Department of Information Technology (DoIT)

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Presentation to Joint Audit and Evaluation Committee

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Report Overview

➢ DoIT is responsible for the State's information technology policies, provides information technology technical assistance, and oversees the implementation of major information technology development projects (MITDPs) for the State's Executive Branch agencies. DoIT also manages the State's information technology network (known as networkMaryland).

➢ The audit report covers the period from May 7, 2018 to December 31, 2022. The report contains 15 findings, including 4 non-cybersecurity-related repeat findings (Findings 2, 4, 15, and 16) from the prior audit report.

➢ OLA determined that DoIT's accountability and compliance level was unsatisfactory, in accordance with the rating system OLA established in conformity with State law. The primary factors contributing to this rating were the significance of the audit findings and the number of repeat findings.

Key Findings

➢ <u>**Findings 1 through 4**</u>– DoIT should assume greater oversight of MITDPs to ensure they are on budget and on schedule and that projects are accurately reported.

➢ <u>**Findings 5 through 7**</u> – DoIT did not provide effective oversight of two MITDPs we reviewed - MD THINK and *eMaryland Marketplace Advantage (eMMA)*.

➢ <u>**Findings 8 through 10**</u> – DoIT used the networkMaryland contract to award significant work unrelated to networkMaryland without considering a competitive procurement process and certain work orders were not sufficiently detailed and DoIT did not adequately ensure that amounts invoiced was related to work performed.

➢ <u>**Findings 11 through 14**</u> – Information Systems Security and Control (see confidential addendum).

Major IT Development Projects (Finding 1)

DoIT should assume greater oversight responsibility to ensure that MITDPs were completed on time and on budget.

➢ DoIT delegated significant responsibilities to State agencies without ensuring the agencies had sufficient resources and qualified personnel.

➢ DoIT did not assist with the selection of agency project managers or contractors procured by agencies to design, develop, and implement MITDPs.

➢ DoIT did not review and approve contract modifications initiated by agencies and was not always familiar with the nature and scope of the modifications.

➢ DoIT did not review and approve contractor invoices to ensure State agencies were properly reviewing the invoices.

Major IT Development Projects (Finding 2) Repeat Finding

DoIT did not effectively monitor MITDPs to ensure they were on budget and on schedule and that changes to the scope and cost of the project were appropriate.

➢ DoIT did not always document its review and approval of annual agency project status reports, prior to submitting them to DBM and the Department of Legislative Services for budget analysis purposes.

➢ DoIT did not review the methodology of key estimates, such as cost and schedule, and did not obtain an explanation for significant changes. For example, DoIT was unable to explain why the estimated cost to complete for two projects increased by over $1 billion.

➢ DoIT did not always review and approve changes in scope.

➢ DoIT did not ensure the Oversight Project Managers (OPMs) verified the accuracy of information in MITDP monthly health assessments provided by State agencies.

Major IT Development Projects (Finding 3)

DoIT did not have an effective process to evaluate OPMs hired through vendors to assist with monitoring MITDPs.

➤ The evaluations did not consider specific job duties (such as assessing the need for Independent Verification and Validation assessments (IV&V)) to determine OPM success, resulting in the assessments not being an effective tool to monitor OPMs in an observable, measurable, and objective manner.

➤ Our test of quarterly evaluations for 5 OPMs disclosed that each evaluation reflected "satisfactory" for each performance area and did not include comments from DoIT to support the rating. For example, one evaluation stated the OPM "strives to consistently improve in all areas."

Major IT Development Projects (Finding 4) Repeat Finding

DoIT could not support cost data and conclusions included in its annual report submitted to the Governor, DBM, and General Assembly, and did not always include changes in schedule, cost, and other identified problems with MITDPs, as required by State law.

➢ For one project (MMIS II), the annual report stated there were no known or anticipated cost changes. However, the reported estimated cost to complete increased by $108.8 million from the preceding year's report.

➢ For another project (MD THINK), the annual report stated there were "no project risks to report" even though DoIT knew, prior to submitting the report, there were major issues with the project. Specifically, a recent IV&V Report, reported high risks related to scope and time management, and medium risk with cost management and testing and validation.

Major IT Development Projects (Finding 5)

DoIT could not adequately explain or justify the increase in MD THINK costs from the initial $166.4 million to $588.8 million and delays in the system implementation.

➢ As of October of 2022, there were 17 contract modifications to the MD THINK project that included scope changes and time extensions, including adding additional agency applications and extended cloud services. The modifications extended the contract completion dates from an original estimated completion date of May 2021 to the end of fiscal year 2023.

➢ Various concerns regarding the development and management of MD THINK were identified in both a forensic audit and an IV&V.

Major IT Development Projects (Finding 6)

DoIT did not ensure that IV&V findings were resolved timely by the Department of Human Services and the MD THINK Executive Committee.

➢ Our review of IV&V reports issued from January 2020 through May 2022 identified 251 issues including 29 high risk issues. As of May 2022, 33 of 251 issues were open, including 15 high-risk issues. Although high-risk issues require immediate action, 14 of the 15 high-risk issues had remained open from 3 to 27 months.

➢ Not addressing critical issues identified by the IV&V timely can lead to a project not being fully functional, not meeting schedule goals, or exceeding budgets. DoIT believed it lacked the necessary authority to ensure critical IV&V findings are appropriately resolved and corrected.

Major IT Development Projects (Finding 7)

DoIT did not provide effective oversight during the development and implementation of *eMMA* resulting in significant delays and changes to the cost and scope of the project.

➢ DoIT did not adequately ensure the *eMMA* project had an overall integrated schedule for project tasks and there was no standard method for tracking percentage of completion for the project.

➢ Even though *eMMA* has a significant impact on the State's procurement processes, DoIT did not treat the procurement as a statewide system, which would have been guided by an executive steering committee.

➢ No formal action was taken by DoIT to resolve the project issues noted in the monthly health assessments or the open items from the IV&V report.

networkMaryland (Finding 8)

DoIT used the networkMaryland contract to award significant work unrelated to networkMaryland without considering a competitive procurement process. According to DoIT's records, as of January 31, 2023, it awarded work orders to the vendor under the current contract valued at $51.2 million.

➢ DoIT effectively sole sourced 14 work orders for staff augmentation totaling $16.8 million as of January 2023, to the networkMaryland vendor, therefore bypassing Board of Public Works approval.

➢ DoIT also used the networkMaryland contract for cybersecurity remediation services. As of January 2023, DoIT had approved the use of 11 cybersecurity remediation work orders totaling $25 million.

networkMaryland (Finding 9)

DoIT did not adequately monitor work orders for agency staff augmentation services under the networkMaryland contract and documentation of certain work orders could not be provided.

➢ DoIT did not adequately verify amounts paid from three work orders totaling $9.1 million for staff augmentation at the Maryland Department of Health.

➢ Our test of six work orders disclosed three work orders totaling $21.1 million had inaccurate work order amounts or expenditure information.

➢ DoIT did not have a record of all subcontractors and approved work orders did not identify the subcontractor(s).

➢ Two work orders totaling $2.7 million were not approved until we requested copies of the work orders approximately 10 months after the work began.

networkMaryland (Finding 10)

DoIT issued cybersecurity remediation services work orders totaling approximately $25 million that were not sufficiently detailed and did not adequately ensure that amounts invoiced related to work performed.

➢ DoIT work orders did not correlate estimated costs to specific deliverables or progress to improve the level of DoIT's cybersecurity, and many deliverables were not clearly defined.

➢ DoIT did not ensure labor hours billed were accurate, the related work was completed, or hours billed were proper and supported.

➢ DoIT could not readily provide sufficient documentation that work performed in relation to the hours billed adequately supported the propriety of amounts invoiced and were for related activities.

Other Findings

Finding 15 – Enterprise Technology Support Services (Repeat Finding)

DoIT did not have formal written agreements with 57 of the 130 State and local entities receiving ETSS and did not recover $4.8 million from nine entities with agreements for services provided.

Finding 16 – Equipment (Repeat Finding)

DoIT did not adequately control its equipment inventory and did not maintain accurate detail records.

Information Systems Security and Control (Findings 11 through 14)

Redacted cybersecurity-related findings.

See confidential addendum.

Conclusions

DoIT should:

- assume greater responsibility to ensure that MITDPs are implemented on time and on budget;

- ensure annual agency project status reports and monthly health assessments are submitted, reviewed and approved for accuracy, including support for changes;

- ensure performance evaluations adequately demonstrate OPMs are satisfactorily performing job duties;

- ensure annual MITDP reports are accurate and supported, including cost estimates, anticipated changes, and externally identified problems;

- ensure issues identified by monthly health assessments and IV&Vs are resolved and corrected and provide significant oversight of the MD THINK and *eMMA* projects;

- modify the networkMaryland contract to clearly define the scope;

- ensure labor hours are accurate prior to payment; and

- ensure work orders and deliverables are clearly defined.