MEMORANDUM

Date: April 4, 2024

To: Shibu Varghese, SrVP, People, Culture & Infras
Omer Sultan, SrVP & CFO
Rosanna Morris, SrVP & Chief Operating Officer
Chris McKee, SrVP, Strategy & Business Devt
Tadd Pullin, SrVP, Institutional Affairs
David Jaffray, SrVP, Chief Tech & Digital Ofc
Fatima Sheriff, Chief of Staff
Allyson Kinzel, SrVP, Legal & Regulatory Affairs

From: Sherri Magnus *Sherri Magnus*
VP & Chief Audit Officer, Internal Audit

Re: Capital Program Organization Maturity Assessment
Audit Control Number: MDA24-105

Internal Audit engaged our co-sourced partner, KPMG, to perform an organization maturity assessment of our organization's capital program.

The approach consisted of assessing the maturity of the program against six core areas: **Leadership, Processes, Technology, Data, People, and Governance**.   KPMG identified opportunities for improvement and proposed recommendations based on industry leading practices. The institution is actively working to address these observations.

We are pleased to provide the attached final report for the Capital Program Maturity Assessment. We will be happy to discuss any questions you may have. We appreciate the valuable assistance provided to our department and co-sourced partner during the project.

cc: Peter WT Pisters, M.D., President
Kent Postma, VP, Amb Ops & Clin Infra Dev, Office of Chief Operating Officer
Spencer Moore, VP & Chief Facilities Officer, Fac Mgt-VP Office

CARING   INTEGRITY   DISCOVERY

Capital Program Organization Maturity Assessment

Executive Summary

Executive Summary

Background

Internal Audit assessed MD Anderson's $10bn Capital Improvement Program through a comprehensive maturity assessment. Our approach consisted of assessing the maturity of the program against six core areas: **Leadership, Processes, Technology, Data, People, and Governance**, which enabled us to efficiently identify opportunities for improvement and propose recommendations based on industry leading practices.

The assessment addressed decision-making, process automation, data quality, technological needs, role clarifications, and the cultural tone set by the leadership, in order to identify improvement areas, current challenges, and existing gaps in the program.

Approach

Internal Audit performed the following steps to assess the maturity of the institution as it embarks on the $10bn Capital Improvement Program:

- Interviewed 20 critical stakeholders
- Reviewed 50+ documents
- Provided detailed observations related to each of the six core areas
- Highlighted program strengths
- Developed actionable recommendations
- Facilitated a workshop with leadership to align on recommendations and timing

Assessment Results

The institution is actively working together to establish and deliver a one-of-a-kind, complex capital program. However, there are areas for improvement and scaling for a program of this size.

The scope of the program has not yet been formalized; it is necessary to define the **program's boundaries**, establish its **mission and vision** and **socialize** it to the institution. Currently, there are multiple groups and decision-makers involved without a **dedicated program leader**. A team needs to be established and **fully dedicated** to delivering the program. Clear processes for **decision-making,** with defined roles and responsibilities will increase effectiveness, transparency, and accountability.

Data collection is a manual process that is neither standardized nor efficiently consolidated. **Automating** project and program data reporting will enable **insight into the performance** of the program and enable **informed decision-making**.

Developing a **project management playbook** based on leading practices and industry expertise will support the **standardization and execution** of complex projects within the program. The implementation of a Project Management Information System (PMIS) solution is a leading practice; however, the current system design needs to be assessed to determine whether it is **fit for purpose** and aligned with the **workflows** as defined in the project management playbook.

Addressing these gaps areas will support the program to be **well-positioned to achieve its objectives**. Further details are outlined on the next page.

Assessment Findings

	Observations as of November 2023	Recommendations	Ranking
Governance	Management has developed a proposed process governing capital allocation and plans to implement this process during Q4 of CY23. However, the team will need a more structured and formal governance model for the execution of the program. In its current state, there is limited transparency and accountability for decision-makers.	Establish a governance framework that will provide the structure and guidance for capital program execution.	High
Process	The processes that are in place are for smaller projects do not have the robustness and efficiency needed to support multiple complex projects. The current project management guide focuses on smaller projects and funding approval. It does not include execution-stage processes that are critical for large scale, complex projects such as estimating, forecasting, scheduling, and other project controls.	Develop comprehensive project management processes and include them in the program execution framework.	Moderate
Data	The management team is collecting project-level data, but it is not consolidated or efficiently reported. Reporting is very manually intensive. The program does not have effective communication methods nor consolidated data to drive informed decision-making.	Consolidate data and develop consistent reporting structures that stakeholders can use to inform decisions.	Moderate
Technology	The management team is in the process of implementing a PMIS solution to support the Facilities Management group in executing projects. It is uncertain if the current design of the solution will fit the needs for the program.	Assess the PMIS design for its ability to support the delivery of the program.	High
People	The program's stakeholders are actively engaged and committed to delivering a successful program. However, due to the lack of clearly defined roles and responsibilities to govern the program, there are inefficiencies that exist between functions.	Develop a management structure with defined decision makers and accountability.	Moderate
Leadership	The program has significant support from the leadership team to enable the successful delivery of the program. There is an opportunity to better define the boundaries of the program and determine the mission and vision of what the program is aiming to achieve.	Clearly define the program's identity, boundaries, and projects.	High

Management Response

Observations as of November 2023   **Management Actions to Date**   **Mgmt. PTD***

	Observations as of November 2023	Management Actions to Date	Mgmt. PTD*
Governance	Management has developed a proposed process governing capital allocation and plans to implement this process during Q4 of CY23. However, the team will need a more structured and formal governance model for the execution of the program. In its current state, there is limited transparency and accountability for decision-makers.	Management has executed the comprehensive governance framework to oversee the Capital Investment and Execution portfolio that incorporates the 10 in 10 framework. ICMC (Institutional Capital Management Committee), chaired by the COO, Rosanna Morris, has launched successfully, reporting to the CIC (Capital Investment Committee), chaired by the President, Dr. Pisters.	●
Process	The processes that are in place are for smaller projects do not have the robustness and efficiency needed to support multiple complex projects. The current project management guide focuses on smaller projects and funding approval. It does not include execution-stage processes that are critical for large scale, complex projects such as estimating, forecasting, scheduling, and other project controls.	Management has reviewed the necessary changes within facilities and clinical infrastructure, to include necessary resource allocation and investment for these major capital investments. These teams have created a process framework and are organizing to further enhance and ensure subject matter expertise specific to Project Management. Accenture, an external consultant, has partnered to create a Project Management Office (PMO) within operations to assist with key institutional stake holders and owners on the capital plan strategy and its execution across the organization.	◔
Data	The management team is collecting project-level data, but it is not consolidated or efficiently reported. Reporting is very manually intensive. The program does not have effective communication methods nor consolidated data to drive informed decision-making.	The governance framework has built within it the appropriate reporting mechanisms and tools to reflect transparently and timely the necessary and critical data points that are conducive to ensure projects are progressing in accordance with approved timelines, scope and budget. Mechanisms are also in place to reflect variances to approvals, as well as reviews of completed projects, to assess ROI and validation of business plan assumptions.	◐
Technology	The management team is in the process of implementing a PMIS solution to support the Facilities Management group in executing projects. It is uncertain if the current design of the solution will fit the needs for the program.	Management has further engaged KPMG and confirmed that the Unifier technology is fit for purpose. Recommendations for improvement for the PMIS project are being incorporated into the current project. KPMG has also recommended we initiate a more comprehensive 'Portfolio Management System' as an institutional project that builds upon the initial work in deploying the PMIS.	◐
People	The program's stakeholders are actively engaged and committed to delivering a successful program. However, due to the lack of clearly defined roles and responsibilities to govern the program, there are inefficiencies that exist between functions.	Management has clearly defined the governance oversight framework, established clarity around the various roles and responsibilities of accountable leaders across this entire process, as well as launched the recruitment of a dedicated leader / industry subject matter expert who will facilitate, optimize and partner with various process owners towards the successful execution of the major capital process.	◔
Leadership	The program has significant support from the leadership team to enable the successful delivery of the program. There is an opportunity to better define the boundaries of the program and determine the mission and vision of what the program is aiming to achieve.	The management team has embraced this opportunity to look at the areas for necessary improvement and is fully aligned around the vision, framework, accountabilities and critical partnerships to ensure the Master Facility 10-year plan is executed on time and within budget.	●

Note: Internal Audit has not validated the Management Actions to Date.

* Progress to Date