



# Legislative Post Audit Performance Audit Report Highlights

## Enterprise Project Management Office: Evaluating the Statutory Definition and Monetary Threshold for Major IT Projects

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**QUESTION 1:** Do the statutory definition and monetary threshold for a major IT project appear to be appropriate, and what effects would changing the definition or threshold have on project oversight?

### Background Information

*In the late 1990s, the Legislature created oversight processes to proactively monitor IT projects.*

- In the late 1980s, several large state IT projects experienced significant cost increases and schedule delays.*

- Because of these project failures, the 1998 Legislature added several IT project oversight provisions to state law.*

*Since 2013, the Enterprise Project Management Office (EPMO) within OITS has overseen the state's IT project management activities.*

- In fiscal year 2017, OITS employed 89 FTE staff and operated on a \$46 million budget.*

- With 2.5 FTE staff, the EPMO represents a small division within OITS.*

- The EPMO carries out certain project management activities for state agencies even though it lacks the formal authority.*

- Stakeholders generally found the statutory definition of IT projects appropriate, but made suggestions that would reduce the number and types of projects tracked. (p. 7)
  - All the stakeholders we worked with generally found the current statutory definition of IT projects to be appropriate.*
  - However, stakeholders recommended changes that would eliminate certain projects from approval and oversight processes to save agencies staff time and resources.*
  - Finally, stakeholders suggested adding a statutory definition for "infrastructure projects" to help codify how certain projects are handled.*
- Most, but not all, stakeholders thought the monetary threshold was too low or too simplistic. (p. 9)
  - About three-fourths of the IT projects the EPMO tracks are estimated to cost more than \$500,000.*
  - About one-fourth of the IT projects the EPMO tracks are estimated to cost less than \$500,000.*
  - Stakeholders suggested increasing the monetary threshold because these relatively small projects do not benefit from project oversight.*
  - In contrast, OITS officials identified benefits in keeping the monetary threshold at its current level.*
  - Stakeholders also suggested adding non-monetary factors and proposed different monitoring levels for various projects.*
  - OITS officials supported the idea of adding other variables or different monitoring levels.*
- Increasing the monetary threshold could save state agencies time and money, but could reduce the state's oversight over smaller projects. (p. 11)

### POTENTIAL ISSUES FOR FURTHER CONSIDERATION

- The EPMO's quarterly reports may not include all IT projects, and project costs may be inaccurate. (p. 12)
  - Some entities may not report all IT projects to the EPMO because they misinterpret the monetary threshold.*
  - Estimated project costs listed in the quarterly reports may be understated in terms of agency staff time.*
  - Estimated project cost listed in the quarterly reports may also be understated for projects that have been recast.*

## POTENTIAL ISSUES FOR FURTHER CONSIDERATION (continued)

- We identified potential compliance issues with two statutory requirements put in place in 1998. (p. 14)
  - *Currently, the EPMO within the executive branch carries out specific project management responsibilities of the legislative CITO.*
  - *State officials have not collected the three-year strategic IT plans as required by law.*
- The fees the EPMO collects do not accurately reflect its costs, which puts OITS at risk of violating federal reporting requirements. (p. 15)
  - *The EPMO is within a fee-funded agency and must recover its direct and indirect costs by charging agencies for its services.*
  - *Federal regulations ensure that federal funds are not used to subsidize service costs that should be funded with state money.*
  - *We found issues with OITS' rate-setting structure in a 2013 audit.*
  - *The EPMO's fees were significantly more than its costs in fiscal year 2017, and likely will be for fiscal year 2018 as well, resulting in potentially inappropriate profits.*
  - *The EPMO's excess revenues indicates OITS may be at risk of violating federal reporting requirements.*
- Stakeholders questioned whether the EPMO's project management services add sufficient value to the state. (p. 17)
  - *Most agency officials told us they were not getting much value from the EPMO.*
  - *One official said the current oversight process does not ensure IT projects stay on schedule and within budget.*
  - *OITS officials told us a lack of enforcement authority is a contributing factor to problems within the EPMO.*

## SUMMARY OF RECOMMENDATIONS

We recommend the executive branch CITO attempt to fill the Chief Information Technology Architect (CITA) position within six months, or appoint other staff to fulfill the CITA's duties, or communicate with the other CITOs to distribute the CITA's responsibilities within each branch. We also recommend that the EPMO review its revenues and expenditures at least annually and either reimburse agencies or adjust fees to ensure compliance with federal requirements.

We recommended the Joint Committee of Information Technology consider reviewing and amending existing Information Technology statutes to ensure they meet current intent and provide the desired level of independence and assurance for IT project management oversight. We also recommended the Legislative Post Audit Committee consider additional audit work on the rate setting practices of OITS.

## AGENCY RESPONSE

Agency officials generally agreed with the report findings and recommendations with one exception: Officials said a review of rates is being completed annually and the office had implemented procedural changes to address recommendations based on the LPA's 2013 audit regarding rates. As a result, officials stated they are compliant with federal reporting procedures concerning rates.

## HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

*In 2017, the Legislature also authorized our office to perform ongoing audits of high-risk IT projects.*

*To date, we have conducted monitoring audits on two IT projects:*

- *KanLicense – a Department of Revenue project (\$8.7 million)*
- *OSCAR – a Department of Labor project (\$8.3 million)*

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