The July 2023 Arizona Department of Administration (Department)—ASET IT Project Oversight performance audit was the first of 2 audit reports of the Department we issued as part of the Department's sunset review. The second audit provided responses to the statutory sunset factors. We will issue a separate follow-up report for the second audit.

The July 2023 audit found that ASET has provided insufficient oversight of IT projects, decreasing its ability to identify projects at risk of failing and hindering critical State agency (agency) functions, and did not always ensure that high-risk IT projects received independent third-party reviews, potentially jeopardizing their success. We made 18 recommendations to ASET, and its status in implementing the recommendations is as follows:

## Status of 18 recommendations

| | |
|---|---|
| Implemented | 9 |
| In process | 9 |

We will conduct an 18-month followup with ASET on the status of the recommendations that have not yet been implemented.

## Finding 1: ASET has provided insufficient oversight of IT projects, decreasing its ability to identify projects at risk of failing to meet their intended results and hindering critical State agency functions

1.   ASET should ensure agencies submit all required IT project status reports.

   **Implemented at 6 months—**To help ensure agencies submit all required IT project status reports, ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes that outline when agencies are required to submit IT project status reports and actions ASET staff must take if agencies do not timely submit them. Our review of a random sample of 10 of 115 IT projects that were in progress as of May 2024 found that ASET ensured that agencies submitted all monthly or quarterly status reports from December 2023 through March 2024 for all 10 projects.

2.   ASET should ensure its staff review all agency-submitted IT project status reports to determine if they include all the required information.

   **Implementation in process—**As discussed in Recommendation 1, ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes. The procedures require ASET staff to confirm agency-submitted IT project status reports include all required information before accepting the reports as complete, including confirming that agencies have documented actual start and end dates for the project milestones that are applicable to the reporting period. However, our review of a random sample of 10 of 115 IT projects in progress as of May 2024 found that although ASET staff reviewed and accepted as complete all 10 IT projects' March 2024 status reports, the status reports for 2 projects were missing actual start and/or end dates for milestones related to the reporting period or for a previous reporting period. As such, ASET may be unaware if these projects are experiencing delays and may be unable to help agencies address them. We will assess ASET's continued implementation of this recommendation during our 18-month followup.

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3.  ASET should ensure that at IT project closure:

    a.  All IT project milestones have been completed.

        **Implemented at 6 months—**As discussed in Recommendation 1, ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes. These procedures and standards require that agencies submit a project closeout report to ASET that includes various information, including listing completed milestones and reporting total project expenditures. The procedures also require ASET staff to review agencies' closeout reports to ensure that there are no outstanding milestones and that all project expenditures have been reported prior to closing the project. Our review of a random sample of 5 of 26 IT projects ASET closed between December 2023 and May 2024 found that ASET staff reviewed all 5 IT projects' closeout reports, including determining that the project had no outstanding project milestones and all program expenditures had been reported.

    b.  All IT project expenditures have been reported.

        **Implemented at 6 months—**See explanation for recommendation 3a.

4.  ASET should evaluate or ensure agencies evaluate and report to it project outcomes, including changes in customer service, productivity, performance, cost savings, cost avoidance, and benefits to the State.

    **Implementation in process—**ASET revised its standards and developed procedures to measure project outcomes. These standards and procedures require agencies to develop key performance indicators when they submit an IT project for ASET's review and approval and provide guidance for ASET staff to review the appropriateness of the agencies' key performance indicators, including determining whether the key performance indicators help measure project success. The standards and procedures also require agencies and ASET staff to measure project success at project closeout using the key performance indicators established for each project. According to ASET, these procedures are applicable to IT projects approved after January 2024. Our review of ASET IT project data found that, as of June 2024, no agencies had completed IT projects that ASET or the Information Technology Authorization Committee (ITAC) had approved after January 2024. Therefore, we will assess ASET's implementation of this recommendation during our 18-month followup.

5.  ASET should take action if it determines an IT project is at risk of failing to meet its intended results, including temporarily suspending IT projects, as required by statute and rule.

    **Implementation in process—**ASET has developed a draft process, including written procedures, that outlines criteria for determining whether an IT project is at risk of failure and actions it can take to address IT projects at risk of failing to meet their intended results. These actions include requiring agencies to develop corrective action plans, temporary project suspension, and project termination. According to ASET, as of June 2024, it planned to implement the draft process in October 2024. We will further assess ASET's implementation of this recommendation during our 18-month followup

6.  ASET should revise and implement its rules, policies, procedures, and/or standards to outline processes related to status reporting, including:

    a.  Expectations for ASET staff and agencies on the specific information that should be included in each section of the status report.

        **Implemented at 6 months—**ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes that include expectations for ASET staff and agencies on the information that should be included in IT projects' monthly/quarterly project status reports and outline the steps ASET staff should take to review status reports. As discussed in Recommendation 2, the status reports for 2 projects were missing some required information. Therefore, we will assess ASET's continued implementation of its procedures and standards related to project status reporting through our work to assess its implementation of Recommendation 2 during our 18-month followup.

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b. Expectations for ASET staff and agencies on the criteria that must be met for an IT project to be considered complete and the IT project completion summary information that should be documented in the IT project's last status report, such as actual project start and end dates and total development expenditures.

**Implemented at 6 months**—ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes that include expectations for the criteria that must be met for an IT project to be considered complete. The procedures and standards also outline the IT project completion summary information that should be documented in the IT project's last status report, including listing completed and incomplete milestones, as applicable, and reporting total project expenditures. As discussed in recommendation 3a, our review of a random sample of 5 of 26 IT projects ASET closed between December 2023 and May 2024 found that ASET staff reviewed all 5 IT projects' closeout reports, including determining that the projects had no outstanding project milestones and all program expenditures had been reported.

c. Steps ASET staff should take to review status reports.

**Implemented at 6 months**—See explanation for recommendation 6a.

d. Steps ASET staff should take when they do not receive agency status reports in a timely manner or when status reports do not include the required information.

**Implemented at 6 months**—ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes that include steps ASET staff should take when they do not receive agency status reports in a timely manner. As discussed in Recommendation 1, our review found that ASET staff ensured the agencies submitted all monthly or quarterly status reports for the projects we reviewed. Additionally, although the procedures and standards also include steps ASET staff should take when status reports do not include the required information, as discussed in Recommendation 2, our review found that ASET staff reviewed and accepted as complete the status reports for 2 projects that were missing some required information. We will assess ASET's continued implementation of its procedures and standards related to project status reporting through our work to assess its implementation of Recommendation 2 during our 18-month followup.

7. ASET should develop and implement processes, including written policies, procedures, and/or standards, to:

a. Maintain complete and accurate IT project data, including actual project start and end dates.

**Implementation in process**—ASET has developed and begun implementing written procedures to help ensure it maintains complete and accurate IT project data. These procedures include steps to review IT project status reports for information such as milestones' actual start and end dates, address incomplete and/or untimely submitted IT project information, and review key information at project closeout such as the actual project end date. Our review of a random sample of 5 of 26 IT projects ASET closed between December 2023 and May 2024 found that ASET ensured that agencies reported the actual project end dates for all projects and its IT project-tracking system reflected the projects' actual end dates. However, our review of a random sample of 10 of 115 IT projects in progress as of May 2024 found that 2 projects were missing start and/or end dates for some milestones in ASET's IT-project tracking system (see explanations for Recommendations 2 for additional information). We will further assess ASET's implementation of its procedures to maintain complete and accurate IT project data during our 18-month followup.

b. Corroborate expenditure data reported in status reports for all IT projects, such as requiring agencies to submit invoices and reviewing a sample of invoices or reviewing agency financial transactions in AFIS.

**Implementation in process**—ASET has begun developing a process to corroborate expenditure data in status reports for all IT projects, including soliciting internal and agency input and feedback on potential approaches to corroborate the expenditure data. For example, ASET proposed 3 different approaches to collect and review the necessary information to corroborate expenditure data and asked some agencies to pilot some of these approaches. ASET reported that it anticipates finalizing this process in fiscal year 2025. We will continue to assess ASET's development and implementation of a process to corroborate IT project expenditure data, including policies, procedures, or standards, during our 18-month followup.

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**c.** Close IT projects, including ensuring that IT projects do not have outstanding issues at IT project completion, such as incomplete milestones.

**Implemented at 6 months**—See explanations for recommendations 3a and 6b.

**d.** Assess and address IT project failure risks, including comprehensive criteria for determining whether IT projects are at risk of failure, steps staff should take to address IT project failure risks, and determining whether an IT project should be temporarily suspended.

**Implementation in process**—See explanation for recommendation 5.

**e.** Evaluate project outcomes, including changes in customer service, productivity, performance, cost savings, cost avoidance, and benefits to the State, as required by the State-wide project status reporting standard.

**Implementation in process**—See explanation for recommendation 4.

## Finding 2: ASET did not always ensure that high-risk IT projects received an independent third-party review, limiting key information related to project concerns and risks for it and ITAC to consider and address, potentially jeopardizing these projects' success

8. ASET should comply with statute and ensure that for IT projects with total project costs exceeding $5 million, agencies contract with an independent third party to review and guide the technology approach, scope, estimated cost, timeline for completion, and overall feasibility of the project before ASET makes IT project recommendations to ITAC.

   **Implementation in process**—Our review of 2 IT projects with total project costs exceeding $5 million ITAC approved between October 2023 and May 2024 found that agencies had contracted for an independent third-party review before ASET made an IT project recommendation to ITAC for approval. We will review additional projects subject to the independent third-party review requirement as applicable to follow up on the Department's continued implementation of this recommendation during our 18-month followup.

9. ASET should develop policies, procedures, and/or standards that outline steps that ASET staff and agencies must take to contract for the independent third-party review of IT projects with total project costs exceeding $5 million, including requirements for obtaining and retaining independent third-party review documentation and time frames for when it should be contracted.

   **Implemented at 6 months**

10. ASET should work with ITAC to develop a process, including written policies and procedures, for requiring that agencies obtain and provide ASET and ITAC with the initial results of independent third-party reviews, such as requiring that the independent third-party review be provided to ITAC at the time of project approval, or recommending that ITAC approve projects with conditions that the independent third-party review be provided for ITAC's review during a subsequent ITAC meeting.

   **Implementation in process**—ASET has developed a draft process, including written procedures, that outlines when it and ITAC should receive the results of independent third-party reviews. According to ASET's draft process, independent third-party reviewers must provide reports to ASET and agencies at least quarterly, and ASET must forward the finalized reports to ITAC. Further, the draft process requires independent third-party reviewers to include a feasibility study in their first independent third-party review report to ASET and agencies, which ASET is required to provide to ITAC. According to ASET, it plans to implement the draft process in July 2024. We will assess the Department's implementation of this recommendation during our 18-month followup.

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