

IT Staff Augmentation Contracts

Audit Report 201314-39

May 4, 2015

Executive Summary

The Department's Information Systems Administration (ISA) utilizes IT staff augmentation contractors (Contractors), as an outsourcing strategy, to obtain IT services and supplement existing IT staff. The Department budgeted more than \$6.6 million and \$5.3 million for the 2013-14 and 2014-15 Fiscal Years, respectively for Contractors. Contractors are required to follow Department rules, regulations, policies and procedures.

Contractors assist existing ISA staff in various areas, including: the Bureau of Service Development, the Strategic Business Operations Office, the Office of Motorist Modernization (OMM), the Service Support Office, the Service Management Office, Commercial Vehicle Enforcement (CVE), and the Client Services Office. Within these areas, Contractors provide a range of activities including technical support for Department members, system development, testing, and implementation.

The purpose of this audit was to evaluate both contract compliance and oversight of IT staff augmentation contracts for the 2013-14 Fiscal Year and select contracts from July 2014.

Our audit identified the following issues which require management attention:

- Contract managers did not ensure contract deliverables were submitted as required by the contract.
- Contract deliverables are inconsistent or unclear in relation to IT staff augmentation contract requirements.
- User access rights for Contractors were not timely removed as required by state, CJIS, and Department policy.
- Some contract managers have not completed or renewed required training.
- ISA did not maintain an accurate listing of all IT staff augmentation contract managers for Fiscal Years 2013-14 and 2014-15.

Background and Introduction

The Department's Information Systems Administration utilizes Contractors, as an outsourcing strategy, to obtain IT services and supplement existing IT staff. The Department budgeted more than \$6.6 million and \$5.3 million for the 2013-14 and 2014-15 Fiscal Years, respectively for Contractors. Contractors are required to follow Department rules, regulations, policies and procedures.

Contractors assist existing ISA staff in various areas, including: the Bureau of Service Development, the Strategic Business Operations Office, the Office of Motorist Modernization (OMM), the Service Support Office, the Service Management Office, Commercial Vehicle Enforcement (CVE), and the Client Services Office. Within these areas, Contractors provide a range of activities including technical support for Department users, system development, testing, and implementation.

Contractors provide support to the modernization of new systems including: custom application development, SharePoint development, software and data architecture services, and database development. They provide support in the Technical Assistance Center (TAC) which serves as the single point of contact for reporting IT technical issues. They help respond to incident and service requests which include: desktop and laptop support (including FHP mobile data terminals), software installation and updates, virus protection updates, relocation services, and second level help desk support to Kirkman/headquarters locations and FHP mobile data computers statewide.

Section 287.057 (14), Florida Statutes (F.S.), specifies it is the responsibility of each state agency to designate a contract manager who is responsible for enforcing performance of contract terms and conditions and serves as a liaison with the vendor.

Contract managers serve an important function as the primary responsible party for enforcing compliance with the terms and conditions of contracts and are responsible for the day-to-day oversight. Department contract managers monitor and approve contact deliverables performed by the Contractor.

Findings and Recommendations

Contract Deliverables

The contract deliverables section of the contract requires the Contractor to submit Status Reports and Project Timesheets on a weekly basis. The Weekly Status Reports should include summaries of all current and completed activities. The contract further states the Weekly Status Report will support the Project Timesheet.

During our review of IT staff augmentation contracts, we noted contract deliverables were not always submitted as required. For one contract, the contract manager is accepting Project Timesheets as the Weekly Status Report. Also, the Project Timesheets are only submitted monthly when the contract requires weekly.

Without the Weekly Status Reports to support Project Timesheets, the Department cannot ensure the services required by the contract terms are received.

Finding 1

Contract managers did not ensure contract deliverables were submitted as required by the contract.

Recommendation

We recommend ISA ensure contract managers enforce deliverable requirements as stated by contract language.

Management Response

Contract Managers have been instructed to ensure that deliverable requirements are enforced. ISA has also established a Contract Administration Analyst position who will be reviewing deliverable status and invoices to verify compliance with the contract.

Inconsistent Deliverables

Section 287.0571(5)(e), F.S., requires contracts for outsourcing include performance standards that at a minimum include detailed and measurable acceptance criteria for each deliverable and service to be provided, and a method for monitoring and reporting progress in achieving specified performance standards and levels.

Best contracting practices suggest senior management ensure all contracts have clearly defined deliverables, performance measures and standards or 'benchmarks' so the contract manager can easily measure, review, and report on the contract.

During our review of IT staff augmentation contracts, we noted inconsistencies regarding contract deliverables, including Status Reports and Timesheets due at different times; Status Report requirements varying greatly between contracts; and for one contract, conflicting timeframes for Timesheet submission.

A lack of consistency between contracts adds to the complexity of contract monitoring which could lead to less accountability. If the due dates or reporting periods are not consistent for Timesheets and Status Reports it decreases the usefulness of Status Reports to support the timesheets.

Finding 2

Contract language is inconsistent or conflicting in relation to IT staff augmentation contract deliverable requirements.

Recommendation

We recommend ISA in coordination with the Bureau of Purchasing and Contracts develop standard contract language and clearly define consistent deliverables for IT staff augmentation contracts.

Management Response

The Division utilizes multiple types of services available on state term contract, including project manager, business analyst, developer for projects, and developer for production systems. ISA is currently conducting a review of all contracts that will be continued in Fiscal Year 2015-16 and will work with the Bureau of Purchasing and Contracts to ensure that consistent deliverables by role are implemented in these contracts.

Additional deliverables may be included in specific contracts based on the staff augmentation services required (for example, project managers would also be required to complete a weekly status report on the projects that he or she manages).

Access Rights

Chapter 71A-1.007, Florida Administrative Code (F.A.C.), requires Agency information owners to periodically review access rights based on risk, access account change activity, and error rate. It also requires access be promptly removed when the user's

employment is terminated or access to the information resource is no longer required. Criminal Justice Information Services Security Policy Section 5.12.2, *Personnel Termination*, requires immediate termination of access to Criminal Justice Information upon termination of employment.

The Department's Information Security Policy Manual requires user access be removed from a system when that access is no longer required and for contractors to have their access rights closely monitored by the group utilizing their services. The policy manual also requires ISA to perform quarterly reviews to identify accounts that meet the requirements for deletion.

OIG staff reviewed Contractors who terminated between July 2012 and October 2014, to determine if access rights for Department systems were removed timely. Of the 18 contractors terminated between July 2012 and October 2014, eight did not have their access rights removed timely; ranging from 6 to 133 days after the termination date. Four of the eight did not have their access rights removed for more than twenty-five days.

Untimely removal of access rights increases risk of access rights misuse by former employees or other individuals.

Finding 3

User access rights for Contractors were not timely removed as required by state, CJIS, and Department policy.

Recommendations

We recommend ISA ensure that access privileges of former contracted employees are timely deactivated to minimize risk.

We also recommend ISA ensure quarterly reviews of access privileges are performed and include contracted employees.

Management Response

ISA has implemented an exit interview process for all contractors, which includes a review of all access assigned to that contractor in order to ensure that access privileges are removed timely.

ISA is implementing an automated report that identifies any contractor who has not logged in to Active Directory for the past 7 days (5 working, 2 non-working). This report runs each Monday at 7AM and is emailed to

ContractorExpirationNotification@flhsmv.gov, which is a distribution list that includes all contract managers within ISA. Contract managers will then review the report and create a TAC ticket to remove any contractor in his/her reporting structure who is no longer employed with the Department.

Required Training

Section 287.057(14), F.S. requires each contract manager who is responsible for contracts in excess of the threshold amount for CATEGORY TWO must, at a minimum, complete training conducted by the Chief Financial Officer for accountability in contracts and grant management. For agreements in excess of Category Two, the Departments Purchasing Manual requires the contract manager and the Department's Contract Administrator attend the Department of Financial Services "Advancing Accountability: Best Practices for Contract and Grant Management" training every two years.

OIG staff determined one member acting as a contract manager for the two previous years never received the required contract management training. OIG staff also noted a current contract manager's training expired in November 2014.

Without proper training contract managers may not have the necessary knowledge required for monitoring and documenting contractor performance to ensure that contractual services have been rendered in accordance with the contract terms before the Department processes the invoice for payment.

Finding 4

Some contract managers have not completed or renewed required training.

Recommendation

We recommend the Bureau of Purchasing and Contracts ensure all staff acting as contract managers meet training requirements.

Management Response

Contract management training requires a partnership between the Bureau of Purchasing and Contracts and the division offices. Currently, the bureau is only advised of contract managers upon the initial issuance of a contract, because it is involved in the procurement process. However, contract manager changes made after the initial issuance of the contract are not always reported to the bureau.

A task has been created within the bureau which will result in an e-mail reminder sent to the divisions on a monthly basis requesting the contract manager list to be updated. The bureau informs each contract manager of all applicable training requirements and maintains constant contact with the Department of Management Services (DMS) and the Department of Financial Services (DFS) in scheduling DHSMV employees for all mandatory contract management training. Because training class size and scheduling of classes are limited, members are placed on a waiting list. As a short-term measure, the bureau is working to create a brief in-house training for newly appointed contract managers to provide basic guidance while waiting for formal training through DMS and DFS. This training is anticipated to be available by August 1, 2015.

After DHSMV staff has completed all state-required training, thereby establishing a base of certified contract managers, the bureau will begin denying purchase requests submitted via MyFloridaMarketPlace for purchases over \$35,000 that do not identify a designated certified contract manager. This is anticipated to result in more timely identification of contract managers and staff requiring contract management training.

Inaccurate Listing of IT Staff Augmentation Contractors

Contract monitoring is a critical part of the procurement process. It helps protect taxpayer dollars and ensures that contracted services and goods are delivered in accordance with contract terms. A complete and accurate listing of current contracts, including contract managers, is an essential part of contract monitoring.

ISA provided IT staff augmentation listings did not always list current contract managers. Also, ISA does not maintain a single complete listing of IT staff augmentation contracts.

Finding 5

ISA did not maintain an accurate listing of all IT staff augmentation contract managers for Fiscal Years 2013-14 and 2014-15.

Recommendation

We recommend ISA maintain accurate and complete listing of all IT staff augmentation contract managers and have a list easily accessible for monitoring purposes within ISA.



Management Response

ISA maintained records of contract managers and contractors in separate lists. ISA has created a consolidated listing that has combined the contractor lists with the contract manager lists and will maintain this single list going forward.

Purpose, Scope, and Methodology

The purpose of this audit was to evaluate both contract compliance and oversight of IT staff augmentation contracts.

The scope of this audit included IT staff augmentation contracts for the 2013-14 Fiscal Year and select contracts from July 2014.

The methodology included:

- Reviewing applicable Florida Statutes and Florida Administrative Code;
- Reviewing manuals and Department policies and procedures;
- Interviewing appropriate Department members on contract management oversight;
- Reviewing invoice submissions for accuracy;
- Reviewing contract deliverables; and
- Reviewing CJIS requirements and best practices.



Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
Diana Vaughn, Deputy Executive Director
Leslie Palmer, Chief of Staff
Robert Fields, Chief Information Officer
Lisa Bassett, Bureau Chief of Purchasing and Contracts
Steven Fielder, Director of Administrative Services

Melinda M. Miguel, Chief Inspector General
David W. Martin, Auditor General

Statement of Accordance

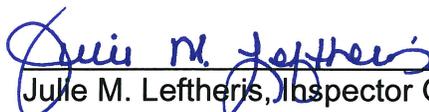
Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

Project Team

Engagement conducted by:
Megan Frink, Auditor
Keaton Wilson, Auditor
Kevin Doar, CISA, Senior IT Auditor

Under the supervision of:
David Ulewicz, Audit Director

Approved by:


Julie M. Leftheris, Inspector General

ATTACHMENT - Management Response



Terry L. Rhodes
Executive Director

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Tallahassee, Florida 32399-0500
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MEMORANDUM

DATE: April 23, 2015
TO: David Ulewicz, Audit Director
FROM: Robert Fields, Chief Information Officer
SUBJECT: Information Systems Administration's Management Response to the IT Staff Augmentation Contracts Audit (201314-39)

The following is our response to the findings and recommendations presented in the report.

Finding 1- Contract Deliverables

Contract managers did not ensure contract deliverables were submitted as required by the contract.

Recommendation

We recommend ISA ensure contract managers enforce deliverable requirements as stated by contract language.

Management Response

Contract Managers have been instructed to ensure that deliverable requirements are enforced. ISA has also established a Contract Administration Analyst position who will be reviewing deliverable status and invoices to verify compliance with the contract.

Finding 2- Inconsistent Deliverables

Contract language is inconsistent or conflicting in relation to IT staff augmentation contract deliverable requirements.

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Recommendation

We recommend ISA in coordination with the Bureau of Purchasing and Contracts develop standard contract language and clearly define consistent deliverables for IT staff augmentation contracts.

Management Response

The Division utilizes multiple types of services available on state term contract, including project manager, business analyst, developer for projects, and developer for production systems. ISA is currently conducting a review of all contracts that will be continued in Fiscal Year 2015-16 and will work with the Bureau of Purchasing and Contracts to ensure that consistent deliverables by role are implemented in these contracts.

Additional deliverables may be included in specific contracts based on the staff augmentation services required (for example, project managers would also be required to complete a weekly status report on the projects that he or she manages).

Finding 3- Access Rights

User access rights for Contractors were not timely removed as required by state, CJIS, and Department policy.

Recommendation

We recommend ISA ensure that access privileges of former contracted employees are timely deactivated to minimize risk.

We also recommend ISA ensure quarterly reviews of access privileges are performed and include contracted employees.

Management Response

ISA has implemented an exit interview process for all contractors, which includes a review of all access assigned to that contractor in order to ensure that access privileges are removed timely.

ISA is implementing an automated report that identifies any contractor who has not logged in to Active Directory for the past 7 days (5 working, 2 non-working). This report runs each Monday at 7AM and is emailed to ContractorExpirationNotification@flhsmv.gov, which is a distribution list that includes all contract managers within ISA. Contract managers will then review the report and create a TAC ticket to remove any contractor in his/her reporting structure who is no longer employed with the Department.



Finding 5- *Inaccurate Listing of IT Staff Augmentation Contractors*

ISA did not maintain an accurate listing of all IT staff augmentation contract managers for Fiscal Years 2013-14 and 2014-15.

Recommendations

We recommend ISA maintain accurate and complete listing of all IT staff augmentation contract managers and have a list easily accessible for monitoring purposes within ISA.

Management Response

ISA maintained records of contract managers and contractors in separate lists. ISA has created a consolidated listing that has combined the contractor lists with the contract manager lists and will maintain this single list going forward.

cc: Julie M. Leftheris, Inspector General



Terry L. Rhodes
Executive Director

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Tallahassee, Florida 32399-0500
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MEMORANDUM

DATE: April 23, 2015
TO: David Ulewicz, Audit Director
FROM: Steven Fielder, Division Director
SUBJECT: Bureau of Purchasing and Contract's Management Response to the IT Staff Augmentation Contracts Audit (201314-39)

The following is our response to the findings and recommendations presented in the report.

Finding 4- Required Training

Some contract managers have not completed or renewed required training.

Recommendation

We recommend the Bureau of Purchasing and Contracts ensure all staff acting as contract managers meet {sic} training requirements.

Management Response

Contract management training requires a partnership between the Bureau of Purchasing and Contracts and the division offices. The bureau is typically advised of the identity of staff appointed to serve as contract managers upon initial issuance of a contract because it is involved in the procurement process; however, changes made after issuance of the contract by the division, resulting in assignment of a different contract manager, are not always reported to the bureau.

Currently, the only notification the bureau is receiving is an e-mail from the Bureau of Personnel Management reporting staff employment separations. This notification does not include members who change positions within the department. To assist with remedying this situation, an initial e-mail was sent to all division directors on April 22nd, requesting that the bureau receive updates to any change in contract managers. In addition, a task has been created within the bureau which will result in an e-mail

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reminder being sent to the divisions on a monthly basis requesting the contract manager list to be updated.

When the bureau is made aware of a new or changed contract manager, contact is made with that individual (usually via e-mail) and the individual is informed of all applicable training requirements. The bureau maintains constant contact with the Department of Management Services (DMS) and the Department of Financial Services (DFS) in scheduling DHSMV employees for all mandatory contract management training; however, training class size and scheduling of classes are often limited. As a result members can be placed on a waiting list for training. As a short-term measure, the bureau is working to create a brief in-house training for newly appointed contract managers in order to provide basic guidance while members are awaiting the formal training through DMS or DFS. It is anticipated that this training will be available by August 1, 2015.

Finally, after additional DHSMV staff has had the opportunity to complete all state-required training, thereby establishing a base of certified contract managers, the bureau will begin denying purchase requests submitted via MyFloridaMarketplace for purchases over \$35,000 that do not identify a designated certified contract manager. This will likely result in more timely identification of contract managers and staff requiring contract management training.

cc: Julie M. Leftheris, Inspector General