Secretary of State
Oregon Audits Division

Recommendation Follow-up Report:
While Work Remains, the State Is on Track to Modernize Procurement Systems and Practices

May 2020
Report 2020-18

Follow-up to Audit Report 2018-45

Department of Administrative Services and Enterprise Information Services

Recommendation Follow-up Report: While Work Remains, the State Is on Track to Modernize Procurement Systems and Practices

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Follow-up Summary

The Department of Administrative Services (DAS) and Enterprise Information Services (EIS), a component of DAS, made progress on all five recommendations from the original audit. While the agency is on track to address our findings, these efforts will require more time before they are complete. Moreover, we noted that these efforts have been delayed by the COVID-19 pandemic.

Findings from the Original Audit

» Due to a reliance on legacy systems and outdated procurement processes, DAS Procurement Services does not adequately analyze state spending data.

» Some IT project oversight processes remain immature, and a lack of training and guidance have contributed to confusion and frustration for agencies with projects subject to OSCIO oversight.

» Controls are appropriate to ensure QA remains independent, but report tracking could be strengthened.

Improvements Noted

» The Legislature approved funding for a statewide eProcurement system in 2019 and DAS has begun work with a contractor to implement an enterprise solution, which is expected to provide better purchasing data for statewide spend analysis. (pg. 2)

» EIS has developed draft procedures to better scale IT investment oversight by project risk and complexity and ensure project managers have the appropriate knowledge and experience. (pg. 3-4)

» The statewide IT investment quality assurance program now has processes to track whether quality assurance (QA) reports for projects in execution are sent to some key stakeholders. (pg. 5)

Remaining Areas of Concern

» The statewide quality assurance program does not yet have processes to track QA reports submitted prior to execution or to ensure reports are sent to all required recipients. (pg. 5)

Introduction

The purpose of this report is to follow up on the recommendations we made to the Department of Administrative Services (DAS) and Enterprise Information Services (EIS), formerly the Office of the State Chief Information Officer (OSCIO), as included in audit report 2018-45, "Significant Cost Savings Can Be Achieved by Modernizing Oregon's Procurement Systems and Practices."

The Oregon Audits Division conducts follow-up procedures for each of our performance audits. This process helps assess the impact of our audit work, promotes accountability and transparency within state government, and ensures audit recommendations are implemented and related risks mitigated to the greatest extent possible.

We use a standard set of procedures for these engagements that includes gathering evidence and assessing the efforts of the auditee to implement our recommendations; concluding and reporting on those efforts; and employing a rigorous quality assurance process to ensure our conclusions are accurate. We determine implementation status based on an assessment of evidence rather than self-reported information. This follow-up is not an audit, but a status check on the agency's actions.

To ensure the timeliness of this effort, the division asks all auditees to provide a timeframe for implementing the recommendations in our audit reports. We use this timeframe to schedule and execute our follow-up procedures.

Our follow-up procedures evaluate the status of each recommendation and assign it one of the following categories:

- **Implemented/Resolved**: The auditee has fully implemented the recommendation or otherwise taken the appropriate action to resolve the issue identified by the audit.

- **Partially implemented**: The auditee has begun taking action on the recommendation, but has not fully implemented it. In some cases, this simply means the auditee needs more time to fully implement the recommendation. However, it may also mean the auditee believes it has taken sufficient action to address the issue and does not plan to pursue further action on that recommendation.

- **Not implemented**: The auditee has taken no action on the recommendation. This could mean the auditee still plans to implement the recommendation and simply has not yet taken action; it could also mean the auditee has declined to take the action identified by the recommendation and may pursue other action, or the auditee disagreed with the initial recommendation.

The status of each recommendation and full results of our follow-up work are detailed in the following pages.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of DAS and EIS during the course of this follow-up work.

Recommendation Implementation Status

Recommendations made to DAS

Recommendation #1

Identify options, and seek funding, for the acquisition and implementation of an enterprise eProcurement system that would provide purchase data of sufficient detail to allow for robust spending analysis and identification of opportunities for strategic sourcing and cost reductions. Additionally, develop processes to ensure the results of this analysis are available to agencies, legislators, and the public.	**Partially implemented**

DAS received funding in 2019 to implement an eProcurement system

DAS received nearly $9 million in funding from the Legislature during the 2019 session to implement Oregon Buys as an enterprise eProcurement system. Oregon Buys is currently being used by the Secretary of State and the Department of Forestry.

DAS is currently working with a contractor to finalize planning for a two-phase enterprise implementation of the system. The agency is currently working to fulfill the conditions necessary to gain approval from the IT investment oversight team at EIS for the implementation planning phase of the project. Once approved, DAS will begin execution of phase one of the project plan.

The first phase will replace the state's current procurement system. This will allow agencies to post and review procurement solicitations and search for statewide contracts. End-to-end eProcurement functionality will be added in the second phase,[1] which will allow agency staff to initiate requisitions, receive purchase approvals, and initiate payments to vendors in one system. The first phase was originally expected to be completed by the end of 2020, though this timeline has been delayed as a result of the COVID-19 pandemic. Management now anticipates phase one will be implemented in 2021, with the second phase due for completion approximately 18 months later.

OregonBuys is intended to provide purchase-level data allowing for spend analysis, strategic sourcing, and enhanced transparency

When phase two is completed, DAS expects to have detailed, line-item data for all purchases agencies make, allowing for spend analysis to be completed at both agency and statewide levels. OregonBuys will be integrated with the state's accounting system so that line-item information is accessible for actual amounts paid for supplies and services, data that has not historically been available.

In addition to developing the OregonBuys system and supporting its implementation within state agencies, the contractor will also provide spend analysis and strategic sourcing services. Initially, the vendor will perform these functions, but the vendor will also provide training to DAS Procurement Services staff so that they can perform this work going forward. DAS anticipates these efforts will allow procurement staff to identify opportunities for cost savings through enhanced contract negotiations. Additionally, the system should provide cost savings through the reduction of manual, paper-based procurement processes.

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[1] End-to-end eProcurement means the procurement process from the time an agency staff person determined to make a purchase through the payment for the purchase.

Management indicated that the purchase-level data OregonBuys generates will be available online to key stakeholders and the public, increasing the transparency of the state's purchasing decisions. However, DAS has not yet developed processes to perform spend analysis or communicate analysis results to external stakeholders.

Recommendations made to EIS

Recommendation #2

| Fully develop and implement stage gate processes to ensure they are effective and repeatable. Specific processes that should be developed include:
   a. Specifying how projects of different sizes and complexity will be evaluated to ensure each project receives the appropriate amount of oversight;
   b. Establishing more robust criteria and guidance regarding required elements for stage gate deliverables, including templates and examples, and a training program for oversight staff to promote consistent application of the project oversight framework.
	Partially implemented

EIS developed a new policy and procedure for how projects of different sizes and complexities will be evaluated to ensure appropriate oversight; however, these documents require approval before they can be implemented. EIS submitted the draft documents for approval in March 2020 and initially expected approval by April, but this timeline has been delayed as a result of the COVID-19 pandemic.

Under the draft procedure, agencies will work with EIS to perform a self-assessment of the complexity of their IT investment projects using the Initial Complexity Assessment tool developed by EIS. This tool uses a matrix to calculate complexity based on six factors: span of organizational change, business complexity, IT complexity, preliminary budget, stakeholder complexity, and visibility. Additionally, oversight staff at EIS will assign maturity scores to each agency based on the maturity of their IT governance, project organizational structure, and experience with IT projects.

EIS oversight staff will then use the project complexity and agency maturity assessment scores to calculate the appropriate level of oversight on a scale of one (lowest level of oversight) to three (highest level of oversight). The resulting oversight level will determine the documents agencies must submit to oversight personnel at EIS and the number of formal review points over the life of the project.

Figure 1: New assessment tools inform project manager and oversight levels
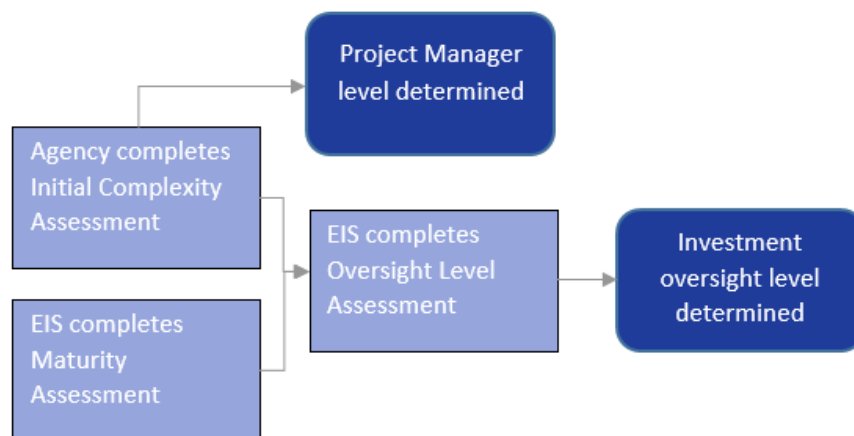
In addition to developing more defined processes for determining the level of oversight, EIS worked with consultants and agency stakeholders to develop more robust tools and templates for agency project staff. For example, EIS developed a draft Project Management Plan template that provides guidance and sample language for agencies to define how required project work will be performed and measured.

While EIS management believes that this more clearly defined oversight process will promote a more consistent application of the project oversight framework, management has not developed a formal training program for oversight staff. Though there is not a defined process to review the consistency of analysts' review, EIS management established a series of regular meetings providing oversight analysts a venue to discuss process issues in order to help enhance the consistency with which they apply the oversight framework. Additionally, the oversight team has discussed instituting a peer review process, which may help mitigate the oversight inconsistencies identified in the original audit. However, this review process has not yet been fully developed or implemented.

Recommendation #3

Establish minimum knowledge (i.e. education or training) and experience requirements for project managers who manage major IT investment projects. Knowledge and experience requirements should be scaled to be commensurate with project risk determined by the OSCIO.	**Partially implemented**

EIS has developed new requirements for project managers who manage major IT investment projects; however, the new procedure and template both require approval before they can be implemented. As mentioned in recommendation no. 2, although EIS submitted the draft documents for approval, the anticipated timeline has been delayed as a result of the COVID-19 pandemic. When these changes are approved, this recommendation will be fully implemented.

Using the Initial Complexity Assessment tool discussed in recommendation no. 2, agencies will quantify the complexity of their IT investment project. The tool provides minimum project manager qualifications based on the results of the complexity assessment. Potential project manager levels include novice, entry level, intermediate, or advanced. Higher project manager levels require more experience, professional knowledge, skills, and more advanced certifications.

While the Initial Complexity Assessment tool stipulates minimum project manager requirements, agencies may assign a higher level project manager to the project at their discretion. However, if an agency wishes to assign a lower level project manager than what is recommended by the tool, they must document a strategy to mitigate the associated risks.

Recommendation #4

Work with stakeholders to define, periodically review, update, and approve key performance indicators for the oversight process. Once KPIs are defined, the agency should develop processes to collect and periodically review performance data, and report progress compared to performance targets to key stakeholders.	**Partially implemented**

EIS began tracking IT investment project schedule and budget variance as performance indicators in January 2020; however, they have not yet begun reporting these internal performance indicators. Management indicated that, as the oversight process matures, they would also like to include metrics that are more closely aligned with specific business outcomes. To this end, EIS has begun to engage agencies in discussions about IT investment metrics and has started to build dashboards to monitor performance. However, at this point, they have

focused their resources on oversight policy and procedure changes associated with recommendations no. 2 and 3.

Recommendation #5

Establish a method to track QA report distributions to ensure that reports are sent to all appropriate stakeholders as required by state law.	**Partially implemented**

EIS implemented a process for documenting the distribution of quality assurance (QA) reports in May 2019 that requires agencies to submit an Independent Contractor Deliverables Distribution Report as part of the existing major IT project reporting process for projects in execution. Agencies use this report to document every QA report received during the quarter, both draft and final, and to affirm that the report was distributed to the required stakeholders. While we found that all projects expected to deliver the new report did so in 2019, we also noted that EIS could improve the process by ensuring that all required stakeholders are included in the distribution of QA report deliverables. For example, we found that agency managers were included in the selection of QA report emails we reviewed, but, in some cases, agency directors were not even though they are specifically listed as a required recipient in state law.

In addition, this new reporting requirement does not apply to QA reports for projects in the planning and procurement phases, which are also required by state law to be sent to all appropriate stakeholders. Though management indicated that the planning and procurement phases are lower risk than when a project is in execution, they intend to expand their process to track distribution of QA reports for projects in these preliminary phases.

Conclusion

DAS has made progress toward implementing a statewide eProcurement system, receiving funding from the Legislature and beginning to work with a contractor. Implementing this statewide system is a large undertaking that we did not expect to be completed within our follow-up period.

EIS made significant progress on our two recommendations related to improving IT project oversight, including the development of draft policies and procedures to better scale oversight to project risk and complexity and a process to better ensure that agencies assign project managers with the appropriate knowledge and experience. These improvements require approval before they can be fully implemented. The project oversight team also developed performance indicators to better track the performance of the oversight process, but they have not begun to report on progress compared to performance targets.

EIS also developed a process to better ensure that QA reports are distributed to the stakeholders required by statute, but it does not cover preliminary QA reporting or ensure all stakeholders actually received QA reports.

The COVID-19 pandemic directly affected EIS's ability to implement recommendations no. 2 and 3. They expected to receive approval for the policy and procedure changes by the end of March and to begin implementing the changes in April, but the response to the pandemic delayed meeting these milestones.

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About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs 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 has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

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