

Review of Purchase Orders for Information Technology Staff Augmentation Services

Office of Technology and Information Services

Report: A-1920DEP-016

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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The Department of Environmental Protection (Department), Office of Inspector General (OIG) conducted a review of Purchase Orders for staff augmentation services through the Office of Technology and Information Services (OTIS). This review was initiated as part of the Fiscal Year (FY) 2019-2020 Annual Audit Plan.

Scope and Objective

The scope of this review included contracted Information Technology (IT) staff augmentation Purchase Orders and activities managed by OTIS during the period beginning July 1, 2019. The objectives were to:

- determine whether IT services are being contracted consistent with service needs
- evaluate oversight of contracted IT staff activities

Methodology

This review was conducted under the authority of Section 20.055 F.S., and in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included a review of the State Term Contract No. 80101507-SA-15-1 (Contract), Amendments, and clarifying documentation associated with staff augmentation services. We also reviewed contracted IT staff payment and activity documents and interviewed OTIS staff regarding staff augmentation procurement and use.

Background

According to the Department of Management Services (DMS) website, State Term Contract No. 80101507-SA-15-1 *Information Technology Staff Augmentation Services* (State Term Contract) is established for state agencies to use *for hourly information technology staff*

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augmentation services (i.e. non-project-oriented information technology personnel resources); this contract is not for information technology project services, fixed-price agreements, or any services requiring authorization for payment of milestone tasks. The Contract was executed March 1, 2017 and expired August 30, 2020. A renewed State Term Contract Information Technology Staff Augmentation Services 80101507-SA-19-1 was established by DMS on September 1, 2020.

OTIS provides IT support services to the Department's Divisions, Districts, and Offices. OTIS manages the Department's communications and networking infrastructure, messaging systems and enterprise databases. OTIS also provides application development and maintenance services; geographic information systems support; an enterprise service desk; IT contract management procurement services; project management and business analysis; and IT strategic planning and technical standards oversight. Contracted staff are used in support of these activities. The two OTIS sections which are primarily supported by staff augmentation are the Application Maintenance Services (AMS) and the Enterprise Application Services (EAS). The AMS team provides application maintenance support for over 80 of the agency's business applications. EAS provides a wide variety of support for IT applications and infrastructure for the Department including; designing, implementing, and maintaining the Department's development architecture; analysis, design, development and/or support of a range of technology solutions; Oracle Database support; Java infrastructure support; Linux server support; business analysis and data analytics support.

According to the OTIS organizational chart the distribution of IT staff augmentation services are as follows:

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OTIS Staff Augmentation Resources	
Section	Staff Augmentation Resources
Application Maintenance Services	32
Enterprise Application Services	25
Customer Support Services	2
Project Management	1
Total Staff	60

Each year, OTIS develops a workplan to outline and track planned projects. For FY 2019-2020, the OTIS workplan included 45 projects. Based on a listing provided by OTIS, for FY 2019-2020, 49 Purchase Orders were issued for contracted staff augmentation for a total cost of \$8,567,227.75. During FY 2019-2020, OTIS also issued ten project-based Purchase Orders for system development projects totaling \$8,379,101.95.

Results

Contracted IT Services and Service Needs

The DMS website states that the State Term Contract *is for the procurement of hourly information technology staff augmentation services (i.e. non-project-oriented information technology personnel resources); this contract is not for information technology project services, fixed-price agreements, or any services requiring authorization for payment of milestone tasks. Information technology project services should be obtained using the alternate contract Information Technology Equipment, Software, and Services (252-GSA Schedule 70) or procured by state agencies following proper procurement methods.*

We reviewed OTIS' use of contracted staff augmentation for Department IT support services and as part of workplan projects. Based on this review, most contracted staff under the State Term Contract are being used for Department IT support consistent with DMS guidance.

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However, seven staff contracted as staff augmentation were being used in development support for the Public Water Systems (PWS) Labs Reporting Project¹. According to OTIS management, the decision to develop the project with existing Full Time Equivalent (FTEs) and contract staff augmentation was based on the experience and familiarity of these staff with the process of receiving, checking, and loading environmental lab results, as well as needed changes that would be necessary for the existing PWS application which is currently maintained by AMS staff. In addition, OTIS management indicated that the scope of the project as not initially clear due to Program management and senior staff changes.

Oversight of Contracted IT Staff Augmentation Activities

Background Screening

According to Section 1.27 *Contractor Security Clearance* the State Term Contract No. 80101507-SA-15-1 *Contractor or Contractor's employees who, in the performance of this Contract, will be assigned to work in positions determined by the Customer to be positions of special trust are required to submit to a Level 2 background screening and be approved to work in special trust positions prior to being assigned to the position.* These background screenings are completed by the Bureau of Human Resource Management in accordance with DEP Directive 422.

¹ The PWS Labs Reporting Project is a new functionality that will allow labs to enter Drinking Water Lab Results data directly into the application, provide the Department and Department of Health the ability to approve or reject the results and interface with the existing Potable Water System and Oculus.

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The Division of Administrative Services, Bureau of Human Resource Management verified that background screenings had been conducted as required and were on file for all 64² IT staff augmentation Contractors included in OTIS' list of staff augmentation.

Hourly Costs

OTIS management maintains the IT Staff Augmentation Price Sheet detailing the pricing of IT staff augmentation services by Vendor and Job Title. This sheet allows for OTIS to track the maximum hourly rate for each job title and average hourly rate when procuring IT staff augmentation resources. We compared the contracted hourly rates for the 46 individually contracted IT staff augmentation Contractors for FY 2019-2020 to the hourly rates allowable under the IT Staff Augmentation Price Sheet published by DMS. Based on this comparison, none exceeded the maximum hourly rate allowed. Of the total 46, 44 of the sampled were within or below than the average hourly rate for the corresponding position title. Only one contracted IT staff was billed at the maximum rate allowable.

Accountability for Billed Hours

According to Section 1.24 *Invoicing* of the State Term Contract, *Invoices shall contain detail sufficient for a proper pre-audit and post-audit thereof.* When submitting monthly invoices, IT staff augmentation Contractors must also submit form OTIS-003 Time Work Report (TWR) to provide an account of daily hours billed and work performed as required by the Contractors Request for Quote and Statement of Work. TWRs include information regarding the Purchase Order task assignments, date, Division, task description, and recorded hours. OTIS also uses Daptiv time reports to record a description of the daily hours and work performed. TWRs

² This number includes IT Staff Augmentation who are no longer contracted to work at DEP

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are compared to Daptiv time reports to ensure hours match and are approved by the supervisor before invoices are paid.

Of the 49 staff augmentation Purchase Orders issued for FY 2019-2020, we reviewed time worked per the October 2019 invoices for a sample of seven contracted staff. This sample included five EAS contracted staff and two AMS contracted staff. For the selected sample, we compared hours documented on monthly invoices, TWRs, and Daptiv time reports. Based on this review, invoiced hours were supported by hours documented in the TWRs and Daptiv time reports for all seven contracted staff. However, the TWR for two of these staff had been approved without designation of the Division associated with the work. Of the two, funding for one is split between OTIS and the Division of Waste Management³.

Based on our review of time worked for the seven sampled contracted staff, the work documented in the TWRs only included a general task description. The work documented in Daptiv time reports only included the project and task names associated with the work. Neither report provides a detailed description of the activities associated with the daily hours billed.

The AMS section documents contracted staff activities using Sprint Cycle reports. Per discussions with AMS management, these reports are used to project and plan staff efforts and track hours worked in two-week increments referred to as “Sprints”. These projections are developed by AMS management based on the status, priority, and available hours for each task and contracted staff member. This gives AMS management the ability to compare actual hours worked to the initial estimates and time remaining on a task level to monitor progress made. Based on discussions with AMS management, contracted staff activities are also documented

³ Division of Waste Management funding is through the Federal Grants Trust Fund.

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through Cherwell⁴ ticket activities. The work assigned to AMS contracted staff under these tickets is considered corrective in nature. Although documented Cherwell activities do not include time spent on each ticket, Daptiv time reports reflect time spent on corrective activities.

We reviewed Sprint Cycle reports for the two AMS contracted staff included in our review during October 2019. According to the Purchase Order invoices, TWRs, and Daptiv time reports, both staff recorded working 184 hours for the month. However, the associated hours documented in Sprint Cycle reports only supported 145 hours for one staff member and 155.5 hours for the other. This was due, in part, to undocumented time spent on corrective type activities resulting from Cherwell ticket assignments. For both staff, the difference was documented in their Daptiv time reports as corrective activities.

The EAS section does not have reporting processes in place to document contracted IT staff activities. According to EAS management, supervisors are aware of staff activities. EAS management provided TWRs and Daptiv time reports for the five contracted staff included in our review. Hours documented in the TWRs and Daptiv time reports were consistent with hours billed in the October 2019 invoices. The EAS section Program Administrator also provided a summary of roles and tasks performed by each staff which were not associated with specific projects. While the Program Administrator had an understanding of the activities and work being performed, there was no documentation by the contracted staff of the time spent on specific activities nor supervisory approval of the activities which would provide accountability for the activities associated with hours billed.

⁴ OTIS uses Cherwell Service Management software to manage Service Desk support requests. Cherwell is used to manage account requests, new hire/terminations, computer hard drive wiping, software installations, public records requests, virtual desktops, and OCULUS requests.

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Work Performed

We reviewed staff augmentation Purchase Order hours for each contracted staff in comparison with projected staff hours used in the development of fixed-price IT project Purchase Orders. Costs for fixed-price IT project Purchase Orders are normally developed based on estimated hours for professional staff listed in the Purchase Order. For FY 2019-2020 staff augmentation and fixed-price project Purchase Orders, we noted seven contracted staff whose hours contributed to the cost developed on multiple Purchase Orders. While it is understood that payment for fixed-price project Purchase Orders are based on deliverables rather than hours, the Department is exposed to a risk of paying inflated costs when multiple Purchase Orders are developed using projected hours from the same contracted staff.

Conclusions

Based on our review, Department IT staff augmentation services are being contracted consistent with service needs with minor exceptions. Background screenings have been conducted for contracted IT staff as required. In addition, the hourly rates paid for IT staff augmentation are within the allowed rates published by DMS. However, we noted areas of control weaknesses in the oversight of contracted staff activities.

Finding and Recommendation

Finding 1: Accountability for Hours Billed

According to Section 1.24 *Invoicing* of the State Term Contract, *Invoices shall contain detail sufficient for a proper pre-audit and post-audit thereof.* IT staff augmentation invoiced hours are supported by TWR's and Daptiv time reports. TWRs include information regarding the

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Purchase Order task assignments, date, Division, task description, and recorded hours. Daptiv time reports record a description of the daily hours and work performed.

We reviewed October 2019 invoiced hours for a sample of seven staff augmentation contracted staff, including five EAS and two AMS contracted staff. Based on this review, invoiced hours were supported by hours documented in the TWRs and Daptiv time reports for all seven contracted staff. However, TWRs for two of the EAS staff had been approved without designation of the Division associated with the work. Of the two, funding for one is split between OTIS and the Division of Waste Management. Without an indication of the Division associated with the monthly activities, the Department lacks accountability to the Division from which funding is provided. Based on our inquiry, the associated OTIS supervisor acknowledged the lack of complete documentation.

Information documented in TWRs includes a general task description. The work documented in Daptiv time reports includes the project and task names associated with the work. Neither report provides a detailed description of the activities associated with the daily hours billed. Hours documented in the TWRs and Daptiv time reports for the five EAS contracted staff included in our review were consistent with hours billed per the October 2019 invoices. The EAS section Program Administrator also provided a summary of roles and tasks performed by each staff which were not associated with specific projects. EAS management indicated that supervisors are aware of contracted staff activities. However, the EAS section does not have reporting processes to document contracted IT staff activities in support of invoiced hours. In addition, there was no documentation of the five EAS contracted IT staff members' time spent

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on specific activities nor supervisory approval of the activities which would provide accountability for the activities associated with hours billed.

Recommendation

To improve the accountability and transparency of activities associated with IT staff augmentation invoiced hours, we recommend OTIS work with EAS section management to ensure hours are supported by documented activities consistent with assigned projects, activities, and management's expectations. OTIS should also work with supervisors to ensure TWRs document the designated Division associated with invoiced activities prior to approval.

Management Comments

Management Comment 1: Project-Based Staff Augmentation Work

The DMS website states that the State Term Contract is for the procurement of hourly information technology staff augmentation services (i.e. non-project-oriented information technology personnel resources); this contract is not for information technology project services, fixed-price agreements, or any services requiring authorization for payment of milestone tasks. Information technology project services should be obtained using the alternate contract Information Technology Equipment, Software, and Services (252-GSA Schedule 70) or procured by state agencies following proper procurement methods.

While the majority of staff augmentation contracted staff are being used for Department IT support consistent with DMS guidance, seven were being used in development support for the PWS Labs Reporting Project. According to the PWS Labs Reporting Project management plan, the projected hours necessary for the project were 16,406 at an estimated cost of \$1,176,135.

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This projection was based on a combination of hours for OTIS FTE employees and contracted staff. According to OTIS management, hours dedicated to the project as of May 2020 were as follows.

PWS Labs Reporting Project (as of May 2020)	
Dedicated Staff	Hours
Staff Augmentation	10,556.25
Department FTE	4,394.25
Total	14,950.50

The cost associated with the staff augmentation portion of hours as of May 2020 was \$933,160.50. OTIS management projected that 3,282 additional staff augmentation hours will be needed for project completion at a cost of \$295,908.00. In total, the project is expected to require 13,838.25 staff augmentation hours at a cost of \$1,229,068.50. These amounts do not include OTIS FTE staff hours and costs.

According to OTIS management, the decision to develop the project with existing FTEs and contracted staff augmentation was based on the experience and familiarity of these staff with the process of receiving, checking, and loading environmental lab results, as well as needed changes that would be necessary for the existing PWS application which is currently maintained by AMS staff. In addition, OTIS management indicated that the scope of the project is not initially clear due to Program management and senior staff changes.

It is understood that the decision to develop this system using FTEs and contracted staff members with expertise with the prior PWS application and similar Department applications was likely the best use of Department resources. However, the lack of financial consequences linked to project deliverables exposes the Department to the risk of elevated costs and project delays. Given this circumstance, OTIS would benefit by establishing additional levels of control and

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project oversight to ensure the project is completed in a timely manner consistent with the project schedule and established deliverables.

Management Comment 2: Contracted IT Staff Included Under Multiple Purchase Orders

We reviewed staff augmentation Purchase Order hours for each contracted staff in comparison with projected staff hours used in the development of fixed-price IT project Purchase Orders. The majority of staff augmentation Purchase Orders includes the cost of 1,880 hours annually⁵. Costs for fixed-price IT project Purchase Orders are normally developed based on estimated hours for professional staff listed in the Purchase Order. For FY 2019-2020 staff augmentation and fixed-price project Purchase Orders, we noted seven contracted staff whose hours contributed to the cost developed on multiple Purchase Orders. Of the seven, three exceeded 2,000 hours. One of the three exceeded 2,400 hours. Of the three, two were staff who were contracted under both a fixed-price project Purchase Order and a staff augmentation Purchase Order which included a large pool of hours for eight part-time staff. While it is understood that payment for fixed-price project Purchase Orders are based on deliverables rather than hours, the Department is exposed to a risk of paying inflated costs when multiple Purchase Orders are developed using projected hours from the same contracted staff. Given that neither the EAS section nor the AMS section fully documents all hourly activities consistent with the hours billed, the risk is increased. When developing fixed price and staff augmentation Purchase Orders, OTIS would benefit from an added review of the proposed use of staff to mitigate the risk of committing Department funds on duplicative effort.

⁵ For 52 weeks annually, 40 hours per week is a total of 2,080 hours. This number is adjusted to 1,880 to account for holidays and anticipated leave time.

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To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our review was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The review was conducted by Thomas Doredant and supervised by Valerie J. Peacock.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <https://floridadep.gov/oig/internal-audit/content/final-audit-reports>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.

*Valerie J. Peacock,
Director of Auditing*

*Candie M. Fuller,
Inspector General*



FLORIDA DEPARTMENT OF Environmental Protection

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Ron DeSantis
Governor

Jeanette Nuñez
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Secretary

September 25, 2020

MEMORANDUM:

TO: Valerie Peacock, Audit Director
Office of Inspector General

FROM: Warren Sponholtz, Chief Information Officer
Office of Technology & Information Services

SUBJECT: Response to Review of Purchase Orders for Information Technology Staff
Augmentation Services, Preliminary Findings A-1920DEP-016

I. FINDING SUMMARY (1 of 1) - Accountability for Hours Billed:

According to Section 1.24 Invoicing of the State Term Contract, *Invoices shall contain detail sufficient for a proper pre-audit and post-audit thereof.* IT staff augmentation invoiced hours are supported by TWR's and Daptiv time reports. TWRs include information regarding the Purchase Order task assignments, date, Division, task description, and recorded hours. Daptiv time reports record a description of the daily hours and work performed.

We reviewed October 2019 invoiced hours for a sample of seven staff augmentation contracted staff, including five EAS and two AMS contracted staff. Based on this review, invoiced hours were supported by hours documented in the TWRs and Daptiv time reports for all seven contracted staff. However, TWRs for two of the EAS staff had been approved without designation of the Division associated with the work. Of the two, funding for one is split between OTIS and the Division of Waste Management. Without an indication of the Division associated with the monthly activities, the Department lacks accountability to the Division from which funding is provided. Based on our inquiry, the associated OTIS supervisor acknowledged the lack of complete documentation.

Information documented in TWRs includes a general task description. The work documented in Daptiv time reports includes the project and task names associated with the work. Neither report provides a detailed description of the activities associated with the daily hours billed. Hours documented in the TWRs and Daptiv time reports for the five EAS contracted staff included in our review were consistent with hours billed per the October 2019 invoices. The EAS section Program Administrator also provided a summary of roles and tasks performed by each staff which were not associated with specific projects. EAS management indicated that supervisors are aware of contracted staff activities. However, the EAS section does not have reporting processes to document contracted IT staff activities in support of invoiced hours. In addition, there was no documentation of the five EAS contracted IT staff members' time spent on specific activities nor supervisory approval of the activities which would provide accountability for the activities associated with hours billed.

RECOMMENDATION:

To improve the accountability and transparency of activities associated with IT staff augmentation invoiced hours, we recommend OTIS work with EAS section management to ensure hours are supported by documented activities consistent with assigned projects, activities, and management's expectations. OTIS should also work with supervisors to ensure TWRs document the designated Division associated with invoiced activities prior to approval.

RESPONSE - CORRECTIVE ACTION:

OTIS concurs with the recommendations and will update relevant processes and documentation by March of 2021.