
Microsoft Dynamics 365 Upgrade: Independent Project Oversight Status Assessment

Governance & Audit Information Item

Period from May 17, 2021 (Project Inception) through August 31, 2021

Issued on September 1, 2021

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)

	Report Rating (August 31, 2021)	Risk Rating of PMBOK Areas		
		High	Medium	Low
D365 Upgrade Project	Low	0	3	5

Overall Summary and Review Highlights

The D365 project kick off was on 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 update report covers project activity from kick-off through August 31, 2021, or for the first 3.5 months of the project's scheduled duration. This period represents about 30% of the project duration.

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 descriptions of the PMBOK areas.

The D365 project currently does not reflect any delays from the original scheduled completion date, or any projected vendor change orders. However, our following observations and recommendations 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 SUMMARIES

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 (August 31, 2021)	Observation	Recommendation
1. Integration Management	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.</p> <p>B. The D365 upgrade solution is based on Microsoft's configurable package solution. Some specific customization has been specified in the vendor SOW.</p>	<p>A. None.</p> <p>B. None.</p>
2. Scope Management	Medium	<p>A. The summary Project Schedule is aligned with project requirements and Statement of Work (SOW) from the contract. It includes only the summary project activities (tasks), milestones and dates. A Work Breakdown Schedule (WBS), with detailed steps and critical dependencies, has not yet been provided by the implementation vendor.</p> <p>B. IndyGo has internal co-Project Managers, from both the business owner and technology group, who regularly engage with the implementation vendor to monitor project scope.</p>	<p>A. IndyGo project managers should request a detailed Work Breakdown Structure (WBS) schedule from the implementation vendor. A WBS identifies project management sub-tasks, detailed milestones (by project phase or deliverable) and critical dates. It includes the expected duration of each task, and generally incorporates the corresponding level of vendor staffing effort, in a "Gantt Chart" format.</p> <p>B. None.</p>

PMBOK Area	Risk Rating (August 31, 2021)	Observation	Recommendation
3. Time and Schedule Management	Low	A. The current Project Schedule shows no project delays, when compared to the planned baseline completion date of April 26, 2022.	A. None.
4. Cost Management	Medium	<p>A. A project budget has been established. It is aligned with the Deliverable Expectation Documents (DED) for payments. However, the project budget includes only the implementation vendor's contractual cost. IndyGo is separately tracking additional D365 upgrade related costs, such as:</p> <ul style="list-style-type: none"> • Microsoft licenses • Other product interface costs (Dynaway or ADP) • Project contingency <p>B. The implementation vendor's Statement of Work (SOW) includes dozens of assumptions, to define scope. IndyGo is managing various business process scenarios and potential scope changes provided by the vendor. However, IndyGo is not currently tracking or monitoring the SOW assumptions to ensure that the project team considers the potential additional scope, cost and schedule impact.</p> <p>Certain assumptions relate to key areas, such as:</p> <ul style="list-style-type: none"> • Interfaces and data mapping • Other modules or functionality, including an expanded Business Intelligence package, a potential E-Builder interface and a conversion to SharePoint online 	<p>A. IndyGo should prepare a comprehensive internal project budget, which includes all vendor, product and license costs, as well as a project contingency, to accommodate any potential future delays or change orders.</p> <p>B. IndyGo should develop a tracking spreadsheet which would identify the major assumptions in the SOW. The assumptions should then be evaluated as to potential cost and scope implications.</p> <p>Some of the assumptions have been considered, but the project team's conclusions have not yet been documented. The tracking tool should document the project team's resolution and communication to the vendor.</p> <p>Any specific areas that could impact the project scope and schedule should be addressed by the project team.</p>

PMBOK Area	Risk Rating (August 31, 2021)	Observation	Recommendation
5. Human Resources Management	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.</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.</p> <p>C. IndyGo is not forecasting its Project Managers' time, or capturing its internal level of effort and time charges.</p>	<p>A. None.</p> <p>B. None.</p> <p>C. IndyGo could consider tracking its internal resources time. This would provide an accurate 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, and amortized over the estimated useful life of the D365 system.</p>
6. Communications Management	TBD	A. To be reviewed in the next quarter.	A. N/A
7. Quality Management	TBD	A. To be reviewed in the next quarter.	A. N/A

PMBOK Area	Risk Rating (August 31, 2021)	Observation	Recommendation
8. Risk Management	Medium	<p>A. The implementation vendor's weekly status reports include sections for "Issues/Concerns" and "Risks". The first eight reports 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's staff availability to perform reviews.</p> <p>B. Since risk issues have not yet been identified on the weekly status reports or calls, it is not known whether the implementation vendor has a formal Risk Log. Also, minutes of the meetings are not produced for future reference or dispute resolution.</p>	<p>A. IndyGo should request that the implementation vendor capture all potential issues, especially those related to possible scope revisions or change orders. The project has burned approximately 30% of its projected schedule, so emerging issues should be identified now. This will allow IndyGo to consider the impact on its schedule and cost, and escalate any matters to its D365 Steering Committee promptly.</p> <p>B. IndyGo should ensure that the implementation vendor will maintain a Risk Log. The Log should track the assigned responsibility, risk severity, duration and impact on cost or schedule. Proposed solutions and the ultimate resolution should be documented.</p>
9. Procurement Management	Low	<p>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.</p>	<p>A. None.</p>
10. Stakeholder Management	Low	<p>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.</p> <p>B. An Executive Steering Committee for the D365 project has been established, to periodically review risks to cost or schedule, and take corrective actions.</p>	<p>A. None.</p> <p>B. None.</p>

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.