be delayed
23 until that happens, but as far as the capability that's
24 not going to slow us down.

25 CHAIRMAN ALCANTAR: Okay. I appreciate

1 it, and it's good to know that you're taking the
2 additional steps in terms of the FraudX enhancement.

3 I think those are good investments and
4 actually very necessary in these times. So, thank you.

5 MR. TEMPLE: Ed, Paul, would you-all know
6 what we have on the street now?

7 MR. SERNA: Yes, sir. What I wanted to
8 say -- yes, sir, I will -- but what I want to say real
9 quickly is, with regard to the addition of that FraudX,
10 because of everything else that's been going on at other
11 state agencies, I just want to make sure that the
12 commission understands that we had a clause in our
13 contract that allowed us to add that particular product
14 if after evaluation we thought it was worthwhile.

15 So it wasn't some of this other stuff that
16 you-all may have been hearing about at other state
17 agencies that are just expanding and expanding
18 contracts.

19 We had anticipated that in our initial
20 contracting, and after the evaluation we decided it was
21 worthwhile, and we actually negotiated the price lower
22 than what the vendor was asking for.

23 In addition, we put a -- recently put a
24 bid on the street for investigative case management. We
25 actually -- we used the Department of Information

1 Resources' contracts that are commonly referred to as
2 DBIDS contracts, but unlike other state agencies or
3 unlike most other state agencies we send the statement
4 of work, equivalent of a Request for Proposal, to all
5 the vendors that are in a particular category.

6 So instead of just picking the top two or
7 three, we'll send it to however many vendors are on
8 those DIR agreements, and we've done that. We should
9 have responses back from those vendors by the end of
10 this month, the beginning of March.

11 Then we'll go through an evaluation
12 process and execute a contract with the vendor to bring
13 on-board our investigative case management. Then we're
14 working with IT, and the program area are working on a
15 procurement for prosecution case management, and, again,
16 once we -- and that procurement will probably have some
17 of this language that we've been talking about because
18 we haven't completed working on the -- on that statement
19 of work.

20 We'll put that procurement on the street
21 as soon as we're done with it and we'll go through the
22 same kind of process. So...

23 CHAIRMAN ALCANTAR: Ed, I'm glad you
24 mentioned that, because that reminded me. Think about
25 threshold or we can discuss the threshold, but I think

1 those need to be included in here somewhere --

2 MR. SERNA: Yes, sir.

3 CHAIRMAN ALCANTAR: -- as Item 6 or
4 whatever number they would take.

5 MR. SERNA: Yes, sir. We will.

6 CHAIRMAN ALCANTAR: All right.

7 MR. CARMONA: Thank you.

8 MS. RICHARDSON: And now to Tab 7, and
9 that's Randy Townsend.

10 CHAIRMAN ALCANTAR: Thank you, Paul.

11 MS. RICHARDSON: Thank you, sir.

12 CHAIRMAN ALCANTAR: Good morning again,
13 Randy.

14 MR. TOWNSEND: Good afternoon, Chairman,
15 Commissioners. For the record, Randy Townsend, Chief
16 Financial Officer.

17 I'm going to give you a quick update on
18 our PeopleSoft financials 9.2 upgrade. Just a little
19 background on this project: We started off the in
20 agency back in 1999 with a version of PeopleSoft.

21 We upgraded that version eight years later
22 in 2007, and now we're working on our second upgrade for
23 2015. So about every eight years we're looking at the
24 need to maintain the functionality of our accounting
25 system and make sure that we still maintain vendor

1 support for that accounting system.

2 As you know, our accounting system, I
3 know, is not usually the most exciting thing to think
4 about, but it does a lot of things for us and more
5 importantly for our service -- or our boards and their
6 service providers.

7 It allows, essentially, us to establish
8 the controls internally, allows us to interface to our
9 cash draw and expenditure reporting system so the boards
10 need the cash to make their payments to their
11 subgrantees and their vendors, at the same time maintain
12 security.

13 So it's a critical function. As you know,
14 it controls over 1.2 billion or so a year, and then when
15 you look at some of those contracts running multiple
16 years. So we recognize it's highly critical to have
17 that in place.

18 With that being said -- the status --
19 we're about back on track to where we expected to be at
20 this point. We're 29 percent complete on the project.

21 We were able to get the agreement signed
22 that we needed to with the controller. We worked with
23 them for several weeks, honestly, to make sure the
24 agreement worked for both us and the controller as a hub
25 agency.

1 Now, that hub agency is a little
2 different. It just means we're not an internal user of
3 the state's accounting system which allows us to do all
4 those things I was just mentioning that are not
5 necessarily built in to an internal user accounting
6 system for the State of Texas -- the grant management,
7 the budget control, on the (inaudible) control and that
8 sort of thing.

9 So those are things that for an agency of
10 our size it's imperative that we have that functionality
11 built in and continuously looking at ways to further
12 improve upon that.

13 The noteworthy accomplishments for this
14 period of time is that we had to look at the software,
15 see what kind of fit/gap analysis we refer to it; so
16 look at the functionality we have today that we still
17 need to retain with the new software that maybe it's not
18 going to be there and what kind of fixes do we need to
19 have in that system, either to change our business
20 practice or customize the software to allow us to
21 continue doing the business that's necessary based on
22 all those assessments.

23 We've conducted almost, I think, now close
24 to 51 -- well, actually, the fit/gap sessions it
25 produced, I think, 50 some-odd what we call "functional

1 design documents."

2 So those are basically specifications that
3 need to be programmed at some point. I'm happy to
4 report that about 90 percent of those have now been
5 completed as far as the specifications, and the work
6 begins of development which is -- was supposed to start
7 in June based on the original schedule.

8 We moved that to December, which is
9 probably more realistic, with an expectation to complete
10 that in March, which was about a month's slippage from
11 our original plan. But, again, it looks like we're back
12 on track with what we were expecting at this point.

13 So having said all of that, I guess the
14 good news is we're on track where we expect to be on
15 budget and by September we should have an upgraded
16 accounting system that hopefully you don't know anything
17 about because it's working properly and effectively.

18 (Laughter)

19 MR. TOWNSEND: So that would be my wishes.
20 Thank you.

21 CHAIRMAN ALCANTAR: You can't ask for much
22 more than that.

23 Lisa, what else do you have for us?

24 MS. RICHARDSON: That's all we have today,
25 sir.

1 CHAIRMAN ALCANTAR: Commissioners, do you
2 have any other questions or comments?

3 COMM. ANDRADE: Great. Thank you so much.

4 CHAIRMAN ALCANTAR: Lisa, great job. Ed,
5 I appreciate all you guys do. Larry, thank you.
6 Everybody have a good day.

7 I guess we adjourn. Right?

8 Thank you.

9 (Proceedings concluded at 12:11 p.m.)

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