Microsoft Dynamics 365 Upgrade:
Independent Project Oversight Status Assessment

Governance & Audit Information Item

Period from January 1, 2022 through March 31, 2022

Issued on April 6, 2022

EXECUTIVE SUMMARY

Background

The FY 2022 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
As of March 31, 2022	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 January 1 through March 31, 2022. To date, the project schedule is about 9.5 months into the expected 11.5-month duration, or 83% 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 and IndyGo internal project team 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. 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
	8-31-21	12-31-21	3-31-22		
1. Integration Management	Low	Low	Low	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. *(No change from December)* B. The D365 upgrade solution is based on Microsoft's configurable package solution. Some specific customization has been specified in the implementation vendor SOW. *(No change from December)*	A. None. B. None.
2. Scope Management	Medium	Medium	Low	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. *(No change from December)* B. IndyGo has internal Project Co-Managers from the business owner and technology groups who regularly engage with the vendor to monitor project scope. *(No change from December)* 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 conference room pilot (CRP) and prototyping and configuration phases. *(New)*	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. B. None. C. None.

PMBOK Area	Risk Rating			Observation	Recommendation
	8-31-21	12-31-21	3-31-22		
3. Time and Schedule Management	Low	Low	Medium	A. IndyGo has chosen to defer the usage of the D365 Budget module to FY 2023. This will allow for the normal budget process to continue. The May 2022 go-live date is not impacted. However, training for this module will occur in FY 2023. The cost impact is expected to be nominal. IndyGo and the implementation vendor have executed an SOW amendment. *(New)* B. The current Project Schedule shows no project delays, when compared to the planned baseline completion date of April 26, 2022. *(No change)*	A. IndyGo should schedule the training for the Budget module, in conjunction with the implementation vendor, in FY 2023. B. None.
4. Cost Management	Medium	Medium	Medium	A. IndyGo has agreed upon four amendments or change orders to the original SOW and scope. All have been discussed with the implementation vendor on the weekly Project Management calls. The revised scope relates to desired enhancements or re-allocated hours. The net total additional contract cost was $23,170. *(New)* B. The project budget has been updated. It includes the implementation vendor's contractual cost (aligned to the Deliverable Expectation Documents, DEDs), Microsoft licenses, Dynaway interface costs and project contingencies. It now also tracks actual paid invoice costs for comparison. It now also includes a 15% project contingency. *(Updated since December)* C. The implementation vendor's Statement of Work (SOW) includes dozens of assumptions, relating to several key areas, such as interfaces, data mapping, and other modules or functionality. IndyGo has reviewed the SOW assumptions and believes that there are no areas that would have a cost or schedule impact. No additional costs have been identified by the implementation vendor on the weekly project management status reports. *(Updated since December)* D. The D365 contract with the vendor includes a fixed fee pricing section. It also has 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 these hours. The implementation vendor is now providing a summary of hours in these specified areas, and discussing these on the weekly project management calls. *(Updated since December)*	A. IndyGo should continue to seek the additional functionality it requires, while documenting any resultant cost changes. B. IndyGo should continue to manage the updated budget, through project close-out. C. IndyGo should continue to assess the major assumptions and related potential costs. D. IndyGo should continue to track and monitor the vendor's time in the "defined hours" areas.

PMBOK Area	Risk Rating			Observation	Recommendation
	8-31-21	12-31-21	3-31-22		
5. Human Resources Management	**Low**	**Low**	**Low**	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. *(No change from December)* 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. *(No change from December)* 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. *(No change since December)* D. IndyGo Finance has identified three primary business owners or functional leads for the AX/D365 system. IT has recently identified a new technical liaison to support the users. This process should facilitate ongoing issue resolution, support training, and enhance communications. *(Updated since December)*	A. None. B. None. C. IndyGo could consider tracking its internal resource time, which may be able to capitalized under government accounting standards. D. None.
6. Communications Management	**TBD**	**Low**	**Low**	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 has now been updated. *(Updated since December)* 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 forth in the Statement of Work. *(No change from December)*	A. None. B. None.

PMBOK Area	Risk Rating			Observation	Recommendation
	8-31-21	12-31-21	3-31-22		
7. Quality Management	TBD	Low	Low	A. Conference Room Pilot (CRP) sessions have been held. Users assessed the functionality of the D365 product and features, as well as any potential defects and bugs. *(New)* B. 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. *(No change from December)*	A. Continue the quality assurance process during the upcoming end-user training sessions. B. None.
8. Risk Management	Medium	Medium	Medium	A. The implementation vendor's weekly status reports include sections for "Issues/Concerns" and "Risks". All of the weekly reports to date 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. *(Updated since December)* B. The implementation vendor has added a Risk section to their weekly status reports. Topics are discussed on the weekly Project Management calls. *(No change from December)*	A. IndyGo should continue to monitor the potential issues, especially those related to possible scope revisions or change orders. B. IndyGo should continue to monitor the Risk Log and track the assigned responsibility, risk severity, duration and impact on cost or schedule.
9. Procurement Management	Low	Low	Low	A. The SOW amendments and changes orders received have been documented, reviewed and approved by IndyGo in accordance with the original contact terms. *(New)* B. 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. *(No change from December)*	A. None. B. None.

| 10. Stakeholder Management | Low | 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. *(No change from December)*

 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. *(No change from December)* | A. None.

 B. None. |

APPENDIX A — RATINGS AND DEFINITIONS

Observation Risk Rating Definitions	
Rating	**Definition**
Low	• Risk to achieving stated objective, or PMBOK area best practice, is low. • Meeting these areas represents best practice for IndyGo.
Medium	• 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	• Risk to achieving stated objective, or PMBOK are 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	• 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	• 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	• 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)