



Microsoft Dynamics 365 Upgrade: Independent Project Oversight Status Assessment

Governance & Audit Information Item

Period from September 1, 2021 through December 31, 2021

Issued on January 6, 2022

EXECUTIVE SUMMARY

Background

The FY 2021 Internal Audit Work Plan approved by the Governance and Audit Committee included an Independent Project Oversight (IPO) review of the Microsoft Dynamics 365 (D365) implementation.

D365 will upgrade and replace the current Microsoft AX system, and provide general ledger, budgeting, procurement, cash management, and other integrated modules and functionality across IndyGo.

Our assessments are performed in accordance with the professional practice standards of the Institute of Internal Auditors. This report was prepared for use by IndyGo’s Board of Directors, Governance and Audit Committee, and management.

Objective and Scope

Our Independent Project Oversight will assess whether the D365 technology project is on track to be completed within the estimated schedule and cost, and provide the required functionality for the business owner. Our IPO procedures will continue until the D365 upgrade is complete.

Our IPO review procedures focused on critical scope areas relating to the D365 project’s progress and project management practices, including:

- Assessment of the project controls in place
- Comparison to project management best practices
- Monitoring of project schedule, budget, scope and overall delivery
- Evaluation of project risk management, including the identification, monitoring and resolution of project risks
- Identification of opportunities to enhance project management performance

Overall Report Rating & Observations

(See Appendix A for definitions)

D365 Upgrade Project	Project Rating	Risk Rating of PMBOK Areas		
		High	Medium	Low
As of August 31, 2021	Low	0	3	5
As of December 31, 2021	Low	0	3	7

Overall Summary and Review Highlights

The D365 project kickoff was May 17, 2021. The scheduled cut-over date is April 26, 2022. The planned project duration is 11.5 months (excluding any post go-live support).

This report covers project activity for the period from September 1 through December 31, 2021. To date, the project schedule is about 6.5 months into the expected 11.5-month duration, or 57% complete. See Appendix C for the implementation vendor’s summary project status chart.

We have participated in the implementation vendor’s weekly project status calls, reviewed project artifacts, and met with IndyGo project management.

The current D365 project status risk rating is “Low”. This aggregate rating is based upon our assessment of the ten Project Management Body of Knowledge (PMBOK) process management areas, as they relate to this D365 upgrade project. See Appendix B for the PMBOK area descriptions.

The D365 project currently does not reflect any delays from the original scheduled completion date, or any projected vendor change orders. The observations and recommendations on the following pages are designed to help the project remain on-schedule and on-budget.

We would like to thank IndyGo staff and all those involved in assisting us in connection with the review.

Questions should be addressed to the IndyGo Department of Governance and Audit at: batkinson@indygo.net.

OBSERVATIONS SUMMARY

The following are our observations and recommended actions, if any. Definitions of the observation rating scale are included in Appendix A.

Project Management Body of Knowledge (PMBOK) areas and definitions are included in Appendix B.

PMBOK Area	Risk Rating		Observation	Recommendation
	August 31, 2021	December 31, 2021		
1. Integration Management	Low	Low	<p>A. The summary Project Schedule contains processes that are aligned with work tasks and key milestones. The implementation vendor's Statement of Work (SOW) and contract contain 26 Deliverable Expectation Document (DED) milestones upon which payment is based. <i>(No change from August)</i></p> <p>B. The D365 upgrade solution is based on Microsoft's configurable package solution. Some specific customization has been specified in the implementation vendor SOW. <i>(No change from August)</i></p>	<p>A. None.</p> <p>B. None.</p>
2. Scope Management	Medium	Medium	<p>A. The summary Project Schedule is aligned with the project requirements and Statement of Work (SOW) from the contract. A Work Breakdown Schedule (WBS), with detailed steps and critical dependencies, has now been provided by the implementation vendor. The WBS provided did not include the level of vendor staffing effort, because IndyGo executed a fixed fee contract. <i>(Updated since August)</i></p> <p>B. IndyGo has internal Project Co-Managers from the business owner and technology groups who regularly engage with the vendor to monitor project scope. <i>(No change from August)</i></p> <p>C. IndyGo developed an Action Item summary schedule to track individual Action Items entered into Azure DevOps by the implementation team or the vendor during the prototyping and configuration phase. <i>(New)</i></p>	<p>A. IndyGo project managers should continue to review the detailed Work Breakdown Structure (WBS) schedule from the implementation vendor. The WBS identified project management sub-tasks, detailed milestones (by project phase or deliverable) and critical dates.</p> <p>B. None.</p> <p>C. None.</p>

PMBOK Area	Risk Rating		Observation	Recommendation
	August 31, 2021	December 31, 2021		
3. Time and Schedule Management	Low	Low	A. The current Project Schedule shows no project delays, when compared to the planned baseline completion date of April 26, 2022. <i>(No change from August)</i>	A. None.
4. Cost Management	Medium	Medium	<p>A. There are two versions of the project budget. One version has been updated to include the implementation vendor's contractual cost (aligned to the Deliverable Expectation Documents, DEDs), Microsoft licenses, Dynaway interface costs and project contingencies. But it does not track any actual costs for comparison. The other version contains the DED costs, but has not been updated for actual invoices paid. Neither budget version has identified an unallocated budgeted contingency. <i>(Updated since August)</i></p> <p>B. The implementation vendor's Statement of Work (SOW) includes dozens of assumptions, to define scope. The assumptions relate to several key areas, such as interfaces, data mapping, and other modules or functionality. IndyGo has recently reviewed the SOW to assess the areas where they may not have been able to meet the SOW agreement. These areas could have cost and schedule impact. IndyGo has held discussions with the vendor on several areas.</p> <p>IndyGo is monitoring, but has not yet quantified, any additional costs. Also, none of these costs have been identified by the vendor on the weekly project management status reports. <i>(Updated since August)</i>.</p> <p>C. The D365 contract with the vendor includes an SOW with a Pricing section. The contract is a fixed fee contract, but contains a section where a defined number of hours (660) can be allocated to specified tasks. Any excess hours would be billed at the contract rates. IndyGo is monitoring the hours, but is not aware of the vendor's summary of hours in these specified areas. Therefore, there is a risk of an unplanned and unbudgeted change order from the vendor. <i>(New)</i></p>	<p>A. IndyGo should prepare and update one complete budget, including:</p> <ul style="list-style-type: none"> Contingency amounts, for possible change orders, ADP integration or the Business Intelligence package Actual vendor billings and invoice amounts <p>B. There may be change orders from the vendor. However, IndyGo has not been informed of any potential additional costs by the vendor. IndyGo should request that the implementation vendor provide any additional costs that they believe have been incurred to this point in the project. While there may be future scope additions or deletions, the intent is to avoid receiving a change order at the end of the project for any time that is believed to be incurred to date.</p> <p>IndyGo should continue to assess the major assumptions and related potential costs in a tracking spreadsheet, and provide that to the Steering Committee on a regular basis.</p> <p>C. IndyGo should track and monitor the vendor's time in the "defined hours" areas. IndyGo should inquire of the vendor whether they expect to have a change order in this area.</p>

PMBOK Area	Risk Rating		Observation	Recommendation
	August 31, 2021	December 31, 2021		
5. Human Resources Management	Low	Low	<p>A. The implementation vendor's Statement of Work (SOW) provided resumes for the key project personnel. The resumes identify other public sector and transit-related D365 upgrade or implementation expertise, as well as technical qualifications. The resumes did not identify a PMP (Project Management Professional) certification for the Client Principal or Project Manager. <i>(No change from August)</i></p> <p>B. The implementation vendor's contract states that they shall not make any substitutions or substantial changes to the Client Principal and Project Manager without the prior written approval of IndyGo. <i>(No change from August)</i></p> <p>C. IndyGo is not forecasting its Project Managers' time, and has chosen to not capture or capitalize its internal level of effort and time charges. <i>(Updated since August)</i></p> <p>D. IndyGo Finance has identified three primary business owners or functional leads for the AX/D365 system. IT will assign one technical liaison to support the users. This should facilitate ongoing issue resolution, support training, and enhance communications. <i>(New)</i></p>	<p>A. None.</p> <p>B. None.</p> <p>C. IndyGo could consider tracking its internal resource time. This would provide a complete summary of the project's total required effort and cost. Also, internal time related to a system implementation may be able to be capitalized under government accounting standards.</p> <p>D. None.</p>
6. Communications Management	TBD	Low	<p>A. IndyGo has established a D365 Migration folder on its internal Teams site. The Migration folder contains a project charter, artifacts, meeting minutes, contract documents, and issues lists. It is available to all project members. The project charter is incomplete and has not been signed by the Project Manager (PM) or sponsor. <i>(New)</i></p> <p>B. The implementation vendor provides a weekly status report, hosts a weekly Project Management call, and participates in a monthly Executive call. The vendor project manager also communicates regularly with the IndyGo project manager. This meets the communications requirements set for in the Statement of Work. <i>(New)</i></p>	<p>A. IndyGo project leadership should finalize the project charter and obtain the sign-off of the PM and project sponsor. Given that the project is beyond the 50% complete point, the original charter intentions should also be reconciled to actual progress. Consider reminding the identified team members of their roles and responsibilities, as the project has passed the 50% completion mark.</p> <p>B. None.</p>

PMBOK Area	Risk Rating		Observation	Recommendation
	August 31, 2021	December 31, 2021		
7. Quality Management	TBD	Low	A. Project issues, their resolution, and the assignment of staff responsibility for issue resolution and deadlines, is formally tracked. Also, IndyGo is consistently signing off on project DEDs (Deliverable Expectation Documents) to indicate their acceptance of the work and related deliverables. <i>(New)</i>	A. Continue the quality assurance process during the upcoming Conference Room Pilot (CRP) phase of the upgrade. Assess the quality of the D365 product and features, as well as any potential defects and bugs.
8. Risk Management	Medium	Medium	A. The implementation vendor's weekly status reports include sections for "Issues/Concerns" and "Risks". The weekly reports for the first six months have indicated there are no concerns at this time. However, the vendor's Project Manager has discussed topics that could become potential issues, such as additional scope, external dependencies and IndyGo staff unavailability to perform reviews. <i>(Updated since August)</i> B. The implementation vendor has added a Risk section to their weekly status reports. Topics are discussed on the weekly Project Management calls. <i>(Updated since August)</i>	A. IndyGo should continue to request that the implementation vendor capture all potential issues, especially those related to possible scope revisions or change orders. This will allow IndyGo to consider the impact on its schedule and cost, and escalate any matters to its D365 Steering Committee promptly. B. IndyGo should ensure that the new Risk Log adequately tracks the assigned responsibility, risk severity, duration and impact on cost or schedule.
9. Procurement Management	Low	Low	A. A competitively-bid contract is in place with the implementation vendor. The contract and related SOW include provisions and specified billing rates for additional services. <i>(No change from August)</i>	A. None.
10. Stakeholder Management	Low	Low	A. The Project Manager for the implementation vendor has led weekly D365 upgrade status meetings. The weekly status reports include project summary schedule, deliverable milestones, accomplishments, and issues. The meetings allow time for questions. <i>(No change from August)</i> B. An Executive Steering Committee for the D365 project has been established, to periodically review risks to cost or schedule, and take corrective actions. The CIO has been added to the call. <i>(Updated from August)</i>	A. None. B. None.

APPENDIX A — RATINGS AND DEFINITIONS

Observation Risk Rating Definitions	
Rating	Definition
Low	<ul style="list-style-type: none"> Risk to achieving stated objective, or PMBOK area best practice, is low. Meeting these areas represents best practice for IndyGo.
Medium	<ul style="list-style-type: none"> Risk to achieving stated objective, or PMBOK area best practice, is moderate. Opportunity exists for improvement. Risk should be addressed in the near term.
High	<ul style="list-style-type: none"> Risk to achieving stated objective, or PMBOK area best practice, is high. Improvements are needed to help IndyGo meet its goals, improve its processes or internal control structure, and further protect its brand. Risk should be addressed immediately.

Report Rating Definitions	
Rating	Explanation
Low	<ul style="list-style-type: none"> The D365 Project status is adequate. Controls are in place and operating effectively. Minimal improvements are required. Observations are limited to low risk areas or are not pervasive in nature.
Medium	<ul style="list-style-type: none"> The D365 Project status is potentially off-track. Certain controls are either not in place or are not operating effectively. Improvements are required. Observations were noted in several areas or are pervasive to one PMBOK area.
High	<ul style="list-style-type: none"> The D365 Project is off-track (as of this reporting date). Several controls were not in place or were not operating effectively for substantial areas. Significant improvements are required. Observations were noted in multiple areas and/or were pervasive.

APPENDIX B — PMBOK AREAS AND DEFINITIONS

Project Management Book of Knowledge (PMBOK) Areas (Sixth Edition)	
Area	Definition
1. Integration	Requires each project and product process to be appropriately aligned and connected with other processes to facilitate their coordination.
2. Scope	The processes required to ensure that the project includes all the work required, and only the work required, to complete the project successfully.
3. Time (and Schedule)	The processes required to accomplish timely completion of the project.
4. Cost	The processes involved in planning, estimating, budgeting and controlling costs so that the project can be completed within the approved budget.
5. Human Resources	The processes that organize and manage the project team.
6. Communications	The processes required to ensure timely and appropriate generation, collection, distribution, storage, retrieval and ultimate disposition of project information.
7. Quality	The activities of the performing organization that determine quality policies, objectives, and responsibilities so that the project will satisfy the needs for which it was undertaken.
8. Risk	The processes involved with conducting risk management planning, identification analysis, responses and monitoring and control on a project.
9. Procurement	The processes to purchase or acquire the products and services needed from outside the project team to perform the work.
10. Stakeholder	The process of developing appropriate strategies to effectively engage stakeholders throughout the project life cycle, based on the analysis of their needs, interests and potential impact on the project success.

APPENDIX C — IMPLEMENTATION VENDOR’S PROJECT STATUS CHART (Unaudited)

