

THE 2023-24 BUDGET: CWS-CARES IT PROJECT

Background

Child Welfare Services-California Automated Response and Engagement System (CWS-CARES) Information Technology (IT) Project. California’s primary IT system for child welfare services—the Child Welfare Services/Case Management System (CWS/CMS)—does not comply with federal Comprehensive Child Welfare Information System (CCWIS) requirements. To meet these requirements, the state approved the CWS-CARES IT project to replace CWS/CMS with a federally compliant CCWIS. The Department of Social Services (DSS) and Office of Systems Integration (OSI) lead the CWS-CARES project in coordination with other state, local, and tribal government entities. (OSI is an office under the California Health and Human Services Agency.)

CWS-CARES Project Development and Implementation Continues Over a Decade After Project Approval. Approved over a decade ago, in 2012, the CWS-CARES IT project is still in development and implementation, with project expenditures as of September 2022 totaling over \$300 million. Since 2012, CWS-CARES has submitted five Special Project Reports (SPRs)—that is, revised project plans with updated baseline costs, schedules, and scope estimations—with the latest SPR 5 approved in May 2022. SPR 5 approved a total project cost of \$911.4 million, a project schedule with system implementation by July 2025, and a project scope primarily divided into two releases: CWS-CARES Version 1 (V1), which would provide a compliant CCWIS that replaces CWS/CMS, and Version 2 (V2), which supports further CCWIS compliance through data-informed processes, external system functionalities, and interfaces with other IT systems.

SPR 5 Provided Interim Update to CWS-CARES Project Plan, Looking Ahead to SPR 6. In contrast to the previous four SPRs, SPR 5 did not measurably change the baseline cost, schedule, and scope of the CWS-CARES IT project. Rather, SPR 5 proposed specific activities to help the project evaluate whether its current approach to software development could deliver the requisite system functionality. For example, the project team planned, developed, and implemented a pilot “greenfield module” (that is, a set of system functionalities that did not require integration or use of legacy CWS/CMS data) to test their current project infrastructure and processes. Any lessons learned from development and implementation of the module as well as any further refinement of the project cost, schedule, and scope would be reflected in SPR 6.

Special Project Report (SPR) 6

Total Project Cost is \$1.711 Billion, a \$800 Million Increase From SPR 5. According to the SPR 6 approval letter from the California Department of Technology (CDT), the total cost of the CWS-CARES IT project is now \$1.7 billion of which approximately half (that is, \$850 million) is General Fund. SPR 6 attributes this increase in the total project cost to a more comprehensive estimation of all costs associated with the project as well as additional project scope including, but not limited to: communication and user adoption efforts, disaster recovery and business continuity needs, external IT system requirements that are in (or partially in) project scope; form and report needs; initial interfaces with other IT systems, and maintenance and operations costs for CWS-CARES V1.

Project Implementation Schedule Extended by Almost Three Years to April 2028. SPR 4 identified May 2024 as the expected implementation date for CWS-CARES V1, and July 2025 as the expected implementation date for CWS-CARES V2. SPR 5 did not provide any specific

implementation dates for V1 and V2, but did maintain July 2025 as the project implementation date. SPR 6 extends CWS-CARES V1 implementation to October 2026 and V2 implementation to April 2028, meaning a nearly three-year extension of the project schedule inclusive of V2. The SPR attributes much of the delay to V1 design, development, and validation, noting the V1 time line extension from 20 months in prior SPRs to 46 months in SPR 6. Furthermore, some of the project scope is not yet broken down into specific requirements which, upon elaboration by the project, could lead to future schedule adjustments. (As we note below, CDT is requiring CWS-CARES to provide them with specific requirements for V1 and V2 by certain dates.)

Other Significant Changes to Project Development and Implementation Strategy. Along with these changes in the project cost and schedule, there are several changes to the project's development and implementation approach including, but not limited to:

- ***OSI No Longer Serving as System Integrator.*** SPR 6 removes OSI as the project's overall system integrator, and instead expands the role of the project's current platform-as-a-service (PaaS) system integrator Deloitte to one of overall system integrator. The change in system integrator means Deloitte will coordinate with and manage all other project vendors to deliver the CWS-CARES IT system. DSS, OSI, and other relevant state entities will be responsible for acceptance of the system once completed.
- ***First Project Version Implemented Statewide, Preceded by Production Pilot.*** Previous SPRs contemplated CWS-CARES implementation as phases or waves by county but, due to concerns about parallel processing across CWS/CMS and CWS-CARES, SPR 6 confirms that at least V1 will be implemented statewide at the same time. Prior to statewide implementation, a production pilot will be attempted with between two and five counties to identify and mitigate any system challenges not identified during, for example, user testing. An initial pilot plan is expected by September 2023.
- ***Refinement of Project Workload Through Outreach and Work Groups.*** SPR 6 gives extensive detail on specific aspects of project workload not included in prior SPRs. For example, SPR 6 identifies and prioritizes 38 interfaces between CWS-CARES and other systems (including an interface between CalSAWS and CWS-CARES for which the Governor's 2023-24 May Revision requests funding). SPR 6 also reflects county outreach that estimated 938 unique systems external to CWS/CMS are used by counties for child welfare services, of which 803 are in (or partially in) project scope. Lastly, a workgroup estimated the number of standard statewide forms at 764, and the number of county-specific forms at 2,311, all of which are to be configured in CWS-CARES by vendors or with tools by county staff.
- ***Use of Independent Advisor's "Government Cost Estimate" Tool.*** SPR 6 identifies a project estimation tool provided by the project's independent advisor (that is, a third-party vendor that assesses whether CWS-CARES is on track and provides DSS, OSI, and other members of the project team with guidance and recommendations) that uses baseline project resource information to quantify progress based on cost, quality, and schedule. Prior to SPR 6, this quantification of project progress was more limited.

CDT Conditionally Approved SPR 6. CDT approved SPR 6 but conditioned its approval on the completion and delivery of several items and provided specific criteria that, if met, obligate the project to submit another SPR. These conditions and criteria include, but are not limited to:

- **Further Refine the Project Scope.** One of CDT’s conditions requires CWS-CARES to further define system functionalities into discrete requirements. The letter requires V1 requirements by October 31, 2024, and V2 requirements by February 28, 2025. A refinement of project scope could, as previously mentioned, result in future schedule adjustments.
- **Schedule an Annual Development Progress Demonstration.** Another condition in CDT’s SPR 6 approval letter is an annual demonstration of progress and success in meeting project milestone and roadmap commitments, including work products from development and implementation activities. This demonstration must take place in the first quarter of each calendar year.
- **Submit Another SPR, If Certain Criteria Met.** Lastly, CDT’s SPR 6 approval letter lists the following criteria that, if met, necessitates CWS-CARES submit a new SPR: (1) estimated one-time project costs increase by \$15 million; (2) estimated project end date extends by three months; (3) requirements or scope of a project product varies by 10 percent or more; or (4) the project software development approach undergoes any major changes (as determined by CDT).

Governor’s May Revision Proposal

Governor’s May Revision Proposes \$163.7 Million (\$83.4 Million General Fund) and 15 Positions in 2023-24 for CWS-CARES Development and Implementation. Consistent with SPR 6, the Governor’s 2023-24 May Revision proposes \$163.7 million (\$83.4 million General Fund) and 15 positions in 2023-24 to continue CWS-CARES development and implementation. Of the 15 positions proposed, 10 are for DSS and 5 are for OSI. The proposal also includes provisional budget bill language similar to last year that allows DSS to request an additional \$36.6 million (\$18.3 million General Fund) in expenditure authority for certain project activities. (Given that the sum of the appropriation and expenditure authority is what the project estimates it needs for development and implementation in 2023-24, this amount functions as a withhold of project funding.) The language directs the Department of Finance (DOF) to “consider verified satisfactory progress towards milestones associated with the CWS-CARES Product Roadmap, product adoption, and the roadmap change management process” when providing approval, and includes 30-day written notification of the Joint Legislative Budget Committee.

Additional \$25 Million General Fund Proposed in 2023-24 Over Two Years For Interface Between California Statewide Automated Welfare System (CalSAWS) and CWS-CARES. The Governor’s 2023-24 May Revision also proposes a one-time General Fund appropriation of \$25 million to plan, develop, and implement an interface between CalSAWS and CWS-CARES. The proposal mentions the need for data exchange between the two systems to facilitate foster care eligibility determinations. However, preliminary conversations with the administration indicate the data exchange could apply to other programmatic activities. Provisional budget bill language allows the funding to be encumbered and expended until June 30, 2025.

Assessment

Lack of Project Progress Warrants Increased Legislative Scrutiny. The administration's revised project plan for CWS-CARES in SPR 6 looks promising, and we do not raise specific concerns with the funding and positions requested in the Governor's May Revision proposal. However, after more than ten years of project development and implementation costing several hundreds of millions of dollars without delivery of a compliant CCWIS, we caution against the approval of additional project funding without more legislative involvement in and oversight of the project. At a total project cost of \$1.7 billion, with an almost five-year development and implementation time line that will affect every county and client as well as many other stakeholders, CWS-CARES is one of the costliest and most complex IT projects in the state's IT portfolio. Furthermore, if the state does not develop and implement a compliant CCWIS, enhanced federal financial participation for the system could be at risk. The Governor's May Revision proposal presents an opportunity for the Legislature to take several actions, which we recommend later in the email, that will help ensure progress towards project completion continues on time and within budget.

Continued Project Delays Also Could Impact Implementation of Changes to Child Welfare Programs. As with other human services programs, automation is often required to implement approved and proposed federal and state changes to child welfare programs and services. The current CWS/CMS does not allow the state to efficiently and flexibly implement these changes so, if the state's progress on CWS-CARES development and implementation remains anemic, child welfare program and service changes could be delayed. For example, the ability of the state to claim federal Title IV-E dollars for eligible prevention services, as authorized by the Family First Prevention Services Act (FFPSA) of 2018, requires state tracking and reporting of service spending on an individual level. CWS/CMS does not track spending on an individual level, so the state is unable to receive these federal funds until CWS-CARES is completed. Moreover, the identification and prioritization of CWS-CARES interfaces with other systems in SPR 6 highlights the need for continued progress on CWS-CARES to avoid delays in the development and implementation of other human services IT projects. We find these impacts on child welfare programs and services, as well as other human services IT projects and systems, emphasize the need for greater legislative involvement and oversight of CWS-CARES.

More Precise Project Baseline Presents Opportunity for Legislature to Define Success and Monitor Progress. The cost, schedule, and scope of the CWS-CARES IT project is an important baseline by which the project team, the administration, and other stakeholders monitor progress towards project completion. However, over the past several SPRs, this baseline was not always available and tended to omit key considerations and sources of potential project scope (some of which we mentioned earlier in the email). SPR 6 offers a more precise project baseline: a new compliant CCWIS that will replace CWS/CMS by April 2028 at a cost of \$1.7 billion, half of which is state funding. Deadlines for key milestones and releases provide an additional level of detail on how development and implementation activities will lead to the final delivery of CWS-CARES functionalities. This improved baseline gives the Legislature an opportunity to monitor progress and, more importantly, define project completion and success. However, ongoing work by the project to refine system requirements and report on their progress means the Legislature likely will need to increase its involvement and oversight of the project to reach completion and success, however defined. While the monthly progress reports and quarterly legislative briefings

currently required of the project do provide the Legislature with some oversight tools, the history of the project and its current complexity and cost suggest additional tools are warranted.

Recommendations

Adopt Trailer Bill Language (TBL) Defining Project Goals and Outcomes With Clear Definition of Completion and Success. We recommend the Legislature adopt TBL defining the goals and outcomes of the CWS-CARES IT project, including its completion and success. The Legislature could consider amending Welfare and Institutions Code section 16501.9, which does provide legislative intent language for the project, outlines state and county involvement in the project, and requires monthly progress reports to and quarterly briefings of the Legislature. We also recommend the TBL include at least some of the oversight tools recommended later in the email to increase legislative involvement in the project and monitor its progress. Clear direction from the Legislature on its goals and outcomes for the project, including a set definition of project completion and success, removes any uncertainty about the project baseline and direction going forward and sets up the criteria for the Legislature to monitor project progress.

Adopt Provisional Budget Bill Language Defining Satisfactory Progress and Increasing Withhold Amount. We recommend the Legislature adopt provisional budget bill language, in addition to the language already proposed by the administration, that defines satisfactory progress towards completion of the project. This definition of satisfactory progress could be tied to the goals and outcomes defined in the proposed TBL, including definitions of project completion and success. Together with the provisional budget bill language proposed by the administration, there will be a clearer understanding of what satisfactory progress towards project completion means, how it can be measured and verified by DOF and legislative staff, and whether the project's progress is sufficient to warrant more resources for development and implementation. Moreover, the administration's verification of satisfactory progress likely will be informed by the project's annual development progress demonstration, required by CDT as a condition of approving SPR 6. To help the Legislature determine whether the project has made satisfactory progress once it receives written notification from DOF, we recommend the Legislature direct CDT to include legislative staff in the demonstration. Lastly, we also recommend the Legislature decrease the appropriation and increase the expenditure authority subject to the provisional budget bill language. Similar provisional budget bill language last year that withheld about the same amount of project expenditure authority was not used, which meant the Legislature could not determine how the administration verified satisfactory progress towards completion of the project. To ensure the Legislature receives this determination, we recommend the withhold amount be increased from \$36.6 million (about 20 percent of total project funding needed in 2023-24) to \$70.1 million (about 35 percent).

Consider Additional Oversight Tools to Monitor Project Progress. In addition to monthly progress reports and quarterly legislative briefings, we recommend the Legislature consider at least some additional oversight tools to monitor the progress of the CWS-CARES IT project. Given the complexity and cost of this project, one option for increased legislative oversight is monthly oversight meetings between our office, the project, CDT, and other relevant parties to review monthly project oversight reports from CDT and independent verification and validation staff (who monitor the technical implementation of system functionalities and requirements). A similar approach was used for the Financial Information System for California (FI\$Cal) IT project to allow the administration and the Legislature to more closely monitor project progress. Another option would be to request the participation of the California State Auditor to annually

evaluate whether the project is making sufficient progress towards completion according to the baseline approved in the last SPR. Lastly, the Legislature could direct the project to include updated measurements of project cost, quality, and schedule from the independent advisor's project estimation tool in its monthly progress reports. More precise measurement of project progress using these metrics will help the Legislature continue to monitor project progress. If the Legislature adopts one or more of these additional oversight tools, we recommend these tools be included in TBL or provisional budget bill language.