

Business Application Modernization (BAM) Project 2015 Report to Legislature

Legislative Requirement:

Sec. 716b. The department of state shall provide a report that calculates the total amount of funds expended for the business application modernization project to date from the inception of the program. The report shall contain information on the original start and completion dates for the project, the original cost to complete the project, and a listing of all revisions to project completion dates and costs. The report shall include the total amount of funds paid to the state by the contract provider for penalties. The report shall be submitted to the senate and house of representatives standing committees on appropriations, the senate and house fiscal agencies, and the state budget director by January 1.

SIGNIFICANT CHANGE IN 2015:

The BAM contract was terminated for cause on August 28, 2015. HP was given notice of the impending cancellation for cause and was fully aware of their transition assistance requirements under the contract. On August 31, 2015, HP removed all their staff from the project refusing to work until a transition services plan was negotiated. On September 18, 2015, the Department of Technology, Management and Budget and the Department of State, working with the Office of the Attorney General, filed a lawsuit based on HP's breach of its material duties and obligations under the Contract. Prior to initiating legal action, the State attempted to negotiate a settlement but a mutually-agreeable resolution could not be reached.

On October 2, 2015, the State (via the Attorney General's office) filed a Motion for Preliminary Injunction asking the court to require that HP: 1) return to the work site and complete transition services, and 2) return to the State the source code for the Penske and ExpressSOS applications, as well as data migration scripts. On October 16, 2015, the State and HP reached an agreement on a transition plan. HP returned to the work site and is currently performing transitional services to the State. HP is being paid for these services in accordance with the terms of the original contract. Transition services can last up to 270 days and the State is monitoring progress to determine if the full amount of time will be necessary. On November 16, 2015, the Court granted the State's motion and ordered HP to turn over the required source code. HP timely complied with the Court's order.

As part of the lawsuit, the State is asking for the liquidated damages that are owed to the State under the contract in the amount of \$10,933,875. In addition, the State is seeking recoupment of all of the costs related to re-procurement efforts associated with implementing a new, and desperately-needed system.

Project Completion Dates & Revisions:

The BAM contract was signed in September 2005. Delivery of the first module was scheduled for October 2007. Below is the historical listing of major deliverable dates and revisions. ***Dates bolded and italicized were all missed project dates.***

<i>Original Delivery Date for 1st Release:</i>	<i>October 2007</i>
<i>Revised Branch Released w/Saber</i>	<i>December 2009</i>
<i>Revised Branch Released w/HP</i>	<i>March 2010</i>
<i>ExpressSOS.com Original Delivery</i>	<i>October 2010</i>
<i>ExpressSOS.com Revised Delivery</i>	<i>December 2010</i>
<i>ExpressSOS.com Revised Delivery</i>	<i>May 2011</i>
<i>ExpressSOS.com Actual Delivery</i>	<i>July 2011</i>
<i>Data Synchronization (refers to legacy & BAM file alignment)</i>	<i>March 2, 2012</i>
<i>Data Synchronization Actual Delivery</i>	<i>March 22, 2012</i>
<i>ExpressSOS.com Production Support</i>	<i>June 2, 2012</i>
<i>ExpressSOS.com Prod Support Patch Orig Delivery</i>	<i>July 7, 2012- Cancelled</i>
<i>CDLIS Modernization Original Delivery</i>	<i>December 5, 2012</i>
<i>CDLIS Modernization Delivery Date (partial)</i>	<i>December 8, 2012</i>

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ExpressSOS.com Prod Support Original Delivery	January 2, 2013
CDLIS Modernization Actual Delivery	January 10, 2013
Manufacturer Interface Projected Release	March 30, 2013
Manufacturer Interface Actual Delivery	May 4, 2013
Data Synchronization Release Original	March 13, 2013
Data Synchronization Actual Delivery	March 23, 2013
Data Synchronization Release	October 26, 2013
Data Synchronization Release	May 17, 2014
In-House/1st Branch Release Contract Date	June 7, 2014
In-House/1 st Branch Release (partial)	July 12, 2014
In-House/1 st Branch Fixes Release	July 25, 2014
In-House/1st Branch Fixes Release	October 4, 2014
In-House/1 st Branch Fixes Actual Release	November 22, 2014
In-House/1st Branch Fixes Release	January 21, 2015 – Cancelled
Data Synchronization Release Date	March 17, 2015
In-House/1st Branch Fixes Release Date	June 25, 2015 – Cancelled
Production Support Release	July 25, 2015
Data Synchronization Release Date	December 2015
Revised Data Synchronization Release Date	TBD – HP Leaving Job Site Caused minimum three month delay
Contract Cancelled	August 28, 2015
HP did not return to work	August 31, 2015

Full Branch Delivery **Plan to be determined by August 12, 2014**
 State rejected plan submitted due to being incomplete. HP submitted draft plan in May 2015 with a finish date of 4/25/17.

BAM Project Expenditures

In FY15, \$2,236,013 was paid to HP. MDOS withheld 35% for the First Branch payment which amounts to \$367,202 due to items not being fully deployed or conditional terms not being met. MDOS also returned an invoice for \$950,000 for a warranty payment for first branch due to conditional terms not being met, including full delivery of scope for first branch. Despite withholding payments, HP failed to meet contractual obligations.

As of September 30, 2015 MDOS has incurred the following total expenditures for the BAM project:

<u>Phase/Item</u>	<u>Costs</u>
Phase 1: Vision (4 mths)	\$14,600
Phase 2: Design (15 mths)	\$1,774,466
Phase 3: Build (FY05 – FY15)	
BAM Contract Expenditures	\$33,678,533
Other Hardware/Software	3,044,916
Project Management	3,553,638
Other System Development	347,253
Other Miscellaneous Costs	494,729
Knowledge Transfer Costs	<u>224,737</u>
Total Phase 3 Costs	\$41,343,806

Total BAM Project Expenditures \$43,132,872

Estimated State of Michigan Employee Salary Costs (FY03-FY15): \$27,707,944*
 BAM Project Transition Costs (8/31/15 – 9/30/15) \$194,939

*Salary costs were not included in the total BAM project expenditures line above since these costs would have been incurred with or without the BAM project.