MEMORANDUM

Legislative Post Audit
800 SW Jackson Street
Topeka, Kansas 66612
Phone: (785) 296-3793
Web: www.kslpa.org

TO: Members, Legislative Post Audit Committee
FROM: Katrin Osterhaus, IT Audit Manager
DATE: April 24, 2024
SUBJECT: KDHE Early Childhood Data Integration and System Enhancement IT
          Project

Our primary aim in monitoring IT projects is to identify when a project is at risk of failure due to scope, schedule, or cost. By communicating our concerns to the agency, legislators, and other stakeholders we hope to help improve the project's health. Our secondary objective is to evaluate whether monitored IT projects have adequately planned for security controls. We started monitoring the Early Childhood Data Integration and System Enhancement project in January 2024.

<u>Project History</u>

- **The outdated Child Care Licensing and Regulation Information System (CLARIS) has significant limitations.** The Kansas Department of Health and Environment (KDHE) and the Department for Children and Families (DCF) jointly use CLARIS for their child care and foster care licensing programs. This includes processing child care or foster care facility applications and renewals, recording inspection results, requesting and maintaining background check information for licensees, and following up on facility complaints.

  Due to the system's age and outdated coding practices, the 2 agencies struggle keeping up with regulatory requirements, and can't provide flexible and real-time reports (e.g. number of licensed child care providers in western Kansas). Other problems include slow application and case management processing, reduced customer service, and lengthy staff training to navigate the system.

- **In Fall 2022, KDHE started considering upgrading or replacing CLARIS.** KDHE is the owner of record for CLARIS. As a result, KDHE is the primary agency for decisions regarding the system. Towards the end of 2022, KDHE and DCF staff received informal demonstrations from 4 vendors to explore possibilities of modern licensing systems. Those 4 vendors were chosen either because other Kansas state agencies were using them or they were planning on using them for their licensing needs. By April 2023, KDHE decided against upgrading CLARIS because IT staff were pessimistic about the time and resources it would take to complete the 200+ fixes staff had identified as necessary. Instead, KDHE began planning to replace the system.

  With the receipt of $5 million through the American Rescue Plan Act (ARPA),

KDHE had available funding to start planning for a replacement system. Between May and July of 2023, officials provided basic IT project information to the Kansas Information Technology Office. JCIT members were also notified about this planned project in line with statutory requirements. The executive branch Chief Information Technology Officer (CITO) approved the high-level project plan in August 2023. This is the first of 2 CITO approvals required by state policy.

- **In January 2024, KDHE signed a $4.3 million contract with Carahsoft Technology Corporation to provide a Software as a Service solution.** DCF and KDHE staff received formal demonstrations from 2 of the initial 4 vendors in Summer 2023. Staff from both agencies used a scoring matrix for the demos, and selected "GL Solutions" as the finalist. GL Solutions was part of the Carahsoft Technology Corporations Cloud Solutions contract led by Utah. The Kansas' Office of Procurement and Contracts had signed a participating addendum for this multi-state contract in 2017. Because GL Solutions was part of the multi-state contract Kansas had opted in on, KDHE did not need to go through a competitive bid process.

  In August 2023, GL Solutions submitted a technical proposal and worked with KDHE on a statement of work. KDHE received a price quotation for $4.3 million in December. In early January 2024, KDHE signed a user license agreement with GL Solutions to develop the needed licensing solution, using Software as a Service (SaaS). KDHE SaaS allows KDHE to rely on the vendor to provide and maintain the licensing software via the internet and cloud storage. SaaS avoids entities having to purchase, install, and maintain software in-house, and instead pay a vendor a subscription fee for the software. On January 19, 2024, KDHE approved the $4.3 million purchase order with Carasoft Technology for the software to be created through GL Solutions.

Monitoring Results

- **The Early Childhood Data Integration and System Enhancement project appears to be satisfactory in terms of Scope, Cost, and Schedule.** Our assessment is based on reviewing various project artifacts, attending kick-off and status meetings, and communications with project manager and other stakeholders through the end of this monitoring period (January 1 - April 1, 2024).

  - **As of April 1, 2024, the project is <mark>satisfactory in Scope</mark>.**

    - The project scope is agreed on by both parties and appears appropriate. The scope is guided by 4 project documents: the statement of work, licensing agreement, project management plan, and the Goals and Scope document. At a high level, the scope includes replacing CLARIS with a comprehensive software licensing system for child care and foster care. Components include processing various types of applications, renewals, surveys, as well as other processes (e.g. KORA requests, background checks, complaints, investigations, and various levels of enforcement).

The scope also includes creating 10 "interfaces" (connections) to and from external computer systems and agencies, such as the DCF Child Abuse Registry, Kansas Bureau of Investigation (for background checks), Kansas Eligibility Enforcement System (for medical and social service programs), and PayIt (Kansas' portal for certain government online payments). Lastly, the project scope includes a full year of standard hosting and support services once the system goes live.

- <u>The contractor's project management plan clarifies that project changes will impact the plan, budget, and schedule for the project</u>. KDHE accepted the project management plan mid-March, which included a project scope change management section. That section reminded stakeholders that project changes are inevitable, and allows for such changes to go through a managed control process. However, the plan cautions that uncontrolled deviations from the agreed-upon work ("scope creep") can become a problem for the ultimate success of the project.

o **As of April 1, 2024, the project is <mark>satisfactory in Cost</mark>.**

- <u>The project had an estimated $270,000 cost for internal costs in the early planning phase.</u> High level project plans approved in August 2023 estimated the total project cost at $5 million. This included internal planning costs of $100,000, as well as an estimate for the contract. It also included roughly $17,000 in quarterly fees, or about $170,000 total, for the Kansas Information Technology Office (KITO). Those are fees KITO assesses for all reportable IT projects state agencies carry out.

- <u>KDHE signed a fixed-price contract for $4.3 million to create the licensing software in January 2024</u>. Although payments will be made to Carasoft, 95% of the planned cost will pass through to GL Solutions to build the software solution. The statement of work document lists 25 deliverables, including a kick-off meeting, various system configuration, data conversion, testing, and training deliverables. Each of the deliverables has acceptance criteria and associated costs which sum to the overall contract cost. In mid-March, KDHE paid the vendor $115,500 for the first deliverable. As of the end of this quarter, no change orders exist that increased the contract cost.

- <u>Some of the additional costs related to the project likely won't be estimated or monitored.</u> The project has a number of state agency stakeholders, in addition to a business project manager and a senior project manager who will spend some of their time overseeing the project. Additionally, KDHE and DCF will incur costs for staff resources during the project's execution. That's to help the contractor create accurate business case scenarios, validate designs, evaluate data conversion, test system components, and training. Those internal

resource costs won't be included as part of the overall project cost.

- **As of April 1, 2024, the project is <mark>satisfactory in Schedule</mark>.**
  - <u>The initial estimated completion date was September 2026.</u> High level project plans approved by the executive-branch CITO in August 2023 estimated the project would begin execution early January, with a close-out date of early September 2026. According to KDHE's project manager, that schedule – created by agency staff - was conservative since the scope hadn't been refined by then.

  - <u>The current estimated completion date is October 2025.</u> The vendor's project schedule estimate is 11 months earlier than the original estimate. Additionally, the vendors' schedule envisions an initial go-live date in May of 2025, with reporting and other deliverables following. State and vendor staff met to discuss the schedule at the end of March, 2024. Those discussions prompted the vendor to adjust individual components such as several interfaces and user acceptance testing, but pushed both, the go-live and completion dates, out by only 2 weeks.

  - <u>As of April 1, KDHE officials approved the vendors' revised plan despite lingering concerns.</u> Although the completion date is more aggressive, the vendor's out-of-the-box solution likely will require little customization. As such, the project manager submitted the related milestones to the KITO for review. However, stakeholders expressed concerns regarding the 10-day turnaround KDHE's business project manager has to approve deliverables within the vendor's SharePoint platform. This is further complicated by having 2 programs and differing agency staff involved. Vendor staff said they would look into providing additional staff edit rights for the platform. KDHE and DCF staff will need to ensure they prioritize and provide timely feedback for the project to stay on track.

  - <u>Although the project has not yet received necessary CITO approval, the contractor has started working on use cases</u>. As mentioned above, the state's project management policies require the CITO to approve projects twice: The first approval occurs at the high-level planning stage, which this project received in August 2023. The second approval occurs once the CITO has reviewed the detailed IT project plan, including schedule milestones. This approval is still pending for this project. IT projects must receive the second CITO approval *before* they can move from the planning phase to execution phase. However, by the end of March, the vendor has moved forward by submitting several use cases, and state officials have approved one use case as of April 1. Although this may help keep the project on schedule, state policies are clear on this delineation.

- **As of April 1, 2024, the project is <mark>satisfactory in Security</mark>.**

  - <u>The signed license agreement includes a security section for the software which appears to be comprehensive</u>. That section requires GL solutions to provide a "good faith effort to meet applicable NIST 800-53, SOC I, and SOC II standards to prevent unauthorized access to, and use or modification of, the software and data." NIST 800-53 security standards are wide-ranging and detailed. As such, it is likely they surpass the state's current ITEC requirements.

    The section also outlines 22 specific provisions GL Solutions must provide or ensure. Those include user ID and access controls, security awareness training, audit logs, backup protocols, and incident response programs. Additional provisions include physical security measures, monthly vulnerability scans, encryption for transmitted data, malware protection, annual security audits. Although the signed contract does not require the vendor specifically to meet state security requirements, it's likely that given these provisions, the software will include satisfactory security controls.

  - <u>The project schedule includes about 40 business days to build security components</u>. Although this represents a relatively small proportion of the project's duration, it will likely encompass building specific security groups and field-based security settings for KDHE and DCF users and other stakeholders. The vendor's regular security processes are already established, since this project relies on the Security as a Service model.