

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

AGENCY FOR STATE TECHNOLOGY

State IT Project Management and Oversight



Sherrill F. Norman, CPA
Auditor General

Executive Director of the Agency for State Technology

The Agency for State Technology (AST) is established by Section 20.61, Florida Statutes. The head of the AST is the Executive Director and the State's Chief Information Officer who is appointed by the Governor and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Executive Director and the State's Chief Information Officer:

Eric Larson From March 8, 2017

Jason Allison Through March 7, 2017

The team leader was Frank Belt, CPA, and the audit was supervised by Joshua Barrett, CPA.

Please address inquiries regarding this report to Christi Alexander, CPA, Audit Manager, by e-mail at christialexander@aud.state.fl.us or by telephone at (850) 412-2786.

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AGENCY FOR STATE TECHNOLOGY

State IT Project Management and Oversight

SUMMARY

This operational audit of the Agency for State Technology (AST) focused on State information technology (IT) project management and oversight and State Data Center cost allocation processes. The audit also included a follow-up on the findings noted in our report No. 2017-208. Our audit disclosed the following:

Finding 1: AST IT project oversight controls need enhancement to ensure that required State agency compliance assessments are conducted and that information regarding State IT projects is accurately reported to the Governor and Legislature.

BACKGROUND

State law¹ establishes the Agency for State Technology (AST) within the Department of Management Services as a separate budget entity whose operations, including purchasing, property transactions, personnel, and budget, are not subject to control, supervision, or direction by the Department. The Executive Director of the AST serves as the State's Chief Information Officer and, pursuant to State law,² the AST's powers, duties, and functions include developing and publishing information technology (IT) policy for managing the State's IT resources, overseeing the State's essential IT projects, and managing the State Data Center.

The AST reported that, as of January 16, 2019, the State Data Center provided IT services to 32 customer entities, including State agencies, other governmental entities such as a county government and a judicial branch entity, and nonprofit entities that contract with the State Data Center for IT services. For the 2017-18 fiscal year, the Legislature appropriated approximately \$66.7 million to the AST and authorized 210 positions.

FINDINGS AND RECOMMENDATIONS

Finding 1: State IT Project Oversight

Pursuant to State law,³ the AST established project management and oversight standards⁴ that State agencies other than Cabinet agencies⁵ must comply with when implementing all IT projects. Cabinet agencies must comply with these standards when implementing IT projects that have a total cost of

¹ Section 20.61, Florida Statutes.

² Section 282.0051, Florida Statutes.

³ Section 282.0051(3) and (15), Florida Statutes.

⁴ AST Rules, Chapter 74-1, Florida Administrative Code.

⁵ Cabinet agencies include the Department of Financial Services, the Department of Legal Affairs, and the Department of Agriculture and Consumer Services.

\$25 million or more and that impact one or more other agencies. For all other IT projects, State law⁶ requires Cabinet agencies to either adopt AST standards or alternative standards based on best practices and industry standards.

AST rules⁷ require State agencies to evaluate the risk and complexity factors for each applicable IT project and assign projects to one of four Risk and Complexity (R&C) categories, which are depicted in Table 1.

Table 1
Risk and Complexity Categories

<i>Risk</i>	<i>Complexity</i>		
	Low	Medium	High
Low	Category 1	Category 1	Category 2
Medium	Category 2	Category 2	Category 3
High	Category 3	Category 3	Category 4

Source: AST Rule 74-1.002(2), Florida Administrative Code.

The R&C category assigned to an IT project determines the minimum level of project management control requirements that State agencies are to apply at each project phase (i.e., initiation, planning, execution, monitoring and controlling, and closeout), with higher categories requiring increased project management control requirements. Pursuant to State law,⁸ the AST is to annually assess State agency compliance with the project management and oversight standards established in AST rules and provide the results of the assessment to the Governor, President of the Senate, and Speaker of the House of Representatives.

The AST established the Project Assurance Section (PAS) to evaluate whether State agencies implemented the minimum level of project management control necessary to manage a given project, reduce risk, and increase the probability of success. To document the annual assessment of State agency compliance with AST project management and oversight standards, the PAS created the *Information Technology Standards and Guidelines Assessment Report (Assessment Report)*. For consideration in preparing the *Assessment Report*, the PAS required State agencies to complete and provide the PAS a project inventory listing of all ongoing, applicable IT projects. Each listing was to include, among other things, the name of each applicable project, the project’s R&C category, current project phase, and total project cost. The PAS consolidated the listings into an Initial Project Listing and was to select from the listing a sample of IT projects to assess State agency compliance with AST project management and oversight standards.

In conjunction with the annual compliance assessment, the PAS required State agencies to complete and submit to the PAS an *Agency Progress Assessment Tool* with documentation and explanations supporting each response. PAS staff were to evaluate the responses included in the *Agency Progress Assessment Tools* and the supporting documentation and explanations and conduct inquiries of State agency staff to determine whether the State agency complied with AST project management and

⁶ Section 282.00515, Florida Statutes.

⁷ AST Rule 74-1.002, Florida Administrative Code.

⁸ Section 282.0051(10), Florida Statutes.

oversight standards. AST policies and procedures specified that, upon conclusion of a State agency's compliance assessment, PAS staff were to prepare an Agency Compliance Assessment Report that included information such as compliance assessment scores and findings and recommendations. The final Agency Compliance Assessment Reports were then to be used to develop the *Assessment Report* provided to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

As part of our audit, we evaluated AST controls for overseeing State agency IT projects and examined related AST records. Our audit procedures found that:

- Contrary to State law, the AST did not assess State agency compliance with AST project management and oversight standards for the 2017 *Assessment Report*. Instead, the AST reported in the 2017 *Assessment Report* the unverified *Agency Progress Assessment Tool* results from 22 State agencies for 37 IT projects. In response to our audit inquiry, AST management indicated that the AST decided to forego verifying *Agency Progress Assessment Tool* results due to staff turnover and staff reductions.
- The number of IT projects reported in the 2017 *Assessment Report* was not accurate. For example, while the 2017 *Assessment Report* indicated that the Department of Highway Safety and Motor Vehicles (DHSMV) and Department of Law Enforcement (DLE) had 9 and 27 IT projects, respectively, the DHSMV and the DLE project inventory listings and PAS Initial Project Listing indicated that the actual number of IT projects was 20 and 19, respectively. In response to our audit inquiry, AST management indicated that the number of DHSMV and DLE IT projects had been inaccurately reported due to clerical errors.

Absent the conduct of required oversight activities, including the assessment of State agency compliance with AST project management and oversight standards, and the accurate reporting of *Assessment Report* data, the AST cannot demonstrate compliance with State law or that the information reported to the Governor and Legislature is accurate and complete.

Recommendation: We recommend that AST management ensure that IT project oversight activities, including assessments of State agency compliance with AST project management and oversight standards, are conducted in accordance with State law. We also recommend that AST management establish controls to verify the accuracy of the information reported to the Governor and Legislature.

PRIOR AUDIT FOLLOW-UP

The AST had taken corrective actions for the findings included in our report No. 2017-208.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2018 through November 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Agency for State Technology (AST) focused on State information technology (IT) project management and oversight and State Data Center cost allocation processes. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To determine whether management had corrected, or was in the process of correcting, all deficiencies disclosed in our report No. 2017-208.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Federal regulations, and other guidelines and interviewed AST personnel to obtain an understanding of State information technology (IT) project management and oversight processes and standards and State Data Center cost allocation processes.
- Compared the 2016 and 2017 Project Assurance Section (PAS) Initial Project Listings to the 2015-16 and 2016-17 fiscal year legislative budget requests for 13 of the 29 State agencies included in the listings to determine whether the PAS Initial Project Listings included all applicable IT projects.
- From the population of 28 State agency IT projects the PAS selected for a compliance assessment review during the period January 2016 through November 2016, examined AST records for 5 selected compliance reviews to determine whether the compliance assessment reviews ensured that State agencies complied with AST project management and oversight standards.
- Examined the 2016 and 2017 *Information Technology Standards and Guidelines Assessment Reports (Assessment Reports)* and conducted inquiries of AST management to determine whether PAS staff conducted compliance assessment reviews and provided the results to the Governor, the President of the Senate, and the Speaker of the House of Representatives by December 1st as required by Section 282.0051(1), Florida Statutes.
- Compared the number of State agency IT projects reported in the 2016 and 2017 *Assessment Reports* to the 2016 and 2017 PAS Initial Project Listings to determine whether the number of State agency IT projects reported in the *Assessment Reports* was accurate and complete.
- From the population of 21 State agency and 1 Cabinet agency IT projects subject to AST oversight during the period January 2016 through November 2017, examined AST oversight records for 9 selected State agency IT projects and the Cabinet agency IT project to determine whether the AST conducted IT project oversight in accordance with Section 282.0051(4) and (15), Florida Statutes, and whether the AST tracked and assessed acceptable variance ranges for applicable State agency IT projects. Additionally, we reviewed the AST quarterly reports submitted during the period January 2016 through November 2017 to the Governor, the President of the Senate, and the Speaker of the House of Representatives to determine whether variances exceeding acceptable ranges were included in the reports in accordance with State law.
- Evaluated AST actions to correct the findings noted in our report No. 2017-208. Specifically, we:
 - Obtained an understanding of selected AST IT controls, assessed the risks related to those controls, evaluated whether selected general and application IT controls for the M-PWR application were in place, and tested the effectiveness of the controls.
 - Examined AST records and interviewed AST personnel to determine whether AST management had established adequate procedures to prepare the State Data Center cost allocation and true-up for the 2016-17 fiscal year in accordance with applicable laws, rules, Federal regulations, and other guidelines.
 - Examined AST and AST consultant records and interviewed AST personnel to determine whether AST processes and controls for preparing the State Data Center cost allocation and true-up for the 2016-17 fiscal year were adequately designed and effectively implemented.
 - Examined AST records and interviewed AST personnel to determine whether the AST provided customers the projected costs of providing State Data Center services for the 2018-19 fiscal year by September 1, 2017, and conducted a market analysis by May 1, 2017, in accordance with Section 282.0051(11), Florida Statutes.

- From the population of 34 Central Service Department cost pools included in the 2016-17 fiscal year true-up, examined AST and AST consultant records for 10 selected Central Service Department cost pools to determine whether the service costs were properly calculated and allocated.
- Reconciled AST consultant data included in the *Reconciliation of Fiscal Year 2016-2017 Actual FLAIR Expenditures to Costs Allocated in Rate Model* schedule to AST expenditures recorded in the Florida Accounting Information Resource Subsystem (FLAIR) to determine whether reconciling items were appropriately treated and adequately supported.
- Examined AST records and interviewed AST personnel to determine whether the State Data Center cost allocation and true-up for the 2016-17 fiscal year were properly approved by an appropriate level of management.
- From the population of 546 State Data Center customer invoices received by State Data Center customer entities during the 2016-17 fiscal year, selected and examined AST records for 130 State Data Center customer invoices received by State Data Center customer entities to determine whether invoiced rates were in agreement with the rates derived from the cost allocation process, invoiced services were properly agreed upon, invoiced amounts were mathematically correct, the final 13th month true-up invoice agreed with year-end true-up computations, invoiced amounts were timely collected, collections were properly accounted for, and the total amounts invoiced equaled the actual allocated costs for the services provided to the customer entity.
- From the population of 29,752 expenditure transactions, totaling \$129,582,219, recorded during the period July 2016 through February 2018, examined AST records for 40 selected expenditure transactions, totaling \$7,727,223, to determine whether the expenditures were properly authorized, supported, reviewed, recorded in FLAIR, and made in accordance with applicable laws, rules, and AST policies and procedures.
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing AST operations.
- Observed, documented, and evaluated the effectiveness of selected AST processes and procedures for:
 - Revenue and cash receipts.
 - The assignment and use of wireless devices with related costs totaling \$96,457 during the period July 2016 through January 2018.
 - The acquisition and management of real property leases in accordance with State law, Department of Management Services rules, and other applicable guidelines. As of March 2018, the AST was responsible for four real property leases.
 - The administration of hurricane-related contracting and purchasing activities. During the period July 2016 through February 2018, the AST expended \$210,212 related to hurricane activity impacting the AST for two Governor-declared emergencies.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



State of Florida Agency for State Technology

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Ron DeSantis, Governor

March 14, 2019

Sherrill F. Norman, CPA
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to section 11.45(4)(d), Florida Statutes, attached is the Agency for State Technology's (AST) response to the preliminary and tentative audit finding and recommendation for the operational audit of the *State IT Project Management and Oversight*.

AST appreciates the patience, time, and energy put forth by your staff to improve the operations of State government and provides AST's response to the finding and recommendation in the preliminary and tentative report.

If you have any questions concerning AST's response, please contact Tabitha McNulty, Inspector General, at (850) 412-6022.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Thompson', is written over a light blue horizontal line.

Robert C. Thompson
Chief Operations Officer

RCT:mac

Attachment

cc: Susan Whitmire, Director of Project Assurance
Tabitha McNulty, Inspector General

State IT Project Management and Oversight **Corrective Action Plan**

Finding # 1

Finding Title: State IT Project Oversight

Finding Statement:

AST IT project oversight controls need enhancement to ensure that required State agency compliance assessments are conducted and that information regarding State IT projects is accurately reported to the Governor and Legislature.

Recommendation:

We recommend that AST management ensure that IT project oversight activities, including assessments of State agency compliance with AST project management and oversight standards, are conducted in accordance with State law. We also recommend that AST management establish controls to verify the accuracy of the information reported to the Governor and Legislature.

Management Response:

As authorized by Florida law, AST established project management standards (see Rule Chapter 74-1, Florida Administrative Code). The process for determining compliance is set at the beginning of each review cycle to allow for adjustments and to focus on issues or targeted inquiries on certain aspects of compliance. AST amended the original 2017 compliance assessment process due to legislatively mandated agency staff reductions and additional employee turnover. The amended process omitted AST's validation of agency self-reported scores and led to the reported clerical errors noted in the finding. AST acknowledges that the original established process was not followed in totality during the 2017 review cycle.

Since auditor fieldwork ended for this report, AST published the 2018 *Information Technology Standards and Guidelines Assessment Report* on December 1, 2018. The 2018 report documents the methodology used for the compliance assessment reviews, which included the self-assessment and verification process, as noted in the Auditor General's report. AST has since begun the same process for the 2019 reviews.

Additionally, subsequent to the preliminary and tentative audit report's issuance, AST corrected the clerical errors in the 2017 report and posted the revised version to the AST website.
