

The California State Auditor released the following report today:

California Department of Consumer Affairs' BreEZe System

Inadequate Planning and Oversight Led to Implementation at Far Fewer Regulatory Entities at a Significantly Higher Cost

BACKGROUND

Comprised of 40 regulatory entities that regulate and license professional and vocational occupations to protect the health and welfare of Californians, the California Department of Consumer Affairs (Consumer Affairs) began efforts to develop a new information technology (IT) system in 2000 and in 2009, modified various regulatory entities' system requirements for a variety of projects and combined them into one new, integrated, enterprisewide enforcement and licensing system—BreEZe—to support nearly all of the regulatory entities. In 2011, after receiving approval from the California Department of Technology (CalTech), Consumer Affairs entered into a nine-year contract overseen and approved by the California Department of General Services (General Services) with a systems integrator vendor. In total, Consumer Affairs executed three contracts with the vendor totaling \$45.7 million and executed contracts with other entities for other services and expertise, which totaled another \$6.3 million.

KEY FINDINGS

During our review of the BreEZe system, we noted the following:

- Consumer Affairs did not adequately plan, staff, and manage the project for developing BreEZe.
 - ✓ It did not properly identify the business needs of its regulatory entities when developing the system—it relied on system requirements from earlier abandoned projects rather than ensuring they reflected the entities' current business needs—and did not maintain an effective baseline (official agreed-upon set) of requirements defining how the system should operate.
 - ✓ The estimated costs for the BreEZe project have drastically outpaced initial projections and its anticipated use has decreased—in 2009 the project was estimated to cost about \$28 million while current estimates are closer to \$96 million, and implementation will include only half of the regulatory entities that originally planned to use it.
 - ✓ BreEZe has experienced significant delays at key stages of the project—user acceptance testing for phase 1 entities spanned 11 months rather than the planned eight weeks.
 - ✓ CalTech, and its independent oversight contractor, raised significant concerns throughout the project.
 - ✓ More than 1,000 defects of various severity levels remained unresolved at the end of the phase 1 testing period.
 - ✓ Consumer Affairs did not comply with the State's policies for IT project management—it did not develop three of the 12 plans needed and the other nine plans were not developed until between six and 54 months after the feasibility study was approved in 2009.
- CalTech did not ensure oversight for BreEZe until more than one year after the project's commencement, and despite being aware of the significant problems with the project, it continued to approve additional funding and allowed the project to press forward without intervening to ensure Consumer Affairs took corrective action.
- The three contracts that Consumers Affairs awarded and General Services approved for the BreEZe project did not adequately protect the State—the contracts' terms and conditions transferred significant risk to the State, limited Consumer Affairs' ability to terminate the contracts, and reduced the State's protections against intellectual property rights violations.

KEY RECOMMENDATIONS

We made a significant number of recommendations, including the following:

- The Legislature should require Consumer Affairs to submit a report annually that includes implementation plans for the project's phase 3 regulatory entities, estimated costs through implementation, and any operational efficiencies that will result from implementation by the regulatory entities.
- CalTech should ensure that Consumer Affairs promptly responds to and addresses concerns raised by independent oversight entities, require Consumer Affairs to analyze the costs and benefits of moving forward with the project as planned versus suspending or terminating the project, and document reasons for approving any future deviations from standard contract language.
- Consumer Affairs should undertake all required oversight activities with respect to BreEZe to prevent or identify and monitor any problems that arise, complete a cost-benefit analysis of the project and any required changes, and continue to work with the phase 1 regulatory entities to ensure problems are promptly resolved.

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