



The State Auditor's Office, with the assistance of its information technology expert (IT expert), performed a high-level review of the Grant Thornton Cost-Benefit Analysis (analysis) dated February 22, 2011, that the Administrative Office of the Courts (AOC) requested for the California Court Case Management System (CCMS). Our review found that the annual return on investment of \$300 million, which the analysis asserts on page iii will be produced by CCMS, may not be achievable because the analysis excludes and understates certain costs, assumes certain benefits of CCMS that are questionable, and uses a deployment model that includes some unrealistic assumptions.

COSTS EITHER EXCLUDED OR UNDERSTATED IN THE ANALYSIS:

- Costs excluded from the estimated cost to develop CCMS:
 - ✓ Approximately \$500 million related to the development, deployment, and support of the interim systems, which is the main difference between the January 2010 estimate of \$1.9 billion in our audit report and the AOC's February 2011 estimate of \$1.37 billion included in the analysis.
 - ✓ \$44 million that superior courts reported to us they incurred for interim system deployment.
 - ✓ An estimate of costs for independent oversight services—*independent verification and validation (IV&V)* and *independent project oversight (IPO)*—during CCMS deployment. We recommended, and the AOC concurred, that it should use the services of independent oversight consultants during CCMS deployment.
- Costs that are likely understated:
 - ✓ Estimated court deployment costs of \$227 million may be understated because of an optimistic assumption. Specifically, the \$227 million is based on estimates developed by two of the early adopter courts and the analysis assumes that, due to lessons learned from the early adopter courts, the remaining 55 courts would only need half as many staff as the early adopter courts when they deploy CCMS.
 - ✓ The estimate of AOC staff costs of \$23 million for activities occurring between fiscal years 2010-11 to 2016-17 to deploy CCMS is likely understated because AOC staff will need to conduct deployment activities at 45 courts, as well as manage the efforts of a vendor to deploy CCMS at the 13 other courts.

BENEFITS OF CCMS DEPLOYMENT ARE QUESTIONABLE

- The analysis asserts on page iii that CCMS will “produce a positive [return on investment] of approximately \$300 million each year,” but the analysis does not clearly show how this figure was calculated.
- The positive return on investment does not begin until fiscal year 2019-20 and any significant deployment delays could increase costs and cause the positive return on investment to slip past fiscal year 2019-20.

- Barring any delays, the useful life of CCMS may be very short after it begins to achieve a positive return on investment in fiscal year 2019-20. The AOC began developing CCMS in 2007 and the CCMS technology will be almost 10 years old when fully deployed in fiscal year 2016-17 based on current AOC estimates under the most optimistic conditions. Our IT expert believes there is significant risk that the technology used for CCMS could be outdated shortly after its full deployment in fiscal year 2016-17.

THE DEPLOYMENT MODEL HAS SOME UNREALISTIC ASSUMPTIONS

- The analysis includes annual revenue of \$29 million from new fees AOC assumes it will impose on the public for CCMS-related services. However, it is uncertain whether legislative approval will be needed for the AOC to charge these fees.
- The analysis assumes a deployment schedule for which full funding is available, but as noted in our audit report, the AOC lacks funding for CCMS deployment beyond the early adopter courts. Further, it would be a challenge in the current fiscal climate for the State to provide the AOC the funding that would be needed.
- The analysis assumes that workload reductions will occur when CCMS is deployed statewide, but it does not provide details of how the workload reductions were determined.
- The analysis relies upon data provided by the AOC, which Grant Thornton acknowledges it did not validate. As noted in our audit report, the AOC has a history of understating costs and being overly optimistic about when CCMS will be completed.
- The analysis indicates that the AOC has delayed full CCMS deployment one year from fiscal year 2015-16 to fiscal year 2016-17, but does not explain the reason for this delay.

OTHER RISKS

- Grant Thornton acknowledges in its summary on page v that the following five factors are “critical success factors for the CCMS deployment” and that the analysis would need to be updated if any of these factors change.
 - ✓ **“Deployment Wave duration.”**¹ The duration of each CCMS deployment wave has a direct impact on the speed with which CCMS benefits will begin to be realized. Any delays in project schedule will have a significant negative impact on CCMS return on investment.
 - ✓ **Timeline to gain benefits after deployment.** The speed with which courts can begin to realize benefits from CCMS is a major contributing factor to CCMS return on investment. Any issues or constraints that limit a court’s ability to execute a smooth, seamless deployment and to begin operating with new more efficient business processes will have a direct negative impact on CCMS return on investment.
 - ✓ **State-level deployment costs.** Any budget overruns by the project will increase state-level deployment costs and directly reduce CCMS return on investment.
 - ✓ **Court deployment costs.** Any increases in court deployment costs will also directly reduce CCMS return on investment.

¹“Wave” refers to each series of CCMS deployments at a group of courts.

- ✓ **Percentage of electronic case file delivery.** One of the major contributors to CCMS return on investment is the elimination of manual data entry of case files with justice partners that have electronic integration with CCMS. The higher the percentage of case files delivered electronically, the higher the return on investment for CCMS. “
- Finally, the analysis does not appear to address the significant risks identified by the development vendor’s December 2010 readiness assessment of the three early-adopter courts, which include the courts’ inability to meet the deployment schedule; the courts’ lack of resources to undertake CCMS deployment; and the inability of justice partners to pay for the modifications needed to interface their IT systems with CCMS. These risks will likely affect the AOC’s ability to meet the deployment schedule outlined on page 25 of the analysis, which would increase the project’s overall costs and lower the return on investment.