



Minnesota Information Technology Services – Information and Telecommunications Account

Internal Controls and Compliance Audit

July 2014 through February 2018

August 16, 2018
REPORT 18-11

Financial Audit Division

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

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August 16, 2018

Senator Mary Kiffmeyer, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Johanna Clyborne, Commissioner
Minnesota IT Services

This report presents the results of our internal controls and compliance audit of the Information and Telecommunications Account and Minnesota IT Services' oversight of the Account for the period July 2014 through February 2018. The objectives of this audit were to determine if the agency had adequate internal controls over the Account and complied with significant finance-related legal requirements.

This audit was conducted by Tracy Gebhard, CPA (Audit Director); Valentina Stone, CPA (Auditor-in-Charge); Erick Olsen (Senior Auditor); Scott Dunning, CPA (inactive) (Senior Auditor); and Gemma Miltich, CPA (Staff Auditor).

We received the full cooperation of the agency's staff while performing this audit.

Sincerely,

A handwritten signature in cursive script that reads "Judy Randall".

Judy Randall
Deputy Legislative Auditor

A handwritten signature in cursive script that reads "Tracy Gebhard".

Tracy Gebhard, CPA
Audit Director

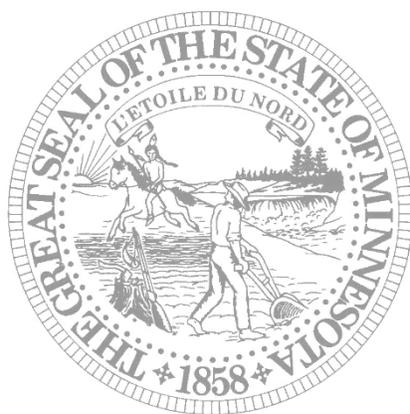
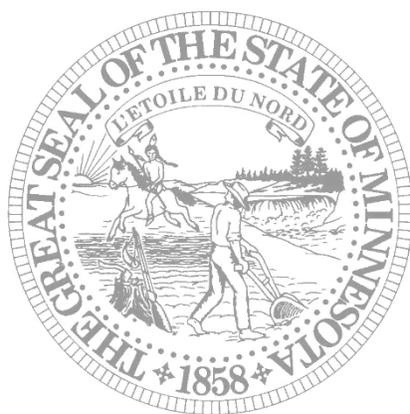


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Report Summary

In 2006, the Legislature created the Information and Telecommunications Account (ITA) as a means to invest in information technology (IT) projects for state agencies.¹ At the end of each biennium, individual state agencies may transfer remaining appropriations, which would otherwise expire, to the Information and Telecommunications Account for IT projects that benefit the state.² Minnesota IT Services is responsible for oversight of the Information and Telecommunications Account.

The Office of the Legislative Auditor conducted this selected scope audit to determine whether Minnesota IT Services had adequate internal controls over and complied with significant legal requirements for the Information and Telecommunications Account. The audit scope included appropriation transfers and expenditures for ITA projects. The period under examination went from July 1, 2014, through February 28, 2018.

Conclusion

Minnesota IT Services' internal controls over the Information and Telecommunications Account were **generally not adequate**.



For the projects and legislative report we tested, Minnesota IT Services **generally did not comply** with significant legal requirements, including Minnesota statutes and its own policies and procedures.



Throughout our audit, we had numerous discussions with Minnesota IT Services (MNIT) management to gain an understanding of the Information and Telecommunications Account and the processes used to administer the Account. Since the inception of the Account, MNIT has changed how it tracks projects and accounts for project budgets and expenditures. As a result, it was difficult to

¹ *Laws of Minnesota* 2006, chapter 282, art. 14, sec. 9, codified as *Minnesota Statutes* 2017, 16E.21. The ITA is commonly known as the “Odyssey Investment Fund.”

² Remaining appropriations include any money appropriated by the Legislature, without legislative or federal restrictions, that the agency did not expend or encumber. “Encumbered” money has been formally set aside in the accounting system to pay for future expenditures.

determine basic information, such as the number of projects approved for the Account. Additionally, MNIT management provided us with inconsistent explanations and timelines regarding which policies were applicable to projects funded through the Account.

Findings

Finding 1. Minnesota IT Services did not provide adequate oversight for Information and Telecommunications Account (ITA) projects and did not comply with applicable policies.

Finding 2. The law does not state how Minnesota IT Services should handle money remaining from older Information and Telecommunications Account (ITA) projects.

Finding 3. Minnesota IT Services did not have controls in place to follow up on approved Information and Telecommunications Account (ITA) projects that had not spent money transferred into the Account.

Finding 4. Minnesota IT Services submitted an inaccurate and incomplete Information and Telecommunications Account (ITA) report to the Legislature.

Audit Overview

This report presents the results of an internal controls and compliance audit of the Information and Telecommunications Account and Minnesota IT Services' oversight of the Account. Management is responsible for establishing internal controls to safeguard assets and ensure compliance with applicable laws, regulations, and state policies.

A strong system of internal controls begins with management's philosophy, operating style, and commitment to ethical values. It also includes processes to continuously assess risks and implement control activities to mitigate risks. A successful internal controls system includes iterative processes to monitor and communicate the effectiveness of control activities.



Information and Telecommunications Account Overview

Information and Telecommunications Account

State statutes require that the Information and Telecommunications Account (ITA) be used “for the purpose of defraying the costs of personnel and technology for activities that create government efficiencies....”³ At the end of each biennium, subject to a review process, state agencies may transfer remaining appropriations into the Account to use for eligible agency-specific or enterprise-wide IT projects. Minnesota IT Services (MNIT) is responsible for the oversight of the Account.

Agency-specific projects benefit individual agencies. For example, the Minnesota Department of Revenue transferred money into the Account to pay for upgrading the GenTax system. The system manages tax returns for the state and is an agency-specific project that benefits the department. Enterprise-wide projects benefit all state agencies. For example, multiple state agencies transferred money into the Account to pay for the consolidation of data centers across all state agencies. The consolidation of data centers is an enterprise-wide project that benefits the state as a

³ *Minnesota Statutes* 2017, 16E.21, subd. 1.

whole. IT projects are eligible if they show some benefit to the state, such as long-term savings or cost avoidance, process improvement, government efficiency, cross-agency collaboration, or IT standards compliance.

Exhibit 1 provides examples of projects that received ITA money. The Appendix at the end of this report identifies the 71 projects that we reviewed.

Exhibit 1: Examples of Information and Telecommunications Account Projects (in thousands)

| Project Name | Purpose | Contributing Agency | Amount Transferred | Year of Initial Transfer |
|---|--|-------------------------------------|--------------------|--------------------------|
| Infectious Disease Lab Information Management Systems (IMS) | Replace the Oracle-based legacy Laboratory Information Management System (LIMS) and Enterprise Laboratory Information System (ELIS) systems | Minnesota Department of Health | \$ 950 | 2017 |
| Wolf Depredation Database | Create a new database of information regarding wolf depredation | Minnesota Department of Agriculture | 14 | 2015 |
| GenTax | Upgrade GenTax software to enhance tax and revenue operations | Minnesota Department of Revenue | 6,090 | 2013 |
| Recruiting Solutions | Replace existing application tracking system with new Enterprise Talent Management System to track applications for positions with the state | Minnesota Management and Budget | 2,265 | 2013 |
| Workers' Compensation Modernization System | Modernize the Workers' Compensation system, improve the business processes involved, avoid long-term costs, and gain greater efficiency | Department of Labor and Industry | 500 | 2013 |

SOURCES: Minnesota IT Services, state of Minnesota's accounting system, and the 2017 Information and Telecommunications Account report to the Legislature.

Roles and Responsibilities

ITA projects involve groups and individuals at multiple agencies and in different branches of government. Exhibit 2 describes the roles and responsibilities of those involved in the Account.

Exhibit 2: Information and Telecommunications Account Roles and Responsibilities

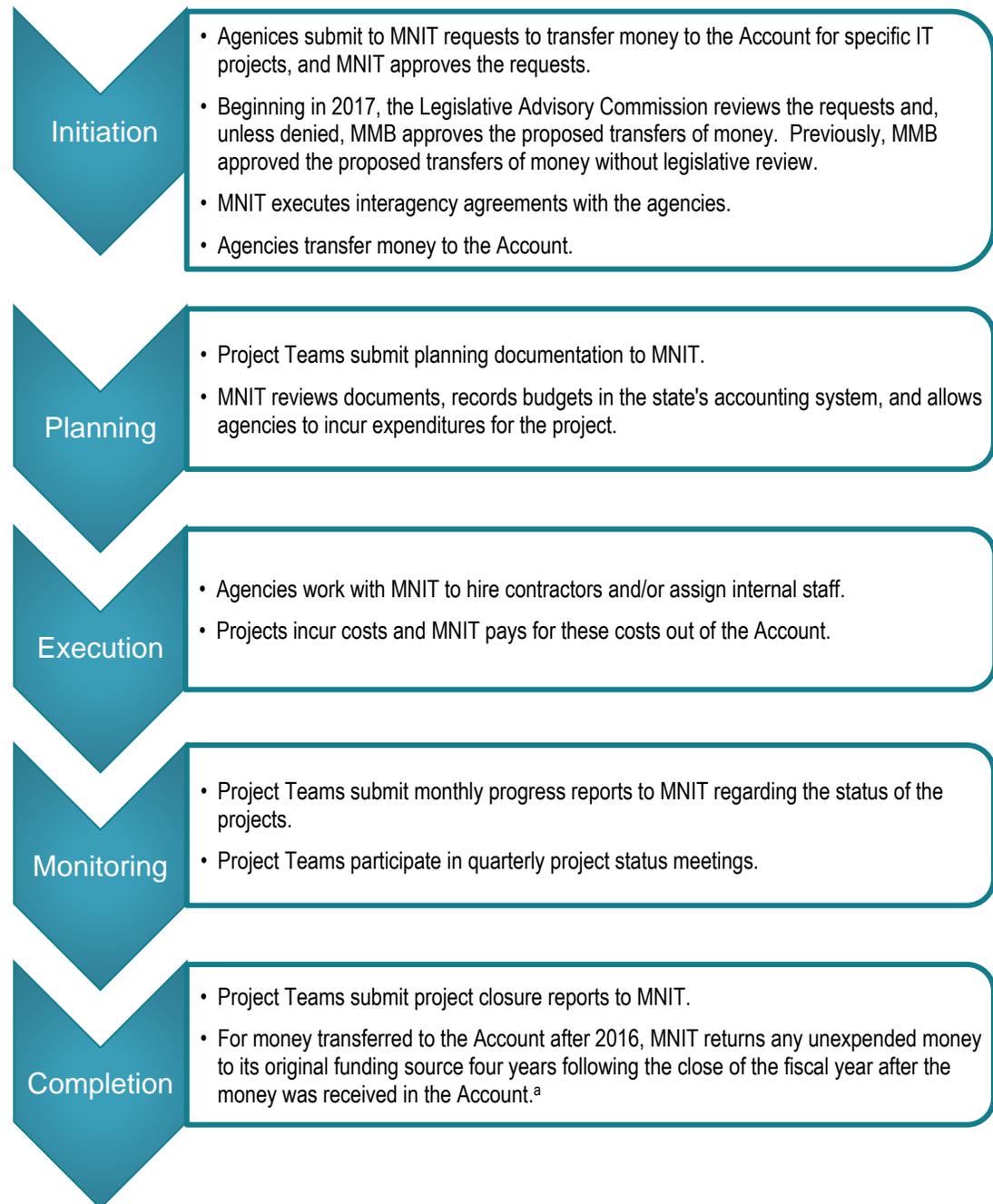
| Roles | Responsibilities |
|--|---|
| Chief Business Technology Officer (CBTO) | Minnesota IT Services (MNIT) assigns a CBTO to each state agency. A CBTO serves as a liaison between the Project Team and the Enterprise Program Management Office. |
| Enterprise Program Management Office | This MNIT office is responsible for the oversight of ITA projects and enforcement of policies and procedures. Staff maintain a centralized database with project information and documentation. |
| Legislative Advisory Commission (LAC) | Starting in 2017, the LAC reviews and provides recommendations to Minnesota Management and Budget (MMB) on proposed transfers of remaining appropriations. |
| Minnesota Management and Budget (MMB) | MMB facilitates the LAC review process. MMB approves the proposed transfers if the LAC did not provide a negative recommendation. |
| MNIT Financial Management Division (FMD) | MNIT FMD coordinates the execution of interagency agreements and the financial transactions associated with the Account projects. |
| Project Team | The Project Team is unique to each agency. The team performs the day-to-day work on approved projects. Typically, the team includes a project manager and IT staff. The manager and staff are typically MNIT employees or outside vendors, depending on the needs of the project. |

SOURCE: Minnesota IT Services.

Information and Telecommunications Account Project Lifecycle

Once an agency identifies remaining appropriations and an IT need, the Account project lifecycle begins. Exhibit 3 provides a brief overview of this lifecycle.

Exhibit 3: Information and Telecommunications Account Project Lifecycle



^a *Minnesota Statutes* 2017, 16E.21, subd. 4.

Changes in Information and Telecommunications Account Policies, Management, and Legislation

Since the Account's inception in 2006, MNIT has made significant changes to the policies that govern its operation.⁴ MNIT has also experienced changes in management and, in 2016, the Legislature enacted changes to the statute governing the Account.

Policies

Over time, MNIT has strengthened its policies regarding ITA projects.

From 2006 through 2013, MNIT had minimal policies for the Account. These policies required only that agencies (1) submit requests to and obtain approval from MNIT and MMB prior to transferring money into the Account, and (2) sign interagency agreements to transfer the money into the Account. The requests included project descriptions, timelines, budgets, and proposed benefits.

MNIT implemented more rigorous policies in 2014. Among other things, these new policies required project teams to report monthly to MNIT the progress of each ITA project. In 2015, MNIT created the Enterprise Program Management Office, which developed an ITA user guide and project-documentation templates to improve oversight of the Account.

Management

From 2006 to 2018, MNIT experienced extensive staff turnover within the executive team and among personnel responsible for Account project oversight.

Legislation

In 2016, the Legislature added three new requirements to *Minnesota Statutes*, 16E.21, as follows:

- (1) The Legislative Advisory Commission (LAC) must review all proposed transfers into the Account.⁵ If the LAC makes a positive recommendation or no recommendation or has not reviewed the proposed transfer within 20 days, MMB can approve the transfer.⁶

⁴ In 2006, the Office of Enterprise Technology was responsible for the Account. In April 2012, the Office of Enterprise Technology was renamed Minnesota IT Services.

⁵ *Minnesota Statutes* 2017, 3.30, grants the LAC the "authority to review and grant requests by state departments and state agencies for funding from contingent appropriations or spending of federal funds." The statute also identifies the members of the LAC.

⁶ *Laws of Minnesota* 2016, chapter 189, art. 13, secs. 22-25, codified as *Minnesota Statutes* 2017, 16E.21; and 16E.21, subd. 3(a).

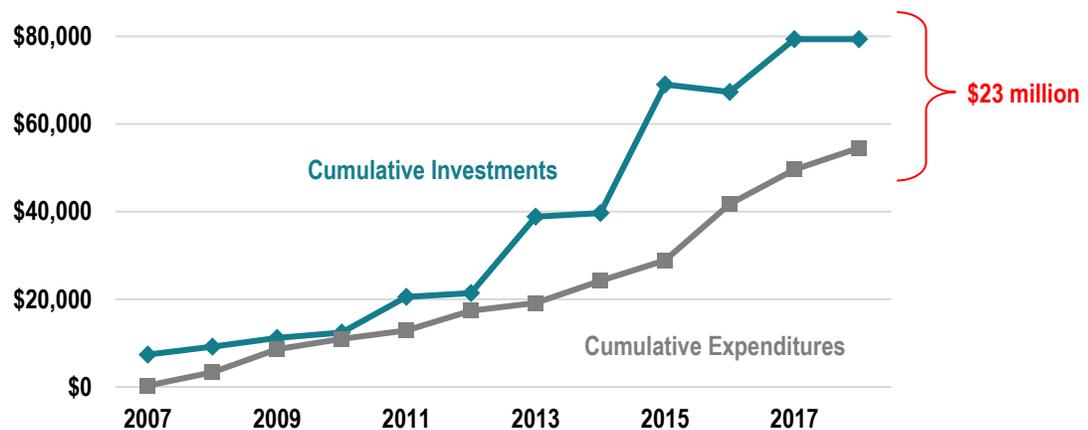
- (2) Money transferred but unexpended and unencumbered four years after the initial transfer expires and reverts to the original funding source.⁷ The agencies do not retain that money.
- (3) In each odd-numbered year, MNIT must submit a report to the Legislature on the status of the projects supported by the Account.⁸

Information and Telecommunications Account Activity

Since 2007, agencies have transferred over \$79 million of remaining appropriations into the Account. As of March 2018, the Account had a balance of approximately \$23 million. The balance represents money transferred into the Account, but not yet used to pay project expenditures.⁹

Exhibit 4 shows the cumulative amount of appropriations transferred (investments) in relation to the cumulative expenditures at the end of each biennium.

Exhibit 4: Information and Telecommunications Account Investments and Expenditures, Fiscal Years 2007 through 2018 (in thousands)



NOTE: The cumulative investments and expenditures shown above are as of March 2018.

SOURCE: State of Minnesota's accounting system.

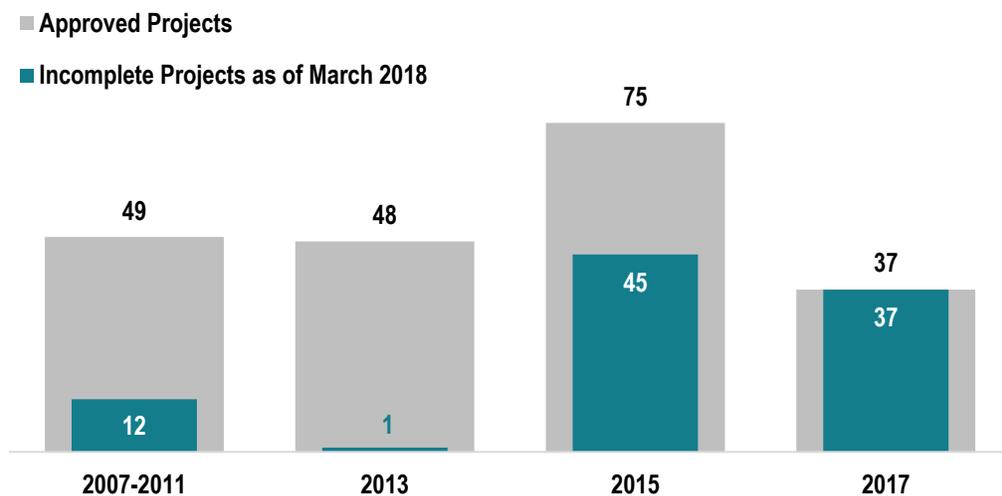
⁷ *Minnesota Statutes* 2017, 16E.21, subd. 4, states, "Any portion of any receipt credited to the information and telecommunications technology systems and services account from a fund transfer under subdivision 2 that remains unexpended and unencumbered at the close of the fiscal year four years after the funds were received in the account shall lapse to the fund from which the receipt was transferred." Unencumbered money has not been spent or set aside in the accounting system to pay for future expenditures.

⁸ *Minnesota Statutes* 2017, 16E.21, subd. 5.

⁹ Of the \$23 million, \$18 million is unencumbered.

From 2007 to 2017, a total of 209 projects were approved for the Account. As of March 2018, agencies had not completed 95 of the 209 approved projects. Incomplete projects have either not started or are in progress. Exhibit 5 presents the total number of approved projects and incomplete projects for each biennium. For example, in 2015, MNIT approved 75 projects; 45 of these projects were either not started or still in progress as of March 2018.

Exhibit 5: Number of Information and Telecommunications Account Projects Approved and Incomplete, by Biennium, Fiscal Years 2007 through 2017



NOTES: Incomplete projects are those projects that have not started or are in progress as of March 2018. Data for fiscal years 2007 through 2011 were combined because the breakdown by biennium was not available. For 2017, agencies had not started 27 of the 37 projects; none of the 37 projects were completed by March 2018.

SOURCE: Minnesota IT Services.

As stated earlier, state agencies may transfer remaining appropriations into the Account for eligible and approved agency-specific or enterprise-wide IT projects. Agencies transferred a total of approximately \$41 million into the Account at the end of the 2015 and 2017 biennia.

Exhibit 6 identifies the nine agencies that contributed approximately 80 percent of the \$41 million transferred into the Account during this time period.

Exhibit 6: Transfers into the Information and Telecommunications Account, by Agency, for the Biennia Ending 2015 and 2017 (in thousands)

| | |
|----------------------------------|---------|
| Minnesota Management and Budget | \$7,675 |
| Department of Corrections | \$6,513 |
| Department of Health | \$5,404 |
| Department of Labor and Industry | \$3,991 |
| Department of Revenue | \$2,500 |
| Department of Education | \$2,411 |
| Minnesota IT Services | \$1,722 |
| Department of Commerce | \$1,325 |
| Department of Veterans Affairs | \$1,250 |

SOURCE: State of Minnesota's accounting system.

Exhibit 7 identifies the original funding sources of the \$41 million transferred into the Account.

Exhibit 7: Original Funding Source of Transfers to the Information and Telecommunications Account for the Biennia Ending 2015 and 2017 (in thousands)

| Fund | Amount Transferred | Percentage of Total | Contributing Agencies |
|--|--------------------|---------------------|---|
| General | \$27,551 | 67% | Various |
| Other Miscellaneous Special Revenue | 5,171 | 13 | Minnesota Management and Budget |
| Workers' Compensation | 3,328 | 8 | Department of Labor and Industry, Workers' Compensation Court of Appeals |
| Health Related Board | 1,838 | 4 | Health Licensing Boards |
| Restricted Miscellaneous Special Revenue | 1,175 | 3 | Minnesota Department of Revenue, Minnesota Department of Public Safety, Peace Officers Board, Minnesota Zoo |
| State Government Special Revenue | 947 | 2 | Minnesota Department of Health |
| Health Care Access | 910 | 2 | Minnesota Department of Health |
| Trunk Highway | 84 | <1 | Minnesota Department of Public Safety |
| Total Amount Transferred | \$41,004 | 100% | |

SOURCE: State of Minnesota's accounting system.

Financial Activity

MNIT records all Account-related transfers of remaining appropriations and corresponding project expenditures. Exhibit 8 shows the financial activity within the Account over the last four years.

Exhibit 8: Information and Telecommunications Account Sources and Uses, Budget Fiscal Years 2015 through 2018 (in thousands)

| | Budget Fiscal Years | | | |
|------------------------------------|---------------------|-----------------|-----------------|-----------------|
| | 2015 | 2016 | 2017 | 2018 |
| Beginning Balance | \$14,265 | \$38,892 | \$24,382 | \$28,594 |
| Sources | | | | |
| Transfers from Other Agencies | \$28,956 | \$ – | \$12,048 | \$ – |
| Receipts | 360 | – | – | – |
| Total Sources | <u>\$43,581</u> | <u>\$38,892</u> | <u>\$36,430</u> | <u>\$28,594</u> |
| Uses | | | | |
| Personnel Costs | \$ 95 | \$ 1,493 | \$ 973 | \$ 1,065 |
| Purchased Services and Other Costs | 4,594 | 11,331 | 6,863 | 6,242 |
| Other Uses ^a | – | 1,686 | – | 5,102 |
| Total Uses | <u>\$ 4,689</u> | <u>\$14,510</u> | <u>\$ 7,836</u> | <u>\$12,409</u> |
| Ending Balance | <u>\$38,892</u> | <u>\$24,382</u> | <u>\$28,594</u> | <u>\$16,185</u> |

NOTES: This table includes budget year 2018 financial activity posted in the state's accounting system as of May 17, 2018. However, the scope of our audit included only budget year 2018 activity as of March 2018.

^a "Other Uses" includes money encumbered for future expenditures and money transferred back to the original funding sources.

SOURCE: State of Minnesota's accounting system.

Personnel Costs

Payroll costs accounted for approximately 11 percent of all project costs. These costs included only payments to employees from MNIT, Minnesota Management and Budget, and the departments of Administration and Revenue, who worked directly on the projects.

Purchased Services and Other Costs

Purchased services and other costs accounted for almost all of the remaining 89 percent of all project expenditures. A majority of these costs were for professional and technical services, such as outside vendors who provided consultation, project management, business analysis, quality control, and other related functions for projects. Other costs included software licensing and maintenance fees, IT equipment, and supplies.

Audit Scope and Objectives

The objectives of our selected scope audit were to provide stakeholders with an overview of the Information and Telecommunications Account since its inception and to answer the following questions for the period from July 1, 2014, through February 28, 2018:

- Did Minnesota IT Services have adequate internal controls to ensure it used the Information and Telecommunications Account for the intended purposes and safeguarded its resources?
- Did Minnesota IT Services comply with significant legal provisions and internal policies and procedures related to (1) the Information and Telecommunications Account, (2) management’s authorizations, (3) terms of contracts, and (4) the creation of an accurate and reliable report for the Legislature?

We audited the following areas:

- Transfers into the Account
- Projects and expenditures
- Mandatory report to the Legislature

Audit Methodology and Criteria

To answer the objectives, we conducted a variety of audit procedures. We interviewed MNIT staff to gain an understanding of Information and Telecommunications Account policies and procedures. We tested samples of projects and reviewed supporting documentation to determine if MNIT had effective controls and complied with state statutes and its own policies and procedures. We also examined samples of project expenditures and reviewed supporting documentation to test whether controls were effective and to determine whether transactions complied with finance-related legal provisions. Finally, we tested the required legislative report to determine if it was complete and accurate.

During the audit, we reviewed 44 projects that incurred expenditures during our audit scope. We also separately identified and reviewed 10 IT consolidation projects and 17 approved projects where agencies transferred money into the Account prior to 2017 but did not incur expenditures as of March 2018.

We conducted the audit in accordance with generally accepted government auditing standards.¹⁰ Those standards require that we plan and perform the audit to obtain

¹⁰ Comptroller General of the United States, Government Accountability Office, *Government Auditing Standards* (Washington, DC, December 2011).

sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Audit standards also require us to consider the risk of errors in accounting records and potential noncompliance when planning and conducting the audit.

We assessed internal controls against the most recent edition of the internal control standards, published by the U.S. Government Accountability Office.¹¹ To identify legal compliance criteria for the activity we reviewed, we examined state laws, state administrative rules, state contracts, and policies and procedures established by the audited agency and the departments of Management and Budget and Administration.¹²

Conclusion

Minnesota IT Services' internal controls over the Information and Telecommunications Account were generally not adequate. For the projects and legislative report we tested, Minnesota IT Services generally did not comply with significant legal requirements, including Minnesota statutes and its own policies and procedures.

The following *Findings and Recommendations* section provides further explanation about the deficiencies in internal controls and instances of noncompliance.

¹¹ Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government* (Washington, DC, September 2014). In September 2014, the state of Minnesota adopted these standards as its internal control framework for the executive branch.

¹² MNIT's policies include Policy Information and Telecommunications Technology and Services Account, 2007, revised in 2013; Odyssey Program User Guide, August 2015, version 2.0; Odyssey Program User Guide, revised in April 2017, version 2.3; and Odyssey Fund Financial Management Procedure, 2017.



Findings and Recommendations

FINDING 1

Minnesota IT Services did not provide adequate oversight for Information and Telecommunications Account (ITA) projects and did not comply with applicable policies.

Since the creation of the ITA in 2006, Minnesota IT Services (MNIT) has strengthened its policies to ensure projects are subject to appropriate oversight. However, MNIT has not enforced its policies and has not monitored compliance with its own policies or other applicable state policies.¹³ Instead, MNIT has relied on its staff to voluntarily comply with these policies. Our audit identified inadequate oversight and noncompliance at each project stage. We list the most significant deficiencies below.



Initiation

Minnesota IT Services did not verify that agencies submitted completed and authorized ITA project requests, in which agencies describe the eligible project and identify the money to transfer. Without completed and authorized project requests, MNIT risks approving projects that are not eligible or allowing agencies to inappropriately avoid cancellation of remaining appropriations.

For example, we found that MNIT:

- Did not have project requests for 4 of 61 projects tested; agencies transferred approximately \$8 million into the Account for these 4 projects.¹⁴
- Did not ensure agencies authorized project requests prior to the transfer of approximately \$8.4 million for 13 of 61 projects tested.



Planning

Minnesota IT Services did not ensure that agencies properly planned ITA projects before they allowed agencies to use money in the Account. In the planning documents, agencies identify the resources, timelines, and deliverables for each project. Without these plans, MNIT cannot assess project viability and cannot determine if costs paid relate to the project.

¹³ MNIT's policies include Policy Information and Telecommunications Technology and Services Account, 2007, revised in 2013; Odyssey Program User Guide, August 2015, version 2.0; Odyssey Program User Guide, revised in April 2017, version 2.3; and Odyssey Fund Financial Management Procedure, 2017. The state policies are referenced on the following page.

¹⁴ The number of projects tested varied depending on the stage of the project, the project activities, the timing of the project, and the tests we conducted.

For example, we found that MNIT:

- Did not have planning documents or had documents that were not complete for 5 out of 53 projects tested.
- Could not provide evidence that it reviewed the planning documents before allowing agencies to expend money for 10 out of 38 projects tested.



For ITA projects, Minnesota IT Services did not always comply with state payroll and procurement policies, which provide controls to mitigate the risk of fraud, error, and abuse.

For example, we found that MNIT:

- Did not have conflict-of-interest disclosures for 3 out of 11 contracts tested.¹⁵
- Did not document the rationale for retroactive funding adjustments to employees' payroll costs for 7 of 16 transactions tested.¹⁶
- Did not execute necessary amendments to the interagency agreements for 2 out of 61 projects tested and executed amendments for another 8 out of 61 projects tested after the original agreements had expired.¹⁷



Minnesota IT Services did not adequately monitor ITA projects to ensure that agencies were meeting project deliverables and timelines, as identified in the ITA planning documents. By not adequately monitoring projects, MNIT cannot take corrective action if an agency does not meet deliverables and timelines.

For example, we found that MNIT:

- Did not have a majority of the required monthly progress reports for 35 out of 51 projects tested.
- Could not show that it held required quarterly meetings with project teams for 30 out of 39 projects tested.

¹⁵ Department of Administration, Professional/Technical Contract Manual, Section 2: Ethics and Conflict of Interest, requires employees participating in the procurement process to read and understand conflict-of-interest policies and laws. The manual requires that statements affirming review must be maintained in the contract file.

¹⁶ MMB Statewide Payroll Policy – PAY0029 Mass Expense Transfers requires agencies to document reasons for corrections.

¹⁷ Department of Administration, Professional/Technical Contract Manual, Section 8: Contract Amendment. *Minnesota Statutes* 2017, 16C.05, subd. 2 (a) (1), requires agencies to execute amendments before the original agreements expire.

- Allowed 35 out of 60 employees tested to charge time to projects either without being included in the staff budgets or before the start date.



Minnesota IT Services did not properly oversee ITA project completion.

Without project closure reports, MNIT cannot ensure that the agency achieved project deliverables and determine whether money remains in the Account.

For example, we found that MNIT:

- Did not obtain closure reports for 10 out of 22 closed projects tested to validate that agencies achieved project deliverables.

Without adequate project oversight and compliance with policies, MNIT increased its risk that agencies (1) transferred money for projects that were not eligible, (2) paid for costs that were not related to the project, and (3) failed to achieve project deliverables.

RECOMMENDATION

Minnesota IT Services should consistently monitor ITA projects and ensure compliance with applicable policies.

FINDING 2

The law does not state how Minnesota IT Services should handle money remaining from older Information and Telecommunications Account (ITA) projects.

In 2016, the Legislature established a deadline for how long money could remain in the Account. The 2016 Legislature amended the law governing the Account to state that “any portion... from a fund transfer... that remains unexpended and unencumbered at the close of the fiscal year four years after the funds were received in the account shall lapse to the fund from which the receipt was transferred.”¹⁸ Prior to 2016, the statute did not specify what to do with remaining project money once a project was completed. MNIT retained all remaining balances from the projects approved in 2013 or earlier.

We found that MNIT retained approximately \$330,000 of remaining agency-specific project money to use for an enterprise-wide project, IT consolidation.¹⁹ While the law does not specify how MNIT should handle money remaining from older ITA projects, MNIT has included language in most of its interagency

¹⁸ *Laws of Minnesota* 2016, chapter 189, art. 13, secs. 22-25, codified as *Minnesota Statutes* 2017, 16E.21, subd. 4.

¹⁹ As of March 2018, MNIT reported that it had not expended any of the \$330,000.

agreements that allows it to retain “nominal” amounts from each project to use for other ITA initiatives. The definition of “nominal,” however, is not clear.

We found one example of an ITA project where MNIT retained 85 percent (\$59,000) of the amount transferred. We found four additional projects where MNIT retained between 9 and 68 percent of the amount transferred. For each of these four projects, MNIT retained between \$12,000 and \$85,000. For one ITA project, the interagency agreement prohibited MNIT from retaining any money remaining to use for IT consolidation. However, we found that MNIT retained 100 percent of the amount transferred (\$50,000).²⁰

RECOMMENDATIONS

The Legislature should clarify in law the disposition of remaining ITA project balances, including the \$330,000 identified in our audit.

FINDING 3

Minnesota IT Services did not have controls in place to follow up on approved Information and Telecommunications Account (ITA) projects that had not spent money transferred into the Account.

We found 17 projects for which agencies transferred approximately \$1.9 million into the Account in 2013 and 2015, but had not spent any of the money as of March 2018.

- Agencies had not started 16 of the 17 projects, representing a total of \$1.3 million transferred into the Account. Some of these projects did not start because agencies either did not have sufficient resources or prioritized other IT projects.
- One agency started the remaining 17th project. However, the agency used alternative funding sources to pay for project costs, rather than the \$602,750 it had transferred into the Account for the project in 2015.

Prior to the 2016 changes in the law, agencies did not have an incentive to start projects or use transferred money within specific timeframes because the money was available until expended. MNIT staff told us that individual agencies determine project priority and funding. Without controls in place, the money could remain in the Account indefinitely, which may not be in the state’s best interest.

²⁰ This project was completed but paid for using an incorrect funding source.

The recent legislative changes put a four-year limit on the availability of money transferred into the Account. This change provides agencies with an incentive to start projects and expend money within four years. However, the law does not specify whether MNIT should apply this limit retroactively to older money remaining in the Account.

RECOMMENDATIONS

Minnesota IT Services should establish controls to ensure ITA projects begin and money in the Account is spent in a timely manner.

The Legislature should clarify in law whether the four-year limit on the availability of money in the Account should be applied retroactively.

FINDING 4

Minnesota IT Services submitted an inaccurate and incomplete Information and Telecommunications Account (ITA) report to the Legislature.

Minnesota Statutes 2017, 16E.21, subd. 5, requires MNIT to prepare and submit a report to the Legislature on the status of projects by September 15 of each odd-numbered year. The law does not specify what information should be included in the report.

In its 2017 report, MNIT stated that the report included “the names and short descriptions of projects currently funded through the account, the names of the contributing agency, as well as project account balance information and project status.”²¹ We found that MNIT:

- Omitted 10 projects with total budgets of approximately \$7.7 million and expenditures of about \$6.1 million. These projects did not have any remaining balances but had a total of \$1.6 million encumbered for future expenditures.
- Understated the budgets by about \$1.6 million and expenditures by approximately \$1.3 million for 6 projects.

Several factors contributed to MNIT producing an inaccurate and incomplete report. For example, over the past several years, MNIT made multiple changes in how it accounted for projects and reported financial information. These changes made tracking project information over time difficult and resulted in MNIT including only 2016 to 2018 project information in the report. Additionally, MNIT misrepresented

²¹ 2017 Information and Telecommunications Account Report, cover letter.

the project information in the report in its communication to the Legislature. Without access to complete and accurate information, the Legislature cannot make effective decisions regarding the Account.

RECOMMENDATIONS

Minnesota IT Services should implement controls to ensure ITA reports are accurate and complete.

The Legislature should clarify in law the information Minnesota IT Services is required to present in the ITA report.

Appendix: Projects Reviewed

This Appendix includes 71 projects reviewed during our audit. We reviewed 44 projects that incurred expenditures between July 2014 and March 2018. We also reviewed 10 IT Consolidation projects and 17 projects that have not started expending Information and Telecommunications Account money.

Below is a Legend of Agency Acronyms used in the following exhibits.

| | |
|------------------|--|
| Administration | Minnesota Department of Administration |
| AELSLAGID | Minnesota Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience and Interior Design |
| Agriculture | Minnesota Department of Agriculture |
| CAAPB | Capitol Area Architecture Planning Board |
| Commerce | Minnesota Department of Commerce |
| Corrections | Minnesota Department of Corrections |
| DLI | Minnesota Department of Labor and Industry |
| Education | Minnesota Department of Education |
| Health | Minnesota Department of Health |
| Human Rights | Minnesota Department of Human Rights |
| MMB | Minnesota Management and Budget |
| OHE | Minnesota Office of Higher Education |
| Public Safety | Minnesota Department of Public Safety |
| PUC | Minnesota Public Utilities Commission |
| Revenue | Minnesota Department of Revenue |
| Veterans Affairs | Minnesota Department of Veterans Affairs |

Exhibit 1a: Information and Telecommunications Account Projects Reviewed that Incurred Expenditures (in thousands)

| Project Name ^a | Contributing Agencies ^b | Project Purpose ^c | Year of Initial Investment ^d | Total Transferred ^e |
|---|------------------------------------|---|---|--------------------------------|
| MNCHOICE | Corrections | Replace the current victim notification system | 2017 | \$1,000 |
| Infectious Disease Lab Information Management Systems (IMS) | Health | Replace the Oracle-based legacy Laboratory Information Management System (LIMS) and Enterprise Laboratory Information System (ELIS) systems | 2017 | 950 |
| Data Disaggregation | Education | Establish a data-collection system to collect, analyze, and report on disaggregated student data, including Asian American Pacific Islander subgroups | 2017 | 270 |
| Early Childhood Systems Enhancement | Education | Enhance MDE systems to accommodate new data collection requirements under the new Voluntary Pre-Kindergarten program, streamline current data collections for early childhood, and create new reporting capabilities to support local providers | 2017 | 250 |
| COMS Technology Modernization | Corrections | Modernize the Correctional Operations Management System (COMS), which collects and tracks data about offenders committed to the Commissioner of Corrections | 2015 | 4,475 |
| Statewide Systems Development and Enhancement | MMB | Support efforts to: <ol style="list-style-type: none"> (1) Upgrade the Enterprise Learning Management (ELM) and Statewide Integrated Financial Tools (SWIFT) systems (2) Add additional data subjects and reporting to the data warehouse (3) Enhance statewide system performance and functionality | 2015 | 3,135 |
| Statewide Budget Systems | MMB | Complete the development of the Capital Budget System (CBS), implement enhancements to the Fiscal Note Tracking System (FNTS), and further develop and improve the Budget Planning and Analysis System (BPAS) | 2015 | 3,075 |
| Voice Over Internet Protocol (VOIP) Conversion | Public Safety | Replace Public Safety's legacy Aspect phone system with MNIT's Call Center Minnesota Managed Service | 2015 | 800 |

Exhibit 1a: Information and Telecommunications Account Projects Reviewed that Incurred Expenditures (in thousands) – continued

| Project Name ^a | Contributing Agencies ^b | Project Purpose ^c | Year of Initial Investment ^d | Total Transferred ^e |
|--|--|---|---|--------------------------------|
| Labor Standards Case Management | DLI | Replace legacy applications supporting the Labor Standards Unit at DLI and implement a modern case management system | 2015 | \$ 750 |
| Enterprise LAN Migration | Corrections | Deliver enterprise Local Area Network (LAN) services to all of the department's locations | 2015 | 618 |
| Veterans Affairs Electronic Content Management | Veterans Affairs | Migrate two paper-intensive systems into a new ECM solution, create one veteran record utilized by both Benefit and Claims departments, and transfer paper documents to electronic film/microfilm | 2015 | 614 |
| FileNet Migration | AELSLAGID, Board of Accountancy, Commerce, PUC | Migrate the current FileNet installation, data, and documents from the central infrastructure to the DHS infrastructure, and enhance FileNet installation for Commerce/Boards/PUC after the migration is complete | 2015 | 600 |
| Newborn Screening Lab Information Management System (LIMS) | Health | Replace existing Laboratory Information Management System (LIMS) | 2015 | 600 |
| Integrated Data Warehouse | OHE | Develop an integrated data warehouse for performance administrative data collected by OHE | 2015 | 451 |
| Clearpath Mainframe Modernization | Education | Move all of the department's active COBOL applications from the UNISYS ClearPath mainframe with DMSII databases to a Windows Server platform using a SQL Server database | 2015 | 418 |
| Minnesota Cancer Reporting System (MCRS) | Health | Implement MCRS system and migrate data to the new system | 2015 | 411 |
| Department of Administration Document Management System | Administration | Improve customer service and gain process efficiencies by conducting a Document Management System analysis, followed by system procurement and installation | 2015 | 345 |

Exhibit 1a: Information and Telecommunications Account Projects Reviewed that Incurred Expenditures (in thousands) – continued

| Project Name ^a | Contributing Agencies ^b | Project Purpose ^c | Year of Initial Investment ^d | Total Transferred ^e |
|------------------------------------|------------------------------------|---|---|--------------------------------|
| MEDSS Enhancements | Health | Reach technical and semantic interoperability between Minnesota Newborn Screening (NBS) and Newborn and Child Follow-up unit's (NCFU) data systems | 2015 | \$ 287 |
| Indoor Environments Application | Health | Develop an IT application needed to manage data associated with regulatory programs; the objectives are to track inspection and enforcement activities and regulate party licensing/certifications | 2015 | 273 |
| Health Licensing Background Checks | Health Licensing Boards | Build a user interface that will integrate data related to the Criminal Background Check process for each board; data integration will include the 13 boards using or in the process of deploying the Automated Licensure Information Management System (ALIMS) and boards using other products for their licensure processes | 2015 | 150 |
| DPS LAN Switch Deployment | Public Safety | Deploy an enterprise CISCO Local Area Network (LAN) switch solution at the department's Town Square location | 2015 | 50 |
| Performance Measures Dashboard | Health | Develop dynamic charts and graphs on the department's performance measures SharePoint site | 2015 | 50 |
| Legislative Bill Tracking | Health | Develop a new bill tracking system at the division level and Office of Legislative Relations level | 2015 | 47 |
| Records Management | CAAPB | Contract with a document scanning company to gather historical CAAPB documents and scan the documents offsite; the scanning company will then deliver the digital files to CAAPB to store on the CAAPB network | 2015 | 41 |
| PT Therapy System Automation | Board of Physical Therapy | Enable the board's meetings to be conducted using electronic documents instead of a hard-copy system, saving the physical resources and staff time necessary to prepare the documents | 2015 | 30 |

Exhibit 1a: Information and Telecommunications Account Projects Reviewed that Incurred Expenditures (in thousands) – continued

| Project Name ^a | Contributing Agencies ^b | Project Purpose ^c | Year of Initial Investment ^d | Total Transferred ^e |
|--|---|--|---|--------------------------------|
| PPD Inspection System Analysis | Agriculture | Analysis to determine the best fit of inspection technology to support the regulatory requirements | 2015 | \$ 17 |
| Wolf Depredation Database | Agriculture | Create a new database of information for wolf depredation | 2015 | 14 |
| Supervision Electronic Worksheet | Minnesota Sentencing Guidelines Commission | Conduct analysis, development, testing, and deployment of enhancements to the Electronic Worksheet System | 2015 | 13 |
| Podiatric Medicine Data System | Board of Podiatric Medicine | Enhance database system to create a user-friendly module in the Automated Licensure Information Management System (ALIMS) to encompass all components of the complaint process | 2015 | 3 |
| GenTax | Revenue | Upgrade GenTax software to enhance tax and revenue operations | 2013 | 6,090 |
| MNET Enhancement for Courts | State Court Administrator's Office | Provide wide area network (WAN) resiliency to statewide county court locations | 2013 | 3,097 |
| Recruiting Solutions | MMB | Replace existing application tracking system with new Enterprise Talent Management System to track applications for positions with the state | 2013 | 2,265 |
| SWIFT Reporting Enhancement | Administration, Commerce, DLI, Human Rights, MMB, OHE, Public Safety, Revenue, Veterans Affairs | Add additional procurement and financial reporting functionality to the state's enterprise SWIFT system | 2013 | 1,560 |
| Risk Mitigation – Grants Management | Health | Deploy a uniform electronic Grants Management System to business units within the department | 2013 | 864 |
| Commerce Data Integration | Commerce | Provide a comprehensive inventory of, identify gaps in, and implement solutions to those gaps for data, data analysis tools, and communication tools/skill sets | 2013 | 750 |
| Health Economics Program (HEP) Managed Hosting | Health | Purchase, install, configure, and administer MNIT secure servers and storage area network (SAN) environment that meets the research needs of HEP | 2013 | 670 |

Exhibit 1a: Information and Telecommunications Account Projects Reviewed that Incurred Expenditures (in thousands) – continued

| Project Name ^a | Contributing Agencies ^b | Project Purpose ^c | Year of Initial Investment ^d | Total Transferred ^e |
|--|--|--|---|--------------------------------|
| Workers' Compensation Modernization System | DLI | Modernize the Workers' Compensation system to modernize technology, improve the business processes involved, avoid long-term costs, and gain greater efficiency | 2013 | \$ 500 |
| E-licensing System Improvement | DLI | Expand current licensing system to add apprenticeship registrations | 2013 | 300 |
| Tax Court Case Management | Minnesota Tax Court | Acquire and deploy a case management system that will help the tax court manage case information more efficiently and allow for electronic integration with the District Courts and the Appellate Courts, with which they need to exchange court documents | 2013 | 150 |
| Web Collaboration | Minnesota Bureau of Mediation Services | Complete the Bureau's website redesign and migration to the state's enterprise web platform, Tridion | 2013 | 75 |
| Internet Protocol Telephony (IPT) Infrastructure Enhancement | Revenue | Implement call-recording capabilities for Revenue's Collection and Tax Operation call center agents | 2013 | 58 |
| Department of Administration Website | Administration | Complete the department's website redesign and migration to the state's enterprise web platform, Tridion | 2013 | 50 |
| HR Grievance Tracking System | Administration | Configure, train staff, and implement HR Acuity's grievance tracking software as a service (SAAS) solution (or similar product) | 2013 | 50 |
| Voice Over Internet Protocol (VOIP) Conversion | Minnesota Indian Affairs Council | Replace the Centrex Service with the enterprise VOIP | 2013 | 10 |

^a Project names as listed in either the state of Minnesota's accounting system or the 2017 Information and Telecommunications Account report to the Legislature.

^b Contributing agencies based on the appropriation transfer information in the state of Minnesota's accounting system.

^c Project purpose listed in either the 2017 Information and Telecommunications Account report to the Legislature or the interagency agreement pertaining to the project.

^d Year of initial investment based on transfer information in the state of Minnesota's accounting system.

^e Total amount transferred based on transfer information in the state of Minnesota's accounting system.

SOURCES: Minnesota IT Services, state of Minnesota's accounting system, and the 2017 Information and Telecommunications Account report to the Legislature.

Exhibit 2a: Information and Telecommunications Account – IT Consolidation Projects Reviewed (in thousands)

| Project Name | Project Purpose | Account Money Allocated |
|-------------------------------------|---|-------------------------|
| Managed Hosting | Create a Managed Hosting environment in the state's Enterprise Data Center 4 (EDC4) with the requisite environments, functionality, services, and processes to support being "service ready" | \$1,240 |
| Operations Service Optimization | Several projects intended to define and implement the Enterprise and Shared Services that MNIT will provide to the rest of the Executive Branch in fiscal years 2018 through 2019; the goal is to provide standardized offerings and operational processes within these services, and find efficiencies in service delivery across the Executive Branch | 998 |
| Financial Management | Consolidate financial processes within MNIT and enhance its budget and rate-setting system | 554 |
| Enterprise Cloud Operations Support | Develop runbooks that clearly define the processes needed to manage cloud-related requests and issues for the Enterprise Cloud | 200 |
| Workstation Management Pilot | <ul style="list-style-type: none"> Consolidate the approach, tools, policies, and procedures that the Workstation Management function is responsible for delivering Implement standard operational processes (SOP) for the specific responsibilities of the Workstation Management team Ensure the ITSM tool (Remedy onDemand) adequately supports the Workstation Management function | 200 |
| Sciforma Implementation | Install the project portfolio and project management software, Sciforma | 192 |
| Single Service Desk | Implement an Enterprise Service Desk to facilitate the intake, triage, and tracking of all incident and service requests | 150 |
| Web Collaboration | Create a WCMS service on the Drupal platform using Acquia as the cloud SaaS service provider | 122 |
| Geospatial | <ul style="list-style-type: none"> Create a modern, standard technology environment to deliver a shared-services approach through cross-agency collaboration Make executive branch agencies' geospatial data, services, and applications easier to publish, share, discover, and access | 104 |
| Active Directory | <ul style="list-style-type: none"> Combine individual agency Active Directory (AD) systems into an executive branch Active Directory system that is centrally managed by a dedicated team Combine all user and resource objects (e.g., printers and computers) into the executive branch Active Directory system | 80 |

SOURCES: Minnesota IT Services and state of Minnesota's accounting system.

Exhibit 3a: Information and Telecommunications Account Projects Reviewed Without Expenditures as of March 2018 (in thousands)

| Project Name ^a | Contributing Agencies ^b | Project Purpose ^c | Year of Initial Investment ^d | Total Transferred ^e |
|--|---|---|---|--------------------------------|
| Minnesota All Payer Claims Database | Health | Enhance the environment of the All Payer Claims Database to support analysis on healthcare costs, access, quality, utilization, and disease burden | 2015 | \$660 |
| Automated Licensure Information Management System (ALIMS) Compact Law Implementation | Board of Medical Practice | Create a “Coordinated Information System” within the board’s new ALIMS to allow the board to comply with relevant medical licensing laws | 2015 | 603 |
| Family Home Visiting Reporting and Evaluation System (FHVRES) Enhancements | Health | <ul style="list-style-type: none"> • Implement enhancements to FHVRES • Improve workflow and flexibility to meet future federal or state reporting requirements | 2015 | 170 |
| Health Care Homes (HCH) Certification Application | Health | <ul style="list-style-type: none"> • Replace existing HCH application • Investigate e-licensing solutions to determine if there is a viable replacement of the existing system that would meet all HCH business needs | 2015 | 150 |
| Case Management System Enhancement | Ombudsman of Mental Health and Developmental Disabilities (OMHDD) | <ul style="list-style-type: none"> • Modify OMHDD’s case management system to support changes in OMHDD processes • Increase reporting capabilities and automation | 2015 | 79 |
| Rapid Inspection System Upgrade | Health | Develop an IT application for the implementation of a new retail food code and a new public swimming pool code | 2015 | 50 |
| Achievement and Integration | Education | Create a Web portal that will support school district participation in the state’s Achievement and Integration Program; the Web portal would replace a paper-based system | 2015 | 30 |
| Automated Licensure Information Management System (ALIMS) | Board of Chiropractic Examiners | Enhance ALIMS online application for nonlicense items, externship program monitoring, automatic upload of public items to the website, and automation of processes | 2015 | 30 |
| Health Surveillance Data | Health | Develop an IT application to manage blood lead surveillance data | 2015 | 25 |
| Construction Project Management | Administration | Customize the functionality of the Real Estate and Construction Services’ project tracking software | 2015 | 21 |

Exhibit 3a: Information and Telecommunications Account Projects Reviewed Without Expenditures as of March 2018 (in thousands) – continued

| Project Name ^a | Contributing Agencies ^b | Project Purpose ^c | Year of Initial Investment ^d | Total Transferred ^e |
|---|--|--|---|--------------------------------|
| Board of Social Work System | Board of Social Work | <ul style="list-style-type: none"> Implement an online jurisprudence exam for licensees to enhance practice competence and compliance Enhance a module for the complaint resolution process, reporting capacity, and document management | 2015 | \$ 15 |
| Veterinary Medicine Database System Enhancement | Board of Veterinary Medicine | <ul style="list-style-type: none"> Enhance the e-licensing system used by the Board Create versatile, functional complaint database system and training program for use of new database module | 2015 | 11 |
| Automated Licensure Information Management System (ALIMS) Enhancement Nursing Home Administration | Board of Examiners for Nursing Home Administrators | Enhance the ALIMS system such that all fees can be paid via credit card | 2015 | 10 |
| Board of School Administrators (BOSA) Fee Payment System | Board of School Administrators | Develop a new online fee payment system | 2015 | 10 |
| Marriage/Family Data System | Board of Marriage and Family Therapy | <ul style="list-style-type: none"> Build the Continuing Education Online Application submission program Enhance system such that fees may be paid online Improve report generation systems in Automated Licensure Information Management System (ALIMS) | 2015 | 10 |
| Dietetics-Nutrition System | Board of Dietetics and Nutrition Practice | Enhance Automated Licensure Information Management System (ALIMS) to create a user-friendly, fully functional module in ALIMS to encompass all components of the complaint process | 2015 | 5 |
| Small Agencies Benchmark | Administration | Build on the Fiscal Year 2013 benchmarking study of procurement, finance, human resource, and payroll functions by supporting planning for and implementation of recommended IT systems | 2013 | 54 |

^a Project names as listed in either the state of Minnesota's accounting system or the 2017 Information and Telecommunications Account report to the Legislature.

^b Contributing agencies based on the appropriation transfer information in the state of Minnesota's accounting system.

^c Project purpose listed in either the 2017 Information and Telecommunications Account report to Legislature or the interagency agreement pertaining to the project.

^d Year of initial investment based on transfer information in the state of Minnesota's accounting system.

^e Total amount transferred based on transfer information in the state of Minnesota's accounting system.

SOURCES: Minnesota IT Services, state of Minnesota's accounting system, and the 2017 Information and Telecommunications Account report to the Legislature.





August 14, 2018

Judy Randall, Deputy legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
Saint Paul, MN 55155

Dear Ms. Randall,

I would like to begin by thanking you and your team for the work done on this audit of the Information and Telecommunications Account (ITA). We take very seriously the results of your work and appreciate your team's professionalism and diligence in reviewing MNIT's oversight activities related to use of the ITA account.

While policies and oversight surrounding the ITA account have been strengthened in recent years, your audit thoroughly demonstrates the extent of work that remains before full compliance with MNIT's ITA account internal oversight requirements can be claimed. While much of the oversight of IT projects in the executive branch occurs within the MNIT team based at the agency undertaking the project, oversight of the ITA program occurs at MNIT's central office. The shortcomings in compliance and enforcement identified in your audit are reflective of the fact that, while more rigorous policies and expectations for IT project oversight are now in place, there are not yet sufficient resources within MNIT's central, enterprise office to enforce consistent compliance with these more robust internal oversight requirements. While we continue to explore all available avenues to put in place such enterprise resources without diverting critical staff from the actual delivery of IT project work, we are committed to strengthening oversight and enforcement activities to the fullest extent possible given the resources currently available.

As you note in your report, MNIT has strengthened its policies over time to ensure projects funded through the ITA account are subject to appropriate oversight. This maturation of the ITA program was implemented in alignment with the build out of enterprise-level IT project oversight processes that were instituted as part of the IT consolidation initiative. This oversight was strengthened in 2016 when, in partnership with the Minnesota Legislature and Minnesota Management and Budget, additional transparency and oversight was instituted through statutory changes and the creation of a Legislative Advisory Commission review and approval process. As outlined below, we are committed to strengthening further the oversight and enforcement activities surrounding the ITA account.

Attached you will find more detailed responses to each of your findings, in addition to action items that MNIT has either identified or already completed to address each finding. We are committed to resolving these findings within the timeframes set forth below.

658 Cedar Street, St. Paul, MN 55155

Thank you again for your team's work on this important topic.

Sincerely,

A handwritten signature in blue ink that reads "Johanna P. Clyborne". The signature is written in a cursive style with a large initial 'J' and 'C'.

Johanna Clyborne.

Commissioner and State Chief Information Officer

Audit Finding 1

Minnesota IT Services did not provide adequate oversight for Information and Telecommunications Account (ITA) projects and did not comply with applicable policies.

Audit Recommendation 1

Minnesota IT Services should consistently monitor ITA projects and ensure compliance with applicable policies.

Response to Finding and Recommendation 1

Following the statutory changes made to ITA statutes (M.S. 16E.21) in 2016, the MNIT Enterprise Program Management Office (ePMO) strengthened its processes and controls for oversight of the ITA program.

For example, as it relates to the “Initiation” sub-findings under Finding 1, the ePMO required and ensured that ITA project requests submitted in the spring of 2017 (near the close of the FY16-17 biennium) were in place and authorized by both a MNIT Chief Business Technology Officer (CBTO) and a corresponding agency business-side leader or official designate before the requests were submitted to MMB and the Legislative Advisory Commission (LAC) for review. The signed project requests are archived and available for stakeholder review. Similarly, as it relates to the “Execution” sub-finding, process improvements related to the expiration of ITA inter-agency agreements (IAs) were also implemented in the spring of 2017, with no instances of expired IAs occurring at the end of the FY16-17 biennium or thereafter.

As it relates to the eight specific instances of IA expiration noted in the audit report from prior to 2017, it should be noted that MNIT anticipated the possibility that interagency agreements may not be amended prior to the expiration of the IA by following Department of Administration policy and guidance and thus including revival clauses in the interagency agreement amendments. See Section 8: Contract Amendments, page 3, Expired Contracts. These eight amendments included revival clauses and were executed within days of the original IA expiration dates. Also beginning in 2017, MNIT transitioned maintenance of conflict-of-interest disclosures from agency-based MNIT offices to MNIT’s central office to prevent potential misplacement of disclosure forms.

To fully implement the above recommendation, MNIT will institute the following processes and controls moving forward:

- Evidence that project planning documents have been reviewed and approved will be consistently archived in a designated repository and be available for stakeholder review. MNIT’s ePMO and Finance Department will collaborate to implement this resolution and update applicable policies.
- The ePMO will implement improved tracking of project planning document reviews, project quarterly check-ins, and project closeout meetings.
- MNIT will conduct an internal ITA program compliance review on an annual basis. Compliance review will be conducted annually between October 1st and November 30th. Results of the review will be delivered by December 18th. The scope of the review will include:
 - Compliance with monthly status report requirement
 - Compliance with quarterly check-in meeting requirement
 - Compliance with project closeout requirements
- The results of the compliance review will be presented to the applicable CBTO and their direct supervisor and included in the CBTO’s performance evaluation.
- Effective immediately, MNIT is requiring a written rationale from budget managers and their designees for all payroll expenditure corrections.

Responsible Person(s): Dave Osteraas; Tu Tong

Estimated Completion Date: End of calendar year 2018

Audit Finding 2

The law does not state how Minnesota IT Services should handle money remaining from older Information and Telecommunications Account (ITA) projects.

Audit Recommendation 2

The Legislature should clarify in law the disposition of remaining ITA project balances, including the \$330,000 identified in our audit.

Response to Finding and Recommendation 2

This recommendation is directed to the Legislature.

Responsible Person(s): N/A

Estimated Completion Date: N/A

Audit Finding 3

Minnesota IT Services did not have controls in place to follow up on approved Information and Telecommunications Account (ITA) projects that had not spent money transferred into the Account.

Audit Recommendation 3

Minnesota IT Services should establish controls to ensure ITA projects begin and money in the Account is spent in a timely manner.

The Legislature should clarify in law whether the four-year limit on the availability of money in the Account should be applied retroactively.

Response to Finding and Recommendation 3

As identified in the report, the Legislature's addition of a 4-year lapse provision during the 2016 Legislative Session provides an incentive for timely initiation of an ITA-funded project. While it would be inappropriate for the IT function of an organization to force the initiation of a project on an arbitrary timeline, it is important that the IT function ensure it fully understands its business partners' constraints and priorities and how they relate to unspent project funds. Therefore, to fully implement the above recommendation, MNIT will institute the following processes and controls moving forward:

- As referenced in MNIT's response to Finding 1, MNIT will conduct an internal ITA program compliance review on an annual basis. The scope of the review will include identification of all projects that had no associated expenditures in the previous year.

- The result of the review will be presented to the applicable MNIT Chief Business Technology Officer, so that they can confer with their agency business partners to determine if projects without expenditures have been deemed no longer viable or no longer a priority of the agency.

Responsible Person(s): Dave Osteraas

Estimated Completion Date: December 2018. Compliance review will be conducted annually between October 1st and November 30th. Results of the review will be delivered by December 18th.

Audit Finding 4

Minnesota IT Services submitted an inaccurate and incomplete Information and Telecommunications Account (ITA) report to the Legislature.

Audit Recommendation 4

Minnesota IT Services should implement controls to ensure ITA reports are accurate and complete.

The Legislature should clarify in law the information Minnesota IT Services is required to present in the ITA report.

Response to Finding and Recommendation 4

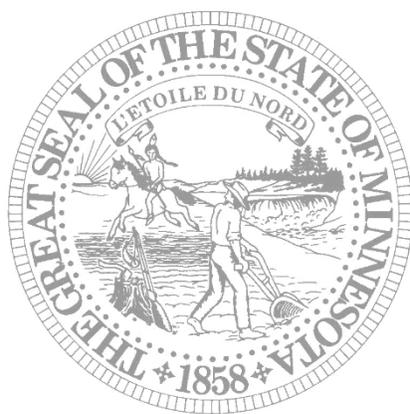
The report transmitted to the Legislature in 2017 inadvertently omitted information on certain projects, namely active projects that a zero dollar unspent balance. MNIT's intent when producing the report was to provide project and budget information on any project that had ITA account dollars remaining for use on the project. Therefore, when the report was generated, projects with a zero dollar unspent balance were excluded. This approach, however, had the effect of excluding from the report projects that had both active encumbrances and zero dollar unspent balances.

Moreover, the column in the report entitled "Project Budget" gave the incorrect impression that the figures within reflected a *total* budget for the project, when in fact the figures only reflected the remaining ITA portion of the project's budget in the current fiscal year. For context, agencies often use a mix of ITA dollars and other funding sources to complete a given IT project.

A revised report will be provided to the Legislature with project account balance information as of August 2018 that includes the projects that were inadvertently omitted from the 2017 report and clarifies the information being provided. Moving forward, MNIT will document repeatable processes for generation of this report in order to facilitate consistent and accurate reporting to the Legislature.

Responsible Person(s): Dave Osteraas, Tu Tong

Estimated Completion Date: September 2018



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