

STATE OF NORTH CAROLINA
Office of the State Auditor

BETH A. WOOD, CPA
STATE AUDITOR

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7600
Internet <http://www.ncauditor.net>

October 10, 2013

The Honorable Justin Burr
Co-Chair Joint Legislative Oversight Committee for HHS
NC House of Representatives
300 N. Salisbury Street, Room 307A
Raleigh, NC 27603-5925

Dear Representative Burr:

The Office of the State Auditor has several concerns about incomplete information provided to the Joint Legislative Oversight Committee on Health and Human Services during its committee meeting on October 8, 2013. We would like to clarify some of the information provided to the committee by officials from the Department of Health and Human Services.

1. When Senator Parmon asked Secretary Was whether the Department of Health and Human Services had received any professional opinions indicating that the NC Tracks system may not be ready to go-live on July 1, the Secretary responded "No, Senator." This answer ignores the work of our audit issued on May 22, 2013, titled: "NCTracks (MMIS Replacement) – Implementation." The State Auditor met and presented Secretary Was with the findings and recommendations as early as March 27, 2013, to allow her department to begin addressing problems uncovered in the audit.

The audit findings from our report included that:

- Independent assessments regarding system readiness and testing were flawed and put system readiness at risk
- Access control and security environment were at risk on go-live
- No formal criteria framework existed to determine if NCTracks was ready for go-live

"The Department should re-evaluate its current "Go" decision for July 1, 2013, once final Go/No-go criteria is established and documented," our audit recommended. "This assessment should incorporate the final user acceptance testing and production simulation testing results."

2. In his presentation, Mr. Cooper referenced NCTracks testing procedures done by DHHS and its vendor, CSC, prior to the July 1 go-live date and indicated that the system had met their benchmarks. Our audit, however, found several shortcomings in the testing of the system.

Our findings indicated that:



- Out of 834 “critical” priority test cases affecting various Medicaid and provider business processes, 123 critical tests had failed and 285 critical test cases were not performed. The department itself defined which business processes were critical, and according to the department, “critical” test cases were absolutely required to be tested.

Our audit stated, “If user acceptance testing is accepted without addressing these issues, a high risk exists that critical NCTracks functions could have major errors on go-live and possibly lead to a delayed CMS certification of the system.”

- Oversight over the production simulation testing process was inadequate. Our work found that the department allowed CSC to develop the acceptance criteria for its own work, one week prior to the end of the testing phase, and that the department lacked clear test benchmarks.
3. Mr. Cooper stated during this presentation that, “On February 28th we [DHHS] reached a **point-of-no-return** when the state had to cancel the HP contract.” This contradicts what Department leaders told state auditors during our NCTracks pre-implementation audit. During our audit, DHHS senior leadership repeatedly indicated that the termination of the contract with HP, the vendor for the Medicaid system that was replaced by NCTracks, should not be considered final acceptance of the project.

“According to the Department, the letter to HP does not constitute formal acceptance of the NCTracks system,” our audit states. “The Department has indicated that if the NCTracks system is not ready for go-live on July 1, 2013, HP will be willing to continue its services as long as needed. However, there is no guarantee that this continuation of services would occur or at what cost to the State as this is not in writing.”

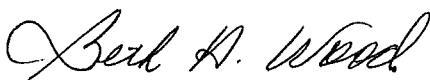
The fact that Mr. Cooper and the Department now characterize the contract termination as a “point-of-no-return” indicates that the Department’s decision to go-live did not take into account the actual readiness of the system or the critical risks that were raised between February 28 and June 30.

Our full audit report on NCTracks can be viewed at
<http://www.ncauditor.net/EPSWeb/Reports/InfoSystems/ISA-2013-4410.pdf>.

Our staff is available to answer any questions or concerns you may have about our work. If you wish to discuss this information with me, you can contact me at 919-807-7628.

Thank you for your work on behalf of the people of North Carolina.

Sincerely,



Beth A. Wood, CPA
North Carolina State Auditor