

California Department of Insurance



Information Technology Capital Plan

Department IT Capital Plan

Prepared by

Information Technology Division
Project Coordination and Administrative Support Bureau

October 1, 2008

**Information Technology Capital
Plan, Plan Year 2009-10 through
2013-14**



Executive Approval Transmittal

CA Department of Insurance

APPROVAL SIGNATURES

I am submitting the attached Information Technology Capital Plan as required by the State Administrative Manual Section 4904.

I certify that the IT Capital Plan was prepared in accordance with State Information Management Manual section 57 and that the proposed IT projects are consistent with our business strategies and information technology strategy.

I have reviewed and agree with the information in the attached Information Technology Capital Plan.

Chief Information Officer		Date Signed
<i>Christie Borchin</i>		9.30.08
Printed name:	Christie Borchin	
Information Security Officer		Date Signed
<i>Archie Alimagno</i>		9-30-2008
Printed name:	Archie Alimagno	
Budget Officer		Date Signed
<i>Julia Cross</i>		9/30/08
Printed name:	Julia Cross	
Division Chief - Human Resources Management		Date Signed
<i>Sandra Mayorga</i>		9.30.08
Printed name:	Sandra Mayorga	
Deputy Commissioner - Administration and Licensing Branch		Date Signed
<i>Shelley Thomas</i>		9/30/08
Printed name:	Shelley Thomas	
Commissioner		Date Signed
<i>Steve Poizner</i>		9/30/08
Printed name:	Steve Poizner <i>Jim Rector</i>	

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1. Summarize your organization's business goals and objectives below:

Overview

The California Department of Insurance (CDI) has a two-fold mission. First, it is responsible for regulating the vast majority of insurance activity in the state. CDI licenses and monitors over 1,500 insurance companies and more than 300,000 agents and brokers; approves insurance products before they reach the market and ensures the overall health of the insurance market by carefully monitoring the fiscal health of those companies that do business in the state.

In the normal course of business, CDI annually processes more than 8,000 rate applications, issues more than 170,000 licenses (new and renewal), and performs financial reviews and examinations of several hundred financial insurer exams.

Second, the Department is the largest consumer protection agency in the state. CDI's 1,336 employees work to ensure that insurance companies honor their contractual commitments to policyholders. Their regular workload includes arbitrating disputes; investigating and prosecuting those engaged in insurance fraud; and empowering consumers with information necessary to protect themselves from natural disasters, unscrupulous agents, brokers, companies and policies. CDI also intervenes on behalf of policyholders to obtain money owed and to reinstate insurance policies wrongly cancelled. CDI enforces existing laws that prevent insurance companies from charging excessive rates.

The Department's consumer protection function is massive. In the normal course of business, CDI annually receives more than 300,000 consumer assistance calls, issues approximately 170,000 agents/brokers licenses, investigates more than 35,000 consumer complaints and, as a result, recovers more than \$48 million per year for consumers. The fraud function receives and processes roughly 24,000 suspected fraudulent referrals and initiates investigations that result in over 2,000 arrests. CDI's consumer education efforts include the publication of 39 different brochures in 11 languages covering such topics as California Low Cost Auto, senior issues, disaster preparedness and response, and, of course, where to go for help with your insurance problems. In addition to hotline and office services, the Department holds over 400 community events around the state, providing education on topical insurance-related issues.

Strategy for Success

CDI is part of the larger world and recognizes its environmental responsibilities through the use of goods, services, commodities, and appropriate resource allocation for overall operational efficiencies. We will look to implement changes that will reduce wastefulness on our own where possible and seek legislative assistance when statutory changes are required.

To be successful in the long-term, the CDI must:

- Continue to increase efficiencies, maximize resources, and better meet the needs of specific stakeholders and of the public.

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- Keep priorities straight and in alignment with changing needs.
- Make information available as quickly as is responsible while protecting legitimate privacy interests - and agree to accept fair criticism when it does not meet this challenge.
- Constantly review Department activities and emerging technology to identify and implement environmentally friendly policies.
- Challenge management team within the organization to ask "why". Apply best practices to ensure optimal operational efficiencies through continuous review of existing resource allocation as positions become vacant.
- Always monitor lines of communication to ensure enhanced internal and external communication.

Commissioner's Initiatives

The Commissioner has identified several major initiatives, both state and national, that he will pursue in the current term. These initiatives are designed to bring the Department into the 21st Century in dealing with emerging technology, environmental concerns, our personal and civic duty to deal with catastrophic risks, and the growing international insurance market.

Initiative: Pay as You Drive. The Department will adopt regulations to allow insurers to offer voluntary "pay as you drive" policies. Such policies assure more accurate insurance rates and, by creating an incentive to drive less, benefit the environment.

Initiative: Catastrophe Mitigation. The Department will aggressively pursue a number of coordinated efforts (public awareness campaigns, interagency working groups, training, and legislation/regulation) to ensure that California is better prepared for wildfires and earthquakes and is proactive in addressing global warming/climate change.

Initiative: Paperless Operations. Improve services and reduce waste of State resources by eliminating a large volume of paper-based transactions that exists throughout the department. Install a Document Management System, automated workflow and imaging system to transform CDI business operations. The goal is 100% paperless interaction with agents, brokers and insurance companies by 2010.

Initiative: Insurance Regulatory Modernization. Prevent federal preemption of state insurance law by taking a leading role at the National Association of Insurance Commissioners (NAIC) to develop a structure using existing state regulators and the NAIC's current resources that can address the issues faced by insurers in the national and international marketplace while maintaining appropriate local regulation and enforcement.

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Initiative: Fraud Fusion Center. Create a fusion center for insurance fraud investigations to allow law enforcement to (1) share information more rapidly and efficiently and (2) identify emerging trends and crime patterns.

Initiative: Increasing Access to the High Risk Pool. Seek to identify and implement a system in which all people with preexisting health problems can get insurance from a high risk pool.

2008 Operational and Policy Objectives

The Commissioner seeks to increase operational efficiency and the Department's ability to serve consumers. This will involve streamlined policymaking to address legitimate problems faced by consumers and increased efforts to make more information available to the public.

Protecting Consumers

Objective: Control abusive marketing practices in the title industry

Objective: Protect homeowners from arbitrary surcharges and non-renewals (often known as "Use it and Lose It") by restricting the use of surcharges, requiring disclosure of the insurer's practices with regard to the use of claims history, and issuing a data call on non-renewals and other necessary information.

Objective: Improve consumer protections for senior citizens by pursuing suitability requirements for sales of annuity products and stronger enforcement of laws.

Objective: To improve oversight of market conduct practices by significantly increasing the number of exams conducted with emphasis on Senior Protection, homeowners' insurance, health insurance, and long-term care insurance.

Expanding Choices for Consumers

Objective: Explore incentives to open up new health care market niches (such as retail clinics) to help contain costs and limit premium inflation. Reduce unnecessary regulatory barriers that impede the development of new markets.

Objective: Promote Low Cost Auto program and assist the Department of Motor Vehicle (DMV) with enforcement efforts in order to reduce the number of uninsured motorists. Establish pilot project in Sacramento County with emphasis on marketing and outreach during FY 08-09.

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Developing Improved Data and Information for Consumers and Policy Makers

Objective: Develop a set of measures ("report card") for each major line of insurance to assess the level of competition, financial soundness of companies, price and service levels.

Objective: Work with health insurers to deploy emerging and effective technologies (personal health records, electronic medical records, comparative effectiveness of drugs and procedures, etc.) to help contain health insurance costs and limit premium inflation. Establish systems of measurement to measure progress and effectiveness.

Objective: Create a Report Card on Preferred Provider Organization's (PPO) performance to match the Department of Managed Health Care (DMHC) Quality of Care Report Card for Health Maintenance Organizations (HMOs).

Consumer Education and Increased Awareness

Objective: Re-institute a public awareness campaign focusing on the development and (free) placement of print, radio, web-based, and TV Public Service Announcements (PSAs). Attention should be paid to providing Spanish versions where possible and practical.

Objective: Increase consumer education by developing and offering web-based videos and other information at the CDI website.

Fighting Fraud

Objective: Implement the Insurance Commissioner's Advisory Task Force recommendations to reduce insurance fraud.

Improving Workers' Compensation System

Objective: Comprehensive review and oversight of California workers' compensation insurance system.

Increasing Communication and Information Flow

Objective: Expand the use of the Enterprise Information Portal (EIP) and Integrated Data Base (IDB) to provide greater management access to information about CDI's operational status and metrics and the health of the insurance industry.

Objective: Increase information sharing via enhanced CDI Intranet and increased cross-branch interaction to ensure greater employee awareness of CDI activities and greater consistency ("One Voice") when communicating with the public, consumer groups and industry.

Expediting Application Approval

Objective: Speed up approvals of policy submissions and corporate applications.

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Reinsurance Modernization

Objective: Develop a comprehensive reinsurance modernization plan that provides for single state regulation and risk-based collateral requirements.

NAIC Financial Accreditation

Objective: Maintain the NAIC Financial Accredited status.

Environmental Practices

Objective: Green Initiative

2. What are your organization's plans to upgrade or replace your IT infrastructure for the following? When responding, please indicate the timeframes of your intended upgrade or replacement efforts.

2.1. Hardware

The CDI currently has 138 servers. Approximately 30 servers will be refreshed in FY 08/09 as the servers reach end of life. The number of servers purchased in the out years is based on when these servers reach end of life. In addition, the replacement of servers will also take into consideration CDI's server consolidation efforts using virtualization.

2.2. Software

As current software versions become unsupported, CDI will research and procure software required to support the needed level of service to each business area.

2.3. Network

Of the Departments 43 Cisco Catalyst 3500XL Series switches in production, 18 switches will be replaced in the next calendar year. These switches have reached End of Support on July 1, 2007.

3. Existing Approved Reportable IT Projects

Provide the following information regarding your existing approved reportable IT projects on Table 1 on the following page:

- Existing IT Project;
- Approved Project Cost;
- Project Number; and
- Implementation Date

Existing Approved Reportable IT Projects are listed on Table 1.

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4. Proposed IT projects. After each proposed IT project has been documented by answering questions of the attached IT Project Proposal Form, provide the following information on Table 2 on the following page:

- The name of each proposed IT project;
- The priority ranking;
- The FSR submission date; and
- The estimated cost

There are no reportable proposed projects anticipated at this time.

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Table 1
Existing Approved Reportable IT Projects
Summary by Department

Existing IT Project	Approved Project Cost*	Project Number	Implementation Date
<p>Paperless Workflow Project Install an enterprise document management and workflow system that will provide a centralized repository for all CDI records, scanning centers, integration with IDB, EIP, and eCounsel, and expanded industry services via web-based submittals and expanded access to public records.</p>	<p>Of the total project cost of \$10,785,565, only the first year was approved for funding in the amount of \$2,979,345 for FY08/09. Subsequent years are as follows but have not been approved: \$2,909,911 (FY 09/10) \$2,932,124 (FY 10/11) \$100,000 (FY 11/12) \$1,864,185 (continuing costs) Also, there will be \$1,186,047 in Annual M&O</p>	<p>0845-39</p>	<p>May 30, 2011</p>

*Note: If a Special Project Report (SPR) was submitted for review in July 2008 that includes project costs that differ from the last approved project document, enter both the last approved project cost and the revised project cost from the SPR under review.

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PROPOSED IT PROJECTS

(Sections 4.1 through 4.15 and table 2 intentionally left blank due to lack of proposed reportable projects)

Complete this IT Project Proposal Form (questions 4.1 through 4.15 below) for each proposed IT project that meets the definition of a reportable project as defined in the State Administrative Manual Section 4819.37:

- 4.1. Proposal name and priority ranking:
- 4.2. Description of the proposed IT project:
- 4.3. Which of your department's business goals and objectives does this project support, and how?
- 4.4. What are the expected business outcomes or benefits of the proposal as they relate to your organization's business goals and objectives?
- 4.5. The following are from the State's IT strategic plan. Check the appropriate box(es) to identify the goals this proposal supports:
 - Supporting and enhancing services for Californians and businesses
 - Enhancing information and IT security
 - Reducing state operational costs (leveraging, consolidation, new technology, etc.)
 - Improving the reliability and performance of IT infrastructure

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- Enhancing human capital management
- Supporting state and agency priorities and business direction

- 4.6. Is the proposal consistent with your organization's Enterprise Architecture?
 Yes
 No
- 4.7. If no, please explain why the deviation from the organization's Enterprise Architecture is necessary.
Will the proposed system collect, store, transmit, or exchange confidential or sensitive information?
 Yes
 No
- 4.8. If this proposal is conceptually approved, what is the estimated date (mm/yyyy) the FSR will be submitted?
- 4.9. What is the estimated project start date (mm/yyyy) if the FSR is approved?
- 4.10. What is the duration of the proposed project?
- 4.11. Will the proposed project utilize the existing infrastructure?
 Yes
 No
- If no, please explain.

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4.12. Is the proposal related to another proposal or to an existing project?
 Yes
 No

If yes, describe the related proposal or project and how it is related:

4.13. Describe the consequences of not doing this proposed project at the planned timeframe:

4.14. Check the appropriate box(es) to identify the proposal's funding strategy:
 Augmentation needed
 Redirection of existing funds
 Other (describe):

4.15. What are the estimated cost and funding source(s) by fiscal year through implementation (information should be provided in the following format):

Fund Source	2009-10	2010-11	2011-12	2012-13	2013-14 and future	Total
General Fund						
Federal Fund						
Special Fund*						
Total						

* Note: Identify the fund source and if the department is the sole user of the fund.

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Enterprise Architecture

A.1. Does your organization have documented Enterprise Architecture principles, strategies, or standards to guide decisions on technology projects?

Yes

No

CDI is in the development phase for documenting its Enterprise Architecture principles, strategies and standards.

A.2. Describe the governance structure your organization uses to review and approve the Enterprise Architecture and any subsequent changes.

Although CDI does not have a documented Enterprise Architecture, CDI does have a governing council comprised of appointed executives within the Department. The Information Technology Executive Council (ITEC) provides the oversight of CDI's Information Technology (IT) policy and planning strategies and creates a forum for sharing information and resolving IT issues.

The ITEC governance council is responsible for making recommendations and decisions regarding the CDI's IT architecture, standards, organization, cost structure and deployment of IT systems and resources. Furthermore, the ITEC evaluates proposals for major new projects and recommends their approval and positions it within the current project priorities.

A.3. Does your organization have an Enterprise Architect?

Yes

No

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Information Security

B.1. How is your Information Security Officer involved in proposed project development efforts?

In terms of level of involvement, the Information Security Officer (ISO) is typically a team member for the proposed projects (major) and participates in the ITEC monthly meetings to ensure that feedback is provided to executive management regarding proposed projects. Additionally, the ISO or his designee is involved with the detailed technical review of procedures, data recovery/prevention, and information security testing (firewall rules, workstation images, vulnerability, risk assessments and compliance reviews) associated with the proposed projects.

B.2. What are your department's core business principles, policies and standards related to information integrity, confidentiality, and availability and the protection of information assets?

The Department adheres to the guidelines and policies provided by the State Information Security Office (SISO). Using the SISO's direction and in support of the Commissioner's vision, the information security office core business is to mitigate risk Department wide as well as conduct information technology compliance reviews utilizing "recognized best practices," System Administration, Networking and Security standards, National Institute of Standards and Technology (NIST) standards and International Organization for Standardization (ISO) 17799:2005. Additionally the Department will comply with specific regulatory requirements as required (i.e. Payment Credit Card Industry Standards).

B.3. If data within your department is shared with external entities, does your department implement data exchange agreements with these entities?

Yes

If no, please explain.

Not applicable

B.4. How does your department ensure that software developers and programmers follow standards and best practices for Web, application, and system development?

The CDI is primarily an Oracle shop in terms of the development suite. The Department has been generous in ensuring that staff attend technical training as needed in order to be proficient at their jobs. Additionally, the development team attends Oracle User Group forums and meets monthly to go over best practices. Additionally, there are various documented guidelines such as:

- CDI Content Style Guide v2.2
- CDI Web Application Style Guide v1.2
- CDI J2EE Design Guidelines

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Information Security

- CDI Java Coding Standards
- CDI Application Template
- CDI Systems Development Methodology

The Department also purchased a web application scanning tool from International Business Machines (IBM) to assist developers, programmers and security professionals within the agency to follow best practices standards for applications and system development. Regular application scanning and code review (specific Payment Credit Card Interface requirement) will be part of the system development life cycle (SDLC) and procedures to meet those requirements are being developed.

Available to the web and application development staff are tools that handle ADA requirements. The Department purchased Compliance Sheriff from HiSoftware. This software is used to determine applications' compliance with California Government Code Section 11135 regarding accessibility. Developers are able to create scripts which will walk through their application and test each page for accessibility compliance based on state and federal standards. Plans are to obtain training and utilize this software by December 2008.

B.5. Does your organization have an Information Security Officer? (if yes, provide their name, telephone number, and e-mail address below)

- Yes
 No

Name: Archie Alimagno

Classification: Staff Manager

Telephone Number: (916) 492-3353 **E-Mail:** alimagnoa@insurance.ca.gov

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Workforce Development, Workforce Planning and Succession Planning

C.1. Does your organization have a workforce development plan for IT staff?

Yes

No

If yes, briefly describe it.

CDI is still in the development phase for implementing a workforce development plan for IT staff.

C.2. Check the appropriate box(es) to identify which workforce development tools, if any, your organization is using for IT classifications:

Training

Upward Mobility

Mentoring

Career Assessments

Knowledge transfer program

Performance Evaluations

Other (please list)

Training and Development

C.3. Does your organization have a workforce plan for IT staff (i.e., for Rank and File)?

Yes

No

If yes, briefly describe it.

CDI is in the development phase for implementing a workforce plan for IT staff (i.e., for Rank and File).

C.4. Does your organization have a succession plan for IT staff (i.e., for Management)?

Yes

No

If yes, briefly describe it.

CDI is in the development phase for implementing a succession plan for IT staff.

C.5. IT Staffing

IT staffing is provided on Table C-1.

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Appendix C

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Table C-1 — IT Staffing

IT Rank and File Staff Classification	Number of IT Rank and File Staff in Classification	Number of IT Rank and File Staff in Classification Eligible to Retire in Next 5 Years	IT Management Staff Classification	Number of IT Management Staff in Classification	Number of IT Management Staff in Classification Eligible to Retire in Next 5 Years
Assistant Information Systems Analyst	4	3	Senior Programmer Analyst (Sup)	1	1
Associate Information Systems Analyst	8	2	Staff Information Systems Analyst (Sup)	1	0
Associate Programmer Analyst	7	1	Staff Programmer Analyst (Sup)	2	2
Senior Information Systems Analyst	3	1	Data Processing Manager II	7	4
Senior Programmer Analyst (Spec)	5	2	Data Processing Manager III	3	1
Staff Information Systems Analyst (Spec)	26	9	CEA II/ Division Chief	1	1
Staff Programmer Analyst (Spec)	8	2			
Systems Software Specialist I	2	1			
Systems Software Specialist II	1	0			
Systems Software Specialist III	1	0			
Associate Governmental Program Analyst	1	0			
Business Services Officer II	1	1			
Office Technician	1	1			

Total Allocated Positions within the Information Technology Division = 83 staff
Total Eligible to Retire in the Next 5 yrs = 32 staff

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Project Management, Portfolio Management and IT Governance

D.1. Does your organization have a process for improving the alignment of business and technology?

 Yes No

If yes, briefly describe it.

The CDI established the ITEC which serves as the governing council for technology within the CDI, and is comprised of appointed executives from within the Department. The ITEC provides executive oversight of IT projects, and ensures that IT solutions are aligned with the Department's strategic business goals.

Through ITEC, CDI has initiated an IT Governance process, which provides a framework for how IT decisions and policies are made, administered, and enforced. The overall objective of the CDI's IT governance structure is to ensure that IT resources are targeted to deliver maximum business value. CDI representatives involved with IT governance are responsible for making recommendations and decisions regarding the IT architecture, standards, organization, cost structure and deployment of IT systems and resources.

ITEC members provide input, make decisions, and support decisions of the Council. Extended members provide additional input in support of Council decisions.

The Chair of the ITEC is the Chief Deputy Insurance Commissioner. The Chair facilitates all council activities, provides department IT direction, and makes final decisions. The Chair reports ITEC activities directly to the Commissioner.

The Information Technology Division (ITD) Chief Information Officer (CIO) brings strategic direction, policy, and plans to the ITEC to obtain agreement and support. The CIO is responsible for ensuring IT policies and standards are copasetic with the Department's architecture. The architecture establishes how enterprise applications, networks, systems, information, and business components fit together.

The ITEC core members meet monthly. Additional meetings are scheduled as needed.

To ensure ITD efforts are aligned with the CDI's overall business strategy, the ITD maintains a business plan to document key strategic planning information. The plan includes a list of projects and identifies priority activities that ITD will complete by a target completion date. In addition, each activity on the list of projects has a detailed description of the planned outcome or milestone. The outcome must provide specific benefits toward achievement of the CDI's overall business goals.

The ITD prioritizes resources for IT projects consistent with the priority goals and objectives established in the CDI's overall business strategy.

The ITD mission and vision, critical success factors, and goals and objectives are directly aligned to support the CDI's overall business goals and strategy.

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Project Management, Portfolio Management and IT Governance

D.2. What is the status of implementing a formal portfolio management methodology for technology projects within your organization?

- Implemented (Please describe)
 Implementation in progress (Please describe)
 Planned or planning in progress
 Not implemented and not planned

D.3. List any automated tools being used for portfolio management. Enter "None" if no automated tools are being used.

"None"

D.4. What is the status of implementing a standard project management methodology for technology projects in your organization?

- Implemented (Please describe)

CDI has an established Project Management Office (PMO) that uses the standard project management methodology of the Project Management Institute (PMI) as outlined in the *Project Management Body of Knowledge*. The PMO is a unit within the Project Coordination and Administrative Support Bureau (PCASB) in the ITD. The ITD has identified Project Management as a focus area to support the delivery of projects on schedule, within the established budget and meeting all project requirements as defined by the customer. The PMO is implementing a repeatable project management process for ITD that is flexible and scaleable, describes all required products, provides templates, examples and instructions, implements training, and provides for process improvement at the conclusion of the project.

D.5. Does the organization require its project managers to be certified, either through a professional organization (e.g., PMI, ITIL) and/or through completion of specified project management coursework:

- Yes
 PMI
 ITIL
 Agency-specified project management coursework (identify below)
 No

There is no formal requirement for CDI Project Managers to be certified in Project Management. However, CDI strongly encourages Project Managers to take Project Management courses through UC Davis in preparation for the PMI Certification.

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D.6. Select from the list other areas of training your organization requires of its project managers:

- Fundamental Project Management
- Systems Development Life Cycle
- Scheduling tool (identify below)

MS Project

-

- Project Performance Management (e.g., Earned Value Management)
- Business Process Analysis
- Requirements Traceability
- Procurement/Contracts Management
- Other (identify below)

As described in D.5, CDI Project Managers attend Project Management Courses that can lead to a certificate through the PMI or another organization, such as, the University of California, Davis or the Department of Technology Services. This coursework includes:

Project Management
 Project Integration and Scope Management
 Project Time and Cost Management
 Project Communications and Human Resource Management
 Project Quality Management
 Project Risk Management
 Project Procurement Management

-

-

- None

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D.7. Describe project-level governance practices, including change management, issue resolution, and problem escalation.

On large projects, the PMO has a well defined Change Management (CM) Process. CM is implemented through the use of five key processes: submission and receipt of change requests; review and logging of change requests; determination of the feasibility of change requests; approval of change requests; and implementation and closure of change requests. The PMO also has an Issue Resolution Process (IRP) as a mechanism for organizing, maintaining, and tracking the resolution of issues that can not be resolved at the "individual" level. It ensures that issues are defined properly, escalated for management attention if necessary, and resolved quickly and efficiently. Problem escalation guidelines are in place to assist with identification, analysis, and mitigation of problems. Escalation for projects will be to the Project Sponsor and/or Project Steering Committee, then to the Commissioner or his designee if necessary.

Does the project management methodology include processes for documenting lessons-learned and applying these to future projects?

Yes (Please describe)

CDI is committed to continuous improvement in its performance and is utilizing the lessons learned process as a principal component in its management process. The information gathered from these sessions is an integral part of the close out phase of a project. The team includes members of the project team, representatives of various entities of the program areas, executive management, and staff within the ITD. The lessons learned process provides a mechanism for communicating and sharing the information with project team members, both in the PMO and throughout the CDI (if applicable). At closure, the PMO completes the post implementation evaluation report (PIER) which lists any corrective actions, as appropriate.