IT Procurement and Contract Management

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Report 201702

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Overall Conclusion

Through Internal Audit's testing, we have found that IT complies with the City's Purchasing Policies and Procedures. The IT department has strong policies and procedures in place related to project development, implementation and maintenance (contract monitoring).

Management was also provided with additional Opportunities for Improvement to enhance internal controls. These were not considered significant to the objectives of the audit, but warrant the attention of Management. Consequently, they do not appear in this report.

Authorization

We have conducted an audit of IT Procurement and Contract Management. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objective(s)

1. Evaluate the City IT Department's procurement process to ensure that purchases are made in accordance with the Purchasing Directive 1 and the Texas Government Code.
2. Verify the effectiveness of contract management to ensure that contracts are monitored for compliance in accordance with agreed terms and conditions.

Scope and Methodology

IA conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of the audit is from October 1, 2014 – February 29, 2017. We reviewed a sample of 40 procured items and 11 IT contracts. Our scope was limited to review of these selections.

To adequately address the audit objectives and to describe the scope of our work on internal controls, IA performed the following:

- Reviewed current authorization and administrative processing controls over IT procurement and contracting activities. (Obj. 1 & 2)
- Reviewed Purchasing Directive 1 and applicable Texas Local Government Code. (Obj. 1)

- Reviewed IT purchase transactions and change orders to ensure compliance with applicable City Purchasing Directives and state and federal laws and regulations. (Obj. 1)
- Reviewed IT procurement card purchase transactions to ensure compliance with applicable City Purchasing Directives and state and federal laws and regulations. (Obj. 1)
- Interviewed IT personnel to determine methods for classifying significant IT projects. (Obj. 1)
- Interviewed IT personnel to determine the processes for project management and administration of significant IT projects, including project authorization, feasibility studies, budget management, cost reporting, and project status reporting. (Obj. 1)
- Reviewed contracts for inclusions such as insurance requirements, notice of cancellation, status updates, conflicts of interest, etc. (Obj. 2)
- Conducted a survey of various City departments regarding project implementation and software maintenance. (Obj. 1 & 2)

To assess the reliability of reports produced by the Finance Systems, IA reviewed source documents (invoices, purchase orders, contracts, etc.) and corroborated our evidence with data from Budget, P-Card system and departmental tracking documentation. As a result of our testing, IA determined that the data was sufficiently reliable for the purposes of this report.

Background

The City of Garland's Information Technology Department handles IT Project Requests and the ongoing maintenance of the related contracts and services. The FY15, FY16, and FY17 Approved IT Project Fund was $1,768,119, $1,466,306, and $1,422,916 respectively. [1]

New Projects

Annually as part of the budget process, City Departments make IT requests. Departments submit IT Hardware/Software requests for items not covered by the IT Replacement Program.[2] For new project requests, the departments contact their IT Business Relationship Manager or the Information Services Manager - Systems. These requests include information related to the purpose of the request, financial impact, internal IT resource estimates, project complexity, etc. These IT Project Requests all pass through the IT Board (ITB) and the Budget Department, who approve/deny requests, as well as determine their priority level. Reasons that the ITB would decline or postpone a requested project include IT staff resource limitations or departmental budget constraints. The ITB "promotes Information Security through the approval of policies, standards and guidelines. The ITB also provides executive oversight in handling all security breaches and policy exceptions."[3] The ITB meets annually to review all requests for new projects unless there are emergency requests submitted.

For all the projects that are approved, the process to select a vendor begins. If the requesting department knows generally what they want, IT can review various cooperative agreements/interlocal agreements to see if there are any suitable vendors. If not, IT will

work with the department to obtain their requirements, determine what options are available, if there are any existing options already available at the City, etc. If a new vendor is required, an RFP will be completed with the assistance of the Purchasing Department. IT complies with the City's Purchasing Policies and Procedures. This directive references specific bid requirements for purchases as well additional details for emergency purchases, single/sole source vendors, and interlocal/cooperative agreements.

On the City's internal website, IT has a Project Information Center which tracks each ongoing project's status and project portfolios.[4] In addition, the IT Department tracks all projects rejected by the ITB as well as those that were started, but cancelled for various reasons.

Examples of reasons for cancellation of projects include:
- the department requesting an upgrade, but the vendor not having any available,
- a combination of multiple projects into one, and
- the task being too small to warrant an entire project (less than 70 hours), but the software/hardware still being installed for the requesting department.

The System's group monitors the service provider's milestones and contract compliance during the initial stages for the projects. They use milestones and hold-backs noted in the contract to ensure that projects are completed before payment is made and that all agreed-upon tasks are completed.

At the end of each project, a final "project overview" document is completed. This includes budget to actuals for labor hours, costs, due dates, etc. The details of each project are evaluated and important key milestones are noted. There are also lessons learned listed for each project that help the IT Department reevaluate their procedures for future projects.

Contract Maintenance

Contracts for completed projects and installed software/hardware are managed by each respective service groups (Applications, Infrastructure, GIS, etc.) within IT. The individual service groups monitor costs, expiration dates, etc. and make payments as necessary.

Through discussions with the various service groups within IT, they noted that they did not have any concerns over the vendors that the City uses. Overall, the IT Department has built strong relationships with these vendors over time.

Sources:

[1] FY15, FY16, & FY17 Approved Budgets – IT Project Fund (415)

[2] http://cognet.cog.coggov.local/depts/it/Pages/ISR%20Budget.aspx

[3] COG Information Technology Security Policy

[4] http://cognet.cog.coggov.local/depts/it/Pages/IT%20Project%20Information%20Center.aspx

Management Accomplishments*

The Information Technology Management Team appreciates the efforts of the Internal Audit Team to evaluate the IT Department's compliance with the City's Purchasing Policies and Procedures.

As detailed above, the IT Department continues to benefit from Governance and oversight processes that were put in place many years ago. The IT Project Governance process has proven to be extremely valuable to the organization and The City of Garland is one of few municipal government organizations that has such a thorough governance process.

IT also strives to maintain strong relationship with key vendors. These relationships enable IT Management to maintain awareness about the vendor and the vendor's product roadmap for years into the future.

*Please note that "Management Accomplishments" are written by the audited entity and that Internal Audit did not audit or verify its accuracy.