MINUTES

JOINT COMMITTEE ON INFORMATION TECHNOLOGY

December 5-6, 2006
Room 526-S—Statehouse

Members Present

Senator Tim Huelskamp, Chairperson
Representative John Faber, Vice-Chairperson
Senator Janis Lee
Senator Mike Petersen
Representative Nile Dillmore
Representative Harold Lane
Representative Joe McLeland (December 5 Only)
Representative Jim Morrison

Staff

Don Heiman, Legislative Chief Information Technology Officer
Julian Efird, Kansas Legislative Research Department
Norm Furse, Office of the Revisor of Statutes
Gary Deeter, Committee Secretary

Conferees

Ivan Weichert, GIS Director, Kansas Information Technology Office
Ken Nelson, Manager, Data Access Support Center, Geographic Information Systems
Denise Moore, Executive Chief Information Technology Officer
Chris Howe, Director, Division of Purchases, Department of Administration
Tony Folsom, Deputy Director, Property Valuation Division, Department of Revenue
Brenda Heafey, Legislative Division of Post Audit
Jeff Lewis, Chief Information Officer, Department of Social and Rehabilitation Services
Charles Perkins, Director of Information Technology, Barton Community College
Brian Huesers, Director of Information Systems, Department of Health and
   Environment
Mindee Reece, Director, Center for Public Health Preparedness, Department of Health
   and Environment

Tuesday, December 5, 2006
Morning Session

Ivan Weichert, Director, Geographic Information Systems (GIS), Kansas Information Technology Office, reviewed his testimony presented at the November Committee meeting, then introduced Ken Nelson, Manager, Data Access Support Center, Geographic Information Systems (GIS), who gave examples of GIS applications (Attachment 1). Mr. Nelson explained that web-based Mapmaker allows a user to create a unique map – developing parameters, layers, colors, and labels – to fit individual needs. Regarding Geolocater, he stated the application permits a user to build and maintain a spatial database. Answering questions, Mr. Weichert said the average cost to a county for a contracted flyover is between $100,000 and $200,000. He replied that the U.S. Department of Agriculture provides annual flyover data, which GIS incorporates into its databases.

Denise Moore, Executive Chief Information Technology Officer (CITO), reviewed the Agency Quarterly Information Technology (IT) Report for July, August, and September of 2006 (Attachment 2). Noting that 12 projects are in good standing, eight were completed, and six new projects were approved, she noted three projects on hold status, four on alert status, and four on caution status.

Regarding the Capitol Complex Wireless LAN Infrastructure Project, she said the project was recast in November 2006 when the vendor took longer than expected determining access points. Another project, the Statewide Financial Management System Needs Assessment Project, is awaiting completion of the feasibility study. She noted several projects in the Animal Health Department that the Livestock Commissioner had reported to the Committee were under the caution status, including one evaluating the use of RFIDs (radio-frequency identification device) and another (Kansas NAIS–National Animal Information System) responding to a pending federal directive to create a national registration of originating livestock premises. She cited the Livestock Commissioner's letter asking that the RFID project be reclassified as a non-project, reminding members that the project had originated without Committee or CITO involvement.

Ms. Moore commented on the Department of Health and Environment's Health Alert Network Project, a Centers for Disease Control-mandated project to develop an alerting system notifying county health departments, hospitals, and other entities about health emergencies. The project began October 18, 2006 with vendor Proxicom. Members expressed concern that the agency was building a redundant network. Ms. Moore replied that KANWIN (Kansas Wide-area Information Network) is the primary mechanism for providing local health departments with connectivity. She explained that the proposed network actually is an automated notification system. She said that the project uses COTS (commercial off-the-shelf) software, which the vendor tailors to Kansas applications. The Chairperson requested more information on the vendor. Regarding the Kansas Bureau of Investigation's Automated Fingerprint Information System project, she said the impact of 2006 HB 2554 caused significant delays in the schedule, requiring the project to be recast.

Next, Ms. Moore commented on the Department of Transportation's Comprehensive Program Management System Replacement, saying that delays in formulating the Request for Proposals has extended the end date to February 1, 2007. She stated that the Wildlife and Parks Kansas Outdoor Automated Licensing System project was delayed because the hand-held park permit equipment did not function properly, leading the Secretary to pursue remedies from the vendor. The agency hopes to complete the big-game licensing module and add boat licensing before spring. She stated that Kansas State University's Legacy Application System Empowered Replacement project continues on hold, the project being recast in October of 2006.

Ms. Moore announced an initiative to reevaluate the process of approving quarterly reports and to analyze the methodology by which projects are reported (Attachment 3). The process will

receive recommendations from three focus groups, one at the executive level, another at the project manager level, and another from a best-practices group. She invited input from the Committee members.

Afternoon Session

Don Heiman, Legislative CITO, illustrated how a Post Implementation Evaluation Report (PIER) provides valuable lessons to apply to subsequent IT projects, listing the lessons from seven out of 14 listed projects. He referred to the Capitol Restoration west wing wiring project (Attachment 4). The PIER lists a project's strengths and weaknesses, which Mr. Heiman is using to assist the Division of Information Systems and Communications in implementing the west wing wiring efficiently and sequentially. He provided Attachment 5 to illustrate how a PIER records the history of a project and presents recommendations. He noted that the Standish Group's 2006 report on projects, *Strategic Planning Principles, Effective Funding, and Oversight Session,* reveals that nationally 52 percent of projects will cost 189 percent of original estimates, that large organizations net only 42 percent of original features and functions, that 31 percent of IT projects are canceled before completion, and that only 16 percent of large-scale projects are completed on time and within budget. He stated that Forrester Consulting, the Gardner Group, and the Federal General Accounting Office (GAO) report similar statistics.

Denise Moore distributed Attachment 6 to show how PIER forms an intrinsic part of a project. Referring to the national project statistics above, she noted that in Kansas government only 2 percent of projects are canceled before completion and 97 percent are completed on time and within budget, while 1 percent are canceled.

Chris Howe, Director, Division of Purchases, Kansas Department of Administration, briefed the Committee on the IT RFP process and negotiated procurement protocols (Attachment 7). He said a project begins when an agency identifies a need, outlines the scope of the project, and decides on allocation of resources. The Kansas Information Technology Office (KITO) reviews the project plan, which, if approved, allows the agency to develop an RFP, after which the Division of Purchases assists in the bidding and contract negotiation process. He said usually the agency develops the contract and the Division reviews it. Answering questions regarding penalties, Mr. Howe said that, in reviewing project RFPs and contracts, he has noticed performance details in the RFPs which are not included in the contracts, an omission which he will monitor more closely henceforth.

Tony Folsom, Deputy Director, Property Valuation Division, Kansas Department of Revenue (KDOR), provided responses to members' questions at the November 14 meeting. He replied that both Atchison County and Douglas County appraisers are producing valuations on the new Computer Assisted Mass Appraisal (CAMA) system (Attachment 8). Regarding the contract with vendor Tyler Technologies, he stated that the contract between Tyler and KDOR was signed on October 2, 2003, the contract providing that reasonable extensions could be granted by the agency (Attachment 9). Tyler provided all deliverables according to the contract, which were approved before payment was sent to Tyler. He explained that the contract contained penalties for default of the vendor, but not for delays.

Brenda Heafey, Legislative Division of Post Audit, reviewed an audit of the Animal Health Department regarding the agency's animal-tracking projects (Attachment 10). Noting that the agency was responding to a USDA initiative, the National Animal Identification System, she said the agency received three grants: the first to test the feasibility of using wireless, Internet-based radio devices

to monitor cattle shipments; the second to promote premises registration in Kansas; and the third to test tag placement in bovine ears. The audit concluded that the projects did not fit the normal profile of a KITO oversight project and questioned whether such grant-derived projects should be under KITO purview.

The minutes for November 14-15, 2006 <u>were approved</u> (motion by Representative Lane, seconded by Senator Petersen).

Wednesday, December 6, 2006
Morning Session

Jeff Lewis, Chief Information Officer, Department of Social and Rehabilitation Services (SRS), gave a briefing on the Enterprise Circle Plan (ECP), a project to integrate all IT services in the agency (<u>Attachment 11</u>). He said the complexities of the project severely limited its progress, prompting the agency to cancel the project and contract with Forrester Consulting to perform a feasibility study for a different approach. That study offered three options:

1. A COTS application, which would not cover all SRS applications, costing $98.4 million;

2. Upgrade all Legacy applications, which would integrate key functions but offer limited expansion (cost $21.5 million); or

3. Tactical improvement by creating a master client index at a cost of $2.5 million.

Mr. Lewis commented that the Forrester study recommends either option 1 minus certain features or option 2 plus added features. He noted that option 2 integrates existing applications. He said the agency's next step is to contract with a vendor to provide an Enterprise Application Roadmap, outlining project phases, expected budget allocations, and timelines. He added that SRS requested $25 million for FY 2008 to begin the $98.4 million multiyear project, observing that the entire project will take 7 to 10 years to complete. He said the agency is working with the Executive CITO to close out all existing ECP project and is developing a strategic plan that will guide the agency in creating an effective integrated delivery-of-services system.

Answering questions, Mr. Lewis said the present federal/state match for ECP is 60/40, but he plans to work with the Health Policy Authority (HPA) to qualify for a 90/10 match. He replied that the Forrester study was not detailed enough for federal regulations. He stated that the agency is in contact with Utah, which developed a similar system with 90/10 funds. He acknowledged that the agency has no call center and limited presence in rural areas, noting that most contacts with clients are made over the phone or by in-person visits.

In responding to questions about ECP, he replied that the project was never a line item in the budget, but that about $4 million was spent on the project before it was canceled. He estimated the cost of the Roadmap to be about $500,000, with the project scheduled for completion by July 1, 2007. Replying to a question from the Chairperson, Mr. Lewis said the changes in federal regulations regarding Medicaid have been implemented and incorporated into the Medicaid Management Information System. The Chairperson requested any further information that might be available regarding Medicaid eligibility requirements.

Charles Perkins, Director of Information Technology, Barton Community College, provided an outline of community college use of IT and offered examples of collaboration initiatives among various colleges (Attachments 12 and 13). He said IT, as a part of the infrastructure, is a commodity; however, it also is a part of the college's strategic plan, which is to educate students. He noted how IT has changed a student's approach to the world; he then listed ways in which Barton Community College is involved with the wider community: a member of the Kansas Community College IT, a member of the Community Colleges Consortium, a partner with six schools supporting the North Central Distance Learning Network, and a member of the Higher Education Strategic Connectivity Task Force, the last a group collaborating with the Kansas Board of Regents to help guide KAN-ED strategies. He noted the College's involvement with KANREN (Kansas Research and Education Network) and listed business partnerships which the College has established. He has utilized state purchasing contracts and is developing strategies for outsourcing targeted functions.

Brian Huesers, Director of Information Systems, Department of Health and Environment, appeared at the request of the Chairperson to answer questions regarding the Health Alert Network (HAN), a statewide project to provide emergency alerts to local health departments and hospitals. He replied that out of the three competing vendors, Proxicom was selected, in part because the vendor will share the software source code with the agency. He explained that the vendor has built applications in many states and that all software development is done in the United States. He said the $770,000 project is federally funded using a COTS system with minor modifications, and he itemized certain costs: $382,000 for licensing fees, $265,000 for a third-party module, $79,000 for customization, and $63,000 for hardware. He replied that currently, 2,700 subscribers have signed up. Each may choose to be notified by e-mail, pager, or phone. He added that the system can accommodate various user groups for different notifications.

Mindee Reece, Director, Center for Public Health Preparedness, Department of Health and Environment, answered further questions. She said that HAN provides pagers and assists local entities in purchasing equipment. She said the replacement network is necessary because the current systems, Kansas Integrated Electronic Disease Surveillance System (HAWK) and Public Health Information Network (PHIN), do not meet federal standards. She commented that the video-conference system, which runs on KANWIN, connects only the six district offices and the agency's offices at the Curtis Building. She stated that HAN Phase II is a security audit with an estimated cost of $500,000. The Chairperson requested that follow-up information on the project be sent by e-mail to Committee members.

Next, the Chairperson opened discussion regarding the Committee's annual report to the Legislature. He noted that, regarding the SRS presentation, the Committee did not approve the request for $25 million, only the Roadmap proposal. Staff commented that the Kansas Lottery will be renegotiating vendor contracts during the coming year. The Chairperson, noting that the Lottery has more public outlets than any other agency and that the Department of Wildlife and Parks might have utilized those outlets rather than building a separate communications system, recommended that the report encourage the Lottery to seek other agencies that might want to take advantage of its communications contract.

Representative Morrison requested that the Legislative Coordinating Council empower the Committee by referring more projects for review and that the Senate Ways and Means Committee and the House Appropriations Committee should refer more projects during the budget review and approval process.

Representative Dillmore expressed concern that an agency like SRS could find within its budget $4 million to fund a failed project, noting that those funds could have gone to meet human needs. Staff noted that most IT projects are not listed as a line item in agency budgets and are not readily identified.

Representative Lane encouraged Committee members who serve on the budget committees to alert budget committee members to ongoing IT projects.

The Chairperson, citing the Barton Community College collaboration with Wichita State University and Butler Community College, recommended that the Kansas Board of Regents encourage more collaboration among colleges and work to promote efficiencies.

Mr. Heiman advised the Committee regarding contractual issues, especially those which include penalties for vendor inadequacies. He said the term *penalties* in an IT contract will usually be thrown out in a court case, but that the term *liquidated damages*, which relates damages to losses, is a wiser word choice. He commented that courts find penalties arbitrary and punitive, but that liquidated damages are more objective and can be quantified.

Norm Furse, Revisor of Statutes Office, concurred with Mr. Heiman's suggestion, adding that another problem that should be addressed in an RFP is the issue of intellectual property rights.

Ms. Moore observed that the Department of Administration assists DISC in developing contracts, but the Department lacks staff to assist other agencies with contractual work. She suggested hiring an attorney that specializes in contracts and allowing him/her to assist all agencies in writing contracts; a member concurred, noting the major expenditures involved in IT contracts and the potential for savings by such legal assistance.

The Committee agreed to recommend that the Department of Administration should establish either a central staff attorney position or contract for an attorney to review IT contacts and to insure that all IT contracts contain liquidated damages provisions.

The meeting was adjourned at 11:37 a.m.

Prepared by Gary Deeter
Edited by Julian Efird

Approved by Committee on:

   December 15, 2006
        (date)

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