Secretary of State Audit Report

Jeanne P. Atkins, Secretary of State

Gary Blackmer, Director, Audits Division

Major IT Projects: Continue Expanding Oversight and Strengthen Accountability

Summary

Information technology has become increasingly vital to business and government over the last several decades. In Oregon, state agencies use computer systems to carry out mission critical tasks.

Over the years, state agencies have struggled to keep up with technology and to implement computer systems they need to do their jobs efficiently or to comply with federal requirements. Currently, several state agencies have computer system projects planned or currently underway that will likely each cost over $20 million. The expected value of projects currently underway or planned totals approximately $1 billion.

In Oregon state government, responsibility for governing, managing and funding major information technology (IT) projects is divided between individual state agencies, various divisions within the Department of Administrative Services (DAS), and the legislature. The purpose of this audit was to evaluate efforts the state is currently using to control and implement large scale IT system development projects.

The state is currently taking steps to improve its processes for implementing new computer systems. However, much work remains to ensure investments in computer systems are not wasted and state agencies are able to obtain computer systems to better meet their business needs.

The Department of Administrative Services' effort to implement processes to monitor and control system development, the "stage gate" process, is a significant step in the right direction. However, the following weaknesses should be addressed:

- DAS has not fully staffed or defined stage gate processes.
- Stage gate efforts may not sufficiently detect or prevent significant system development problems state agencies have experienced.
- Some state agencies lack expertise to manage large IT projects.
- Consequences of failure to meet stage gate requirements are unclear.

If these areas are not sufficiently addressed, the state may continue to experience project failures that will waste state funds. In addition, some state agencies may not appropriately replace their outdated computer applications in a timely manner, thus losing the benefits from technology that could be available to them.

Agency Response

The agency response is attached at the end of the report.

Background

Information technology (IT) has become increasingly vital to business and government over the last several decades. In Oregon state government, agencies use computer systems to carry out mission critical tasks.

Oregon statutes direct the Department of Administrative Services (DAS) to play a pivotal role in shaping the way Oregon state government uses information technology. The law requires DAS to ensure that resources fit together in a statewide system capable of providing ready access to information, computing and telecommunication resources. It further directs DAS to develop and adopt statewide rules, policies, and standards to plan, develop architecture for and standardize the state's information resources and technologies.

Need for new systems

The state has over 70 important computer applications in operation, some of which were developed twenty or more years ago. Some of these systems no longer fully meet the needs of the agencies and need to be replaced in order to take advantage of new technologies or to comply with federal requirements.

Currently, several state agencies are replacing major computer applications. These projects are in their early planning stages or are currently underway; several are expected to cost over $20 million. For example, the Department of Revenue is currently replacing many of its core computer applications. In addition, the Department of Justice is developing a computer application to modernize and replace its child support IT system. The expected value of projects currently underway or that are planned is approximately $1 billion.

State agencies have experienced problems developing computer systems

Over the last several decades, the state has had a poor track record managing major IT projects. In our 2001 audit of DAS, we noted that it had not developed sufficient systems development guidance for other agencies and that it was not adequately managing a project of its own, one that ultimately failed.

In 2002, we conducted a statewide review and found that agencies did not have appropriate systems development methodologies in place. In response, DAS indicated it would develop a project management office and strengthen its policies, procedures, controls and guidance for state agencies.

In addition, the legislature passed several laws associated with IT governance during the 2001 session, which provided additional legislative authority for DAS to develop and implement standards, processes and procedures for managing an information technology portfolio.

During the next 10 years, DAS developed policies to address some of these issues and briefly established a project management office. Despite these efforts, major projects continued to experience difficulties. The recent "Cover Oregon" website project was arguably the worst computer development failure in state history. However, there have been smaller failures, such as attempts to develop statewide or agency-wide Identity and Access Management systems.

In addition, other major systems are actively operating, but experienced significant problems during development that contributed to difficulties after implementation. We conducted audits of several of these systems over the last several years and recommended additional improvements.

Multiple entities are involved in initiating, approving, developing, and implementing systems

Successfully managing large-scale IT projects requires a concerted effort from senior management, project sponsors, users, technical staff and contractors. In Oregon state government, responsibility for governing, managing and funding major IT projects is divided between individual state agencies, various divisions within DAS, and the legislature.

Within this structure, individual state agencies bear the majority of the burden for determining their individual business needs, identifying technology solutions to meet those needs, obtaining necessary funding, and managing the processes for implementing chosen solutions. The Office of the State Chief Information Officer (CIO) provides overall approval, governance, and guidance for projects. Legislative Fiscal Office analysts monitor projects in order to make recommendations to the legislature regarding funding.

In addition to the above, projects to develop systems that support federally funded programs may be eligible for federal money. Federal funding for these projects sometimes requires agencies to obtain federal approval and provide subsequent evidence that requirements were fulfilled.

State agencies typically use staff from the DAS Enterprise Goods and Services division to establish contracts with vendors for software and development services. Agencies are also required to have Department of Justice staff review contracts for legal sufficiency.

Once a project is underway, agencies are required to report its status to DAS for inclusion in a Quarterly Project Portfolio Report that is available to the legislature. This high-level report provides narrative about the project, communicates major risks, and provides the general status for the project business case, schedule, budget, and overall project risk.

DAS policy requires agencies conducting major IT projects to obtain independent quality assurance services. External quality assurance contractors provide this assurance and project oversight.

Audit Results

Through new laws, the state legislature formally established the Office of the State Chief Information Officer (CIO) within DAS and specifically assigned it several responsibilities for governing system development. The Governor appointed a new CIO in December 2013. With the addition of this role and the requirements imposed by the new laws, DAS has focused additional efforts on enterprise governance and enterprise portfolio management.

The CIO directed his office to develop and implement a new approval and oversight mechanism for major IT projects. In 2014, DAS started work on its Stage Gate Oversight (stage gate) model in conjunction with the Legislative Fiscal Office.

The purpose of this audit was to evaluate the state's system development and implementation structure and identify any significant weaknesses or opportunities for improvement.

Based on our review, we found:

- DAS has not fully staffed or defined stage gate processes.
- Stage gate efforts may not sufficiently detect or prevent significant system development problems state agencies have experienced.
- Some state agencies lack expertise to manage large IT projects.
- Consequences of failure to meet stage gate requirements are unclear.

If these areas are not sufficiently addressed, the state may continue to experience project failures that will waste state funds. In addition, some state agencies may not appropriately replace their outdated computer applications in a timely manner, thus losing the benefits from technology that could be available to them.

DAS has not fully staffed or defined stage gate processes

Stage gate provides requirements for executive agencies conducting projects. Specifically, it defines four different "gates" for ongoing project review. Each gate represents a point in the project life cycle that requires agencies to deliver project documents for review and approval. These documents help to demonstrate that due diligence has been applied during project planning and management.

The stage gate methodology defines a formal mechanism for ongoing oversight and facilitates a more collaborative working relationship between DAS and the Legislative Fiscal Office. However, DAS staff indicated that defining roles and responsibilities in the oversight model is still a work in progress. In addition, significant work remains to fully define

policies, procedures and guidelines for stage gate. Some of the more important gaps in the model include:

- specifying how projects of different sizes and complexity will be evaluated;
- establishing criteria or guidance for required elements for stage gate deliverables;
- defining how inputs from independent quality assurance contractors will be used when evaluating projects; and
- determining consequences of failure to meet stage gate requirements and how they will be enforced.

Having policies, procedures, and guidelines available for both analysts and agencies is necessary to ensure these processes are effective and repeatable.

Stage gate processes are incomplete because DAS does not currently have the necessary staffing to develop the model and perform ongoing oversight work. DAS currently has only three to four analysts available to evaluate multiple projects and provide needed guidance to agencies, leaving little or no time to further develop the stage gate model.

During 2014, DAS analysts conditionally approved 41 new agency projects, in addition to their responsibility for providing oversight for more than 30 ongoing projects. Given this workload, this level of staffing is insufficient to effectively develop and fully implement the concepts associated with the stage gate model.

Stage gate efforts may not sufficiently detect or prevent significant system development problems state agencies have experienced

Prior audit reports and "lessons learned" documents for completed or halted projects identified significant problems encountered on system development projects. These problems illustrate many of the significant risks associated with major IT projects.

We evaluated the current stage gate model to determine if it could better detect or address problems state agencies have experienced. Based on that evaluation, we concluded that stage gate is a good step forward and may identify or prevent some of these problems. However, it does not currently address some significant system development and implementation problems agency projects have encountered.

Problems during initiation and planning stages may continue

The initial planning and organizing phases of system development are critical because they identify the precise needs to be met and determine the boundaries, feasibility and direction of projects.

We noted that some projects had ongoing problems that originated during their initial planning phase. Some of these problems were significant factors leading to project failure. For example, the state's attempt to implement a centralized application for managing computer users' identity and access privileges failed because appropriate attention was not paid to key planning steps, including:

- performing appropriate feasibility or cost-benefit analysis;
- developing complete or appropriate project plans;
- defining the project's end state or how the system would fit into the state's current security architecture;
- obtaining stakeholder commitment or approval, or defining who would be responsible for operating the resulting systems; and
- appropriately considering alternative solutions.

The stage gate oversight process, if fully developed and implemented, may provide additional centralized control to identify and potentially mitigate some of the critical project planning weaknesses the state has experienced. However, it is not clear whether the additional reviews of documents will be sufficient to identify significant issues or ensure that significant problems identified during planning stages will be appropriately addressed.

Contracts and contract management problems could continue to occur

Many major projects conducted by state agencies use one or more contractors. These external parties perform activities such as business case analysis, quality assurance, project management, and application design and implementation. Contracts should be written and administered to ensure state agencies receive the desired goods or services.

During our review of past projects, we identified the following issues relating to contracts and contract management:

- Contracts did not adequately define deliverables or the criteria for accepting them.
- Agencies did not enforce contract requirements, such as performance of adequate testing.
- Agencies sometimes paid for deliverables that did not meet acceptance criteria.
- Contracts did not include all of the deliverables or requirements that were needed, such as delivery of complete system documentation.

Stage gate processes require delivery of procurement plans, contracts and other associated documents. Depending on the depth and timing of these reviews, contract weaknesses may be more readily detected and suggestions made for correction or enhancement to the contracts. A procurement plan template available to agencies prompts them to consider several of the areas above, such as ensuring that deliverables and conditions in the contract are clear.

Some of the contract problems state agencies have previously experienced may be difficult to detect during stage gate reviews. For example, stage gate reviewers may not have sufficient information to determine whether all deliverables are complete or necessary. In addition, it is not clear whether stage gate reviews will be able to detect whether contract requirements are appropriately enforced.

Project management and implementation issues could continue to surface

Other problems state agencies encountered in their prior system development projects involved their lack of adequate project management methodology. They also included failure to carry out critical project management activities. These problems included:

- Projects experienced significant staffing turnover due to burnout from placing excessive demands on staff.
- Project managers did not ensure all relevant stakeholders were involved or were informed regarding project progress or problems.
- Project schedules were not always realistic, did not include the activities of all related parties and were not updated timely.
- Project roles and responsibilities were not sufficiently defined. In some cases it was unclear who was "in charge" of the project.
- Data conversion activities were poorly executed.
- Testing of critical components was insufficient.

Stage gate reviews may help identify whether agencies have developed appropriate project management plans. In addition, templates developed to support stage gate may provide a resource for those agencies that don't already have their own project management methodologies.

Yet, it is unclear whether the stage gate model will ensure that agencies are properly executing those project management plans. For example, there may be a detailed plan for communications management, but if it is not being executed, there is no effective control. DAS analysts indicated they plan on utilizing information from external quality assurance contractors to provide detail regarding how agencies are executing their plans. However, they have not yet formalized how this will be accomplished.

Some state agencies lack expertise to manage large IT projects

State agencies bear the responsibility for identifying their individual business needs and acquiring software that best meets those needs. As such, they are responsible for developing project concepts and requirements and for managing projects throughout the system development life cycle.

In 2002, we assessed state agencies' readiness for developing and maintaining computer applications. During that audit, we evaluated

whether state agencies had adopted formal policies and procedures to govern their IT system developments projects and subsequently maintain those systems. We found that four of six agencies did not, increasing the risk that they would struggle as they strived to meet their computing needs, requirements and expectations.

The results of system development projects since that audit show that many state agencies struggled to sufficiently plan and manage their projects. Specifically, some state agencies:

- lacked complete information regarding the state of their current business processes that would be necessary to plan projects;
- had not determined which of their business processes could or should be modified as part of the system development process; or
- were not able to properly staff projects from beginning to end.

During our recent interviews with agency management, they indicated that they still lack the capacity, expertise and experience to plan for and manage replacement of their major IT systems. For example, Department of Corrections' managers indicated that they did not have the necessary resources to effectively plan for replacement of their major computer applications, which are significantly out of date.

Management can address gaps in experience by hiring outside experts. For example, the Department of Revenue contracted with outside industry experts to perform a readiness assessment and gap analysis of the agency's current systems and to help the agency define the desired future state of their computer systems. One of the recommendations the contractor provided was to restructure agency staffing to take on a project of this magnitude.

Department of Revenue management took this advice and hired additional outside expertise and assigned internal staff to help the agency establish project management standards and methodologies. The department hired contractors, including the former Chief Information Officer from a Fortune 500 company, to advise department staff and help establish governance for their project. Department management indicated that these efforts significantly helped their organization navigate through the critical planning phases of development and ongoing replacement of their major systems.

However, we noted that several of the state's problematic system development projects were extensively influenced or controlled by external contractors. Thus, hiring outside expertise does not necessarily resolve problems resulting from agencies' lack of experience. In addition, agencies have struggled to appropriately develop and manage their contracts.

One of the processes listed in the stage gate oversight model involves a review of preliminary due diligence for agencies. This includes an assessment of agency expertise, resources and project management. If this

process is followed it could identify some of the problems that the state has experienced in past projects.

Identifying resource and expertise problems does not solve them. Appropriately addressing these problems may require assistance. DAS analysts indicated they help agencies develop project documents and provide project management advice. However, they currently do not have the resources to provide extensive assistance to agencies.

Consequences of failure to meet stage gate requirements are unclear

Utilizing independent quality assurance contractors has been an important element of the state's overall strategy for ensuring the quality and success of major IT system developments since 1994.

We noted during a prior major IT project that external quality assurance services were not obtained until after the initial planning stages were completed. The scope of what that quality assurance contractor was asked to review was also inappropriately restricted. These weaknesses reduced the potential effectiveness of these reviews and did not provide crucial information when needed during early planning stages.

In 2014, the legislature passed HB 4122 to further define which projects are required to obtain independent quality assurance reviews. In addition, DAS staff indicated that they are currently developing stage gate requirements and procedures to take full advantage of independent quality assurance services. If fully developed and enforced, these actions would ensure external quality assurance reports provide project managers, stage gate analysts and project sponsors a timely and clear assessment of significant project risks and weaknesses.

Identification of significant project weaknesses so they can be appropriately addressed is critical. However, we noted instances where quality assurance contractors and other analysts identified significant problems, but agency management did not take sufficient corrective actions. For example, for one project, the quality assurance contractors identified multiple problems that occurred throughout the data conversion process. Although these problems were identified early, the agency was slow responding to them. As a result, the system created erroneous transactions after the state agency implemented the system.

DAS policy requires agencies to take appropriate steps to address issues raised by quality assurance reviewers, or document business reasons for not addressing them, and to report these steps taken to various parties. Based on results of prior projects, these actions were not always performed, or were not effective. In addition, DAS staff has not yet formally or completely determined the consequences of an agency not meeting stage gate requirements.

We concluded that agencies' inadequate responses to serious warnings from quality assurance contractors and other analysts during past projects should prompt stage gate developers to consider procedures for stronger actions. Potential strategies to help resolve serious project deficiencies include:

- providing additional, heightened scrutiny by stage gate;
- formally communicating concerns regarding the likelihood of project success to the Governor, Senate President, and House Speaker;
- requesting suspension of project funding for subsequent project phases;
- transferring responsibility and control of the project to a more capable agency; or
- terminating the project.

The state has exercised some of these actions on previous projects. For example, the legislature transferred the Oregon Wireless Interoperability Network (OWIN) project from the Oregon State Police to the Department of Transportation when serious problems arose. However, the absence of clear criteria regarding how and when serious consequences will be invoked increases the risk that resolution to critical weakness will not be timely addressed.

Recommendations

We recommend that Department of Administrative Services management:

- Ensure that appropriate and sufficient staff is assigned to develop, review and enforce stage gate requirements.
- Fully develop and implement stage gate processes to ensure they are effective and repeatable. Particular attention should be placed on processes to:
    - specify how projects of different sizes and complexity will be evaluated;
    - establish criteria and guidance regarding required elements for stage gate deliverables;
    - define how inputs from independent quality assurance contractors will be used when evaluating projects;
    - ensure significant planning issues are appropriately evaluated and addressed;
    - evaluate the sufficiency of contracts and contract deliverables, and,
    - determine whether state agencies are properly executing project plans.
- Provide guidance and direction to agencies that lack appropriate resources to plan and manage major development projects.
- Develop and establish consequences for failing to meet stage gate requirements and how they will be enforced.

Objectives, Scope and Methodology

The purpose for this audit was to evaluate the state's Information Technology (IT) system development and implementation practices and identify significant weaknesses and opportunities for improvement.

Our audit objective was to determine whether Oregon state government has effective processes and controls to mitigate significant risks of developing and implementing major IT projects.

To achieve this objective, we conducted interviews with state agencies including:

- Department of Administrative Services
- Oregon Health Authority
- Department of Human Services
- Department of Revenue
- Department of Justice
- Department of Corrections
- Legislative Fiscal Office
- Oregon Department of Transportation
- Oregon Judicial Department
- Oregon State Treasury
- Department of Consumer and Business Services

We reviewed previous Secretary of State audit reports for problems experienced in past IT projects including:

- Report No. 2014-28 Department of Human Services: OR-Kids Financial System Problems
- Report No. 2013-08 Oregon Department of Forestry: Computer Controls Need Attention
- Report No. 2011-12 Department of Human Services: Adequate Computer Controls in Place for the Medicaid Management System
- Report No. 2009-05 Department of Administrative Services: Enterprise Security Office Review
- Report No. 2008-41 Department of Corrections: Automated Financial Accounting Manufacturing Inventory System Computer Controls Review
- Report No. 2008-21 Department of Administrative Services: State Data Center Review
- Report No. 2006-33 Department of Administrative Services: Computing and Networking Infrastructure Consolidation (CNIC) Risk Assessment
- Report No. 2003-20 Department of Administrative Services: Information Resources Management Division Follow Up
- Report No. 2002-13 Department of Administrative Services: Statewide Systems Development Review

- Report No. 2001-33 Department of Administrative Services: Information Resources Management Division Review
- Report No. 2000-23 Public Employees Retirement System: Information Technology Application Controls Review

We reviewed pertinent documentation, including IT project documentation, "lessons learned" reports, IT-related contracts, and quality assurance reports to identify problems the state has experienced in the past. We performed a limited review of controls and practices in place at selected state agencies related to preventing or detecting common project problems, and investigated possible "promising practices" operating in other states or entities.

We reviewed documentation from the Department of Administrative Services, Office of the State Chief Information Officer, Stage Gate Oversight process and the Technology Advisory Board's Oregon IT Project Templates. We also reviewed and analyzed statewide laws, rules, regulations and policies and procedures governing IT systems development and oversight.

We used the IT Governance Institute's publication, "Control Objectives for Information and Related Technology," (COBIT), and the Project Management Institute's publication "A Guide to the Project Management Body of Knowledge" (PMBOK) to identify generally accepted control objectives and practices for information systems and project management.

We conducted this performance audit 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.

Oregon
Kate Brown, Governor

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March 26, 2015

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RE: Audit Report, *Major IT Projects: Continue Expanding Oversight and Strengthen Accountability*

Director Blackmer:

Thank you for providing the Department of Administrative Services (DAS) with the audit report noted above. The research and evaluation were very thorough and included specific guidance toward the operation of the Office of the State Chief Information Officer (OSCIO). We appreciate the work of the Oregon Audits Division staff and are pleased with the timeliness of the recommendations made in the report.

Below you will find DAS' response to the specific audit recommendations. While the research presented in this report is not limited to DAS, we recognize the role of DAS in IT project governance and the importance for statewide business improvement presented in the report. DAS management generally agrees with all but one of the recommendations.

Audits Division recommendation:

1. *We recommend that Department of Administrative Services management:*
   - *Ensure that appropriate and sufficient staff is assigned to develop, review and enforce stage gate requirements.*

DAS' Response:

Management generally agrees with the recommendation. DAS management agrees that the OSCIO is under-resourced in many areas, including stage gate development, review, and compliance. In the 2015-2017 biennial budget, DAS Policy Option Package 105 requests an increase of 12 positions (both Information Technology (IT) Investment and Planning (ITIP) analysts and strategic technology officers (STOs)) to support the stage gate process and the creation and revision of statewide IT policies within the OSCIO. As illustrated graphically in Figure 1 in the attachments accompanying this response, STOs will provide pre-project analysis and support (consult and early phase design) and the ITIP analysts' engagement will increase as the project moves into execution in the later design and build phases.

Additionally, the December 2014 meeting of the Legislature's Emergency Board provided an expenditure authorization rebalance within DAS in order to purchase a Project and Portfolio Management (PPM) tool, which will help OSCIO track and monitor project activities. These project activities directly relate to the stage gate oversight process.

Audits Division recommendation:

2. *We recommend that Department of Administrative Services management:*
   - *Fully develop and implement stage gate processes to ensure they are effective and repeatable. Particular attention should be placed on processes to:*
     - *specify how projects of different sizes and complexity will be evaluated,*
     - *establish criteria and guidance regarding required elements for stage gate deliverables,*
     - *define how inputs from independent quality assurance contractors will be used when evaluating projects,*
     - *ensure significant planning issues are appropriately evaluated and addressed,*
     - *evaluate the sufficiency of contracts and contract deliverables, and*
     - *determine whether state agencies are properly executing project plans.*

DAS' Response:

Management generally agrees with the recommendation. DAS management agrees that it is important to fully develop and implement the stage gate oversight process. The stage gate process was introduced in February of 2014 as a direct response to a major IT project that was ill-prepared to move to its execution phase, and the stage gate process has undergone extensive improvement, definition, and adaptation for specific application to projects in the state of Oregon. The OSCIO has worked closely with the Legislative Fiscal Office's Principal IT Analysts in this work.

The five core templates developed for stage gate process include: Concept Origination, Project Business Case, Project Charter, Project Plan, and Project or Phase Approval. These templates have been completed and have been reviewed by the Legislative Fiscal Office and the Technology Advisory Board. The remaining templates are more project-specific, many of which are in process but not finalized. At the current rate of template development and without additional staff resources, we anticipate completion of all core stage gate templates by the beginning of the 2017-2019 biennium. A listing of these templates and their association to the specific phase in the stage gate process is illustrated in Figure 2 of the attachments accompanying this response.

Audits Division recommendation:

3. *We recommend that Department of Administrative Services management:*
   - *Provide guidance and direction to agencies that lack appropriate resources to plan and manage major development projects.*

DAS' Response:

Management agrees in part with the recommendation. DAS management agrees in principle with providing guidance and direction to agencies that "lack appropriate resources to plan and manage major development projects," but that this recommendation is unclear, since it might encompass significantly more responsibility than the current scope of IT efforts overseen by OSCIO. DAS management firmly believes that business requirements should lead the development of IT services delivery. Outside of activity undertaken within the DAS Enterprise Technology Services Division and infrastructure replacement projects at the agency and enterprise level, the state does not undertake projects that are solely IT projects. Rather, state agency business projects are undertaken on behalf of the Legislature and the Oregon citizenry, some of which have a significant IT component. The best way for business to lead IT service delivery and to achieve alignment between technology and desired business outcomes is to ensure that the business (or agency) accept responsibility and accountability for the management of the business project that has an IT component.

In our effort to assist and support state agency business organizations succeed, the OSCIO intends to organize itself around six policy areas, assigning one STO and one ITIP analyst to each area. These policy areas include public safety, human services, healthy environments, transportation/economic development, education, and state administration. The relationships described in the preceding paragraph is illustrated in Figure 3 of the attachments accompanying this response.

Audits Division recommendation:

4. *We recommend that Department of Administrative Services management:*
    - *Develop and establish consequences for failing to meet stage gate requirements and how they will be enforced.*

DAS' Response:

Management agrees with this recommendation in part. While DAS management understands the importance of having a transparent process where agencies understand the consequences of meeting, or failing to meet, the requirements of the stage gate process, we also believe that the role of the OSCIO is to work with agencies in supportive and collaborative way to get projects through the stage gates and, when necessary, getting corrective actions to make projects ultimately successful.

Closing:

In closing, DAS management would like to clarify certain aspects of the report outside of the audit recommendations. The Audits Division states that the State of Oregon has over 70 important computer applications in operation, a number that comes from the list of projects of over one million dollars that the OSCIO and the LFO agreed upon in April of 2014. However, the Hackett Group reported that the state had over two thousand total computer applications, many of which would be deemed important, regardless of the definition.

Finally, the Audits Division report implies that all state agencies use staff from DAS' Enterprise Goods and Services Division to establish contracts with vendors for software and development services, and are required to have Department of Justice review contracts for legal sufficiency. The Department of Human Services, Department of Transportation, and other large agencies establish contracts with vendors outside of DAS procurement and CIO approval, and DAS does not have statutory authority or awareness of their having entered into these agreements. Only projects over one million dollars are required to be reported to OSCIO.

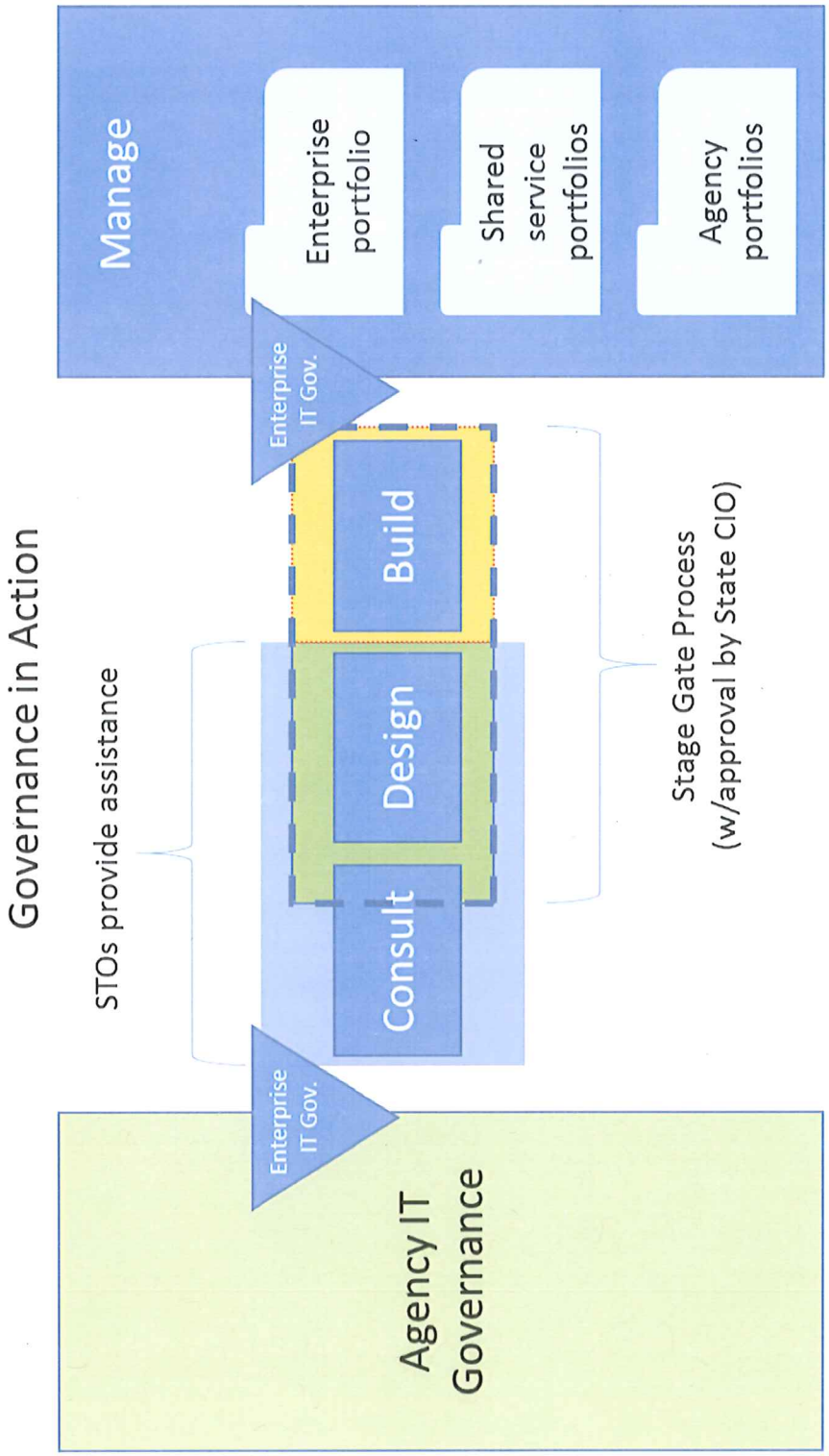
DAS management appreciates your audit team's efforts and for the timely recommendations made in the audit report. We look forward to working with the Secretary of State's Audits Division along with our statewide partners to ensure that DAS' role in major IT projects considers past failures, in order to strengthen oversight and accountability of these projects in the future. If you have any general questions about this response, please contact Zachary Gehringer, Chief Audit Executive, at 503-378-3076.

Sincerely,

George Naughton
Acting DAS Director and Chief Operating Officer and
Chief Financial Officer

Attachments

Figure 1



Stage Gate Oversight – Functional Reference Model

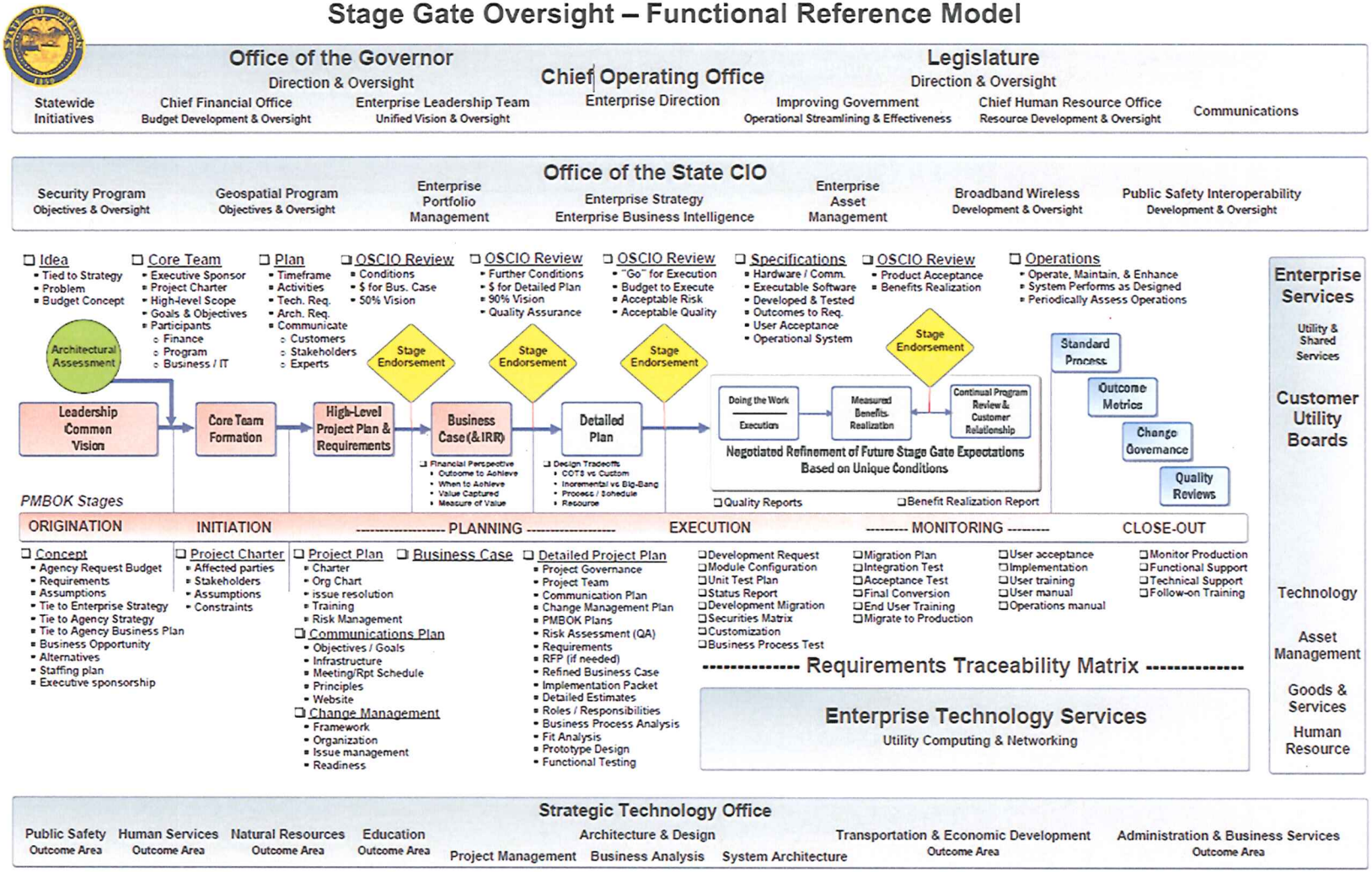


Figure 2

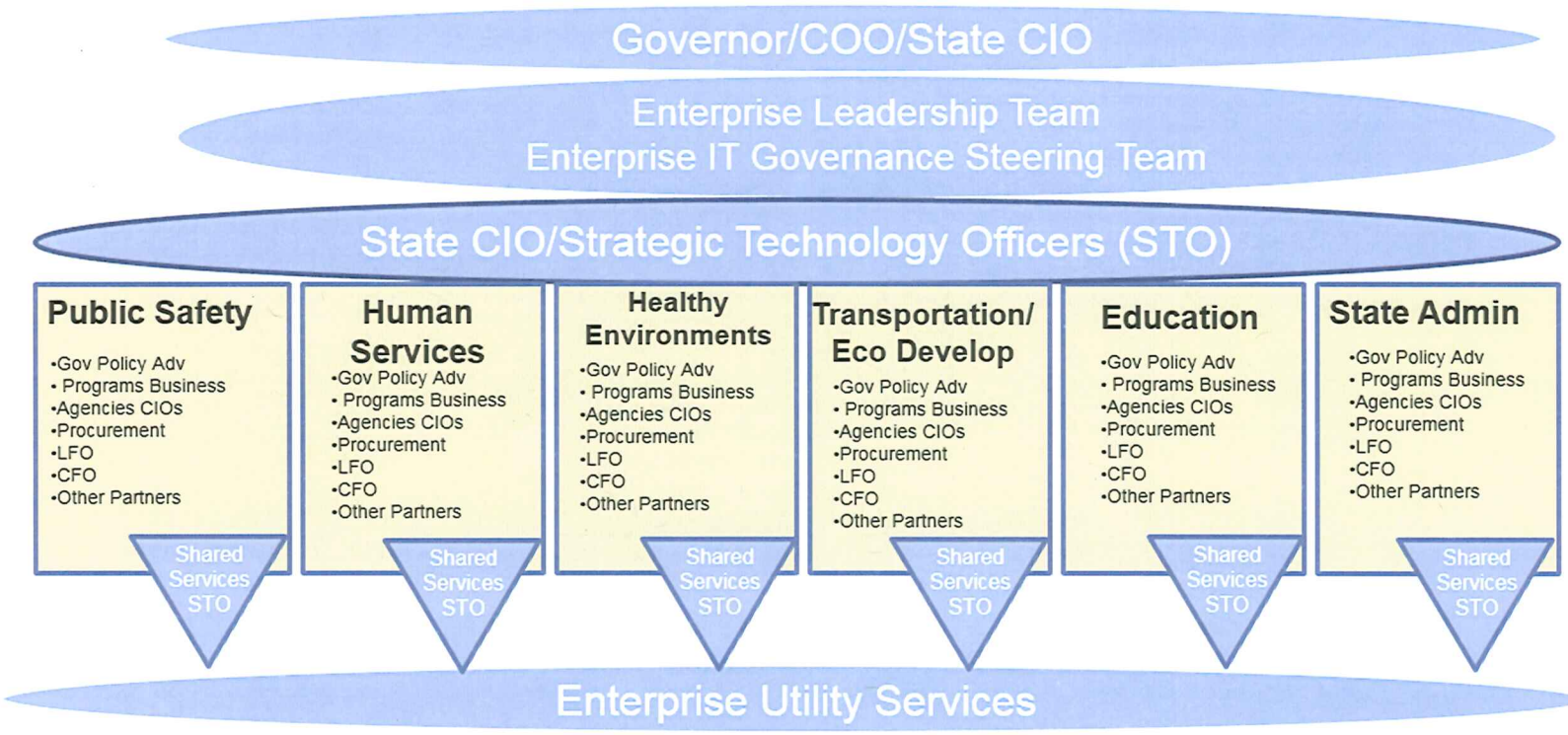


Figure 3

ELT/EITGST Delegated Responsibilities/Authority

- Sets enterprise direction and standards
- Establishes enterprise business objectives
- Oversees IT Governance
- Ensures IT risk management process and risk optimization
- Approves and supports enterprise standards
- Directs enterprise IT investments/lifecycle
- Prioritizes and approves enterprise IT initiatives
- Ensures enterprise IT project implementation
- Ensures enterprise transparency

Office of the State CIO Responsibilities/Authority

•Statewide Information Resource Management Plan
•Shared Services leadership and coordination (STOs)
•Enterprise Project Portfolio Management (STOS)
•Enterprise Utility leadership and coordination (STOs)
•Enterprise policy setting, oversight , QA, Leg reporting
•Enterprise IT Infrastructure policy
•Enterprise IT Security policy and direction
•Enterprise GIS and Broadband Policy &Coordination

Agency CIO Responsibilities/Authority:

•Agency program policy and direction
•Agency IT Prioritization
•Local and Desktop/LAN support
•Unique Business specific applications
•IT purchases for department specific activities

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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The courtesies and cooperation extended by officials and employees of the Department of Administrative Services and other contributing state agencies during the course of this audit were commendable and sincerely appreciated.