

MINUTES

JOINT COMMITTEE ON INFORMATION TECHNOLOGY

August 5-6, 2004
Room 526-S—Statehouse

Members Present

Senator Tim Huelskamp, Chairperson
Representative Joe McLeland, Vice Chairperson
Senator Henry Helgerson (August 5 only)
Senator Larry Salmans
Senator Derek Schmidt (August 5 only)
Representative Nile Dillmore
Representative John Faber
Representative Jim Morrison
Representative Joe Shriver

Staff

Don Heiman, Legislative Chief Information Technology Officer
Julian Efird, Kansas Legislative Research Department (August 5 only)
Melissa Calderwood, Kansas Legislative Research Department
Mary Torrence, Office of the Revisor of Statutes
Janet Martinek, Committee Secretary

Conferees

Katrin Osterhaus, Legislative Division of Post Audit
Denise Moore, Executive Chief Information Technology Officer (CITO)
Timothy R. Blevins, Chief Information Officer, Kansas Department of Revenue
Hal Gardner, Executive Director, KAN-ED, Kansas Board of Regents
Brian Huesers, Director of Information Systems, Kansas Department of Health and Environment
Scott Brunner, Medicaid Director, Department of Social and Rehabilitation Services
Tony Folsom, Deputy Director, Property Valuation Division, Department of Revenue
Chuck Sexson, Assistant Director, Kansas Bureau of Investigation (KBI)
Ron Rohr, Information Resource Manager, KBI
Ben Nelson, Bureau Chief of Computer Services, Kansas Department of Transportation

**Thursday, August 5
Morning Session**

Chairperson Huelskamp noted two Committee members, Senator Helgerson and Representative Shriver, would be attending this Committee and other committees also in session.

The minutes for the June 10, 2004, meeting were approved. (On motion by Representative Morrison, seconded by Representative McLeland.)

Katrin Osterhaus, Legislative Division of Post Audit, reviewed the June 2004 Performance Audit Report: "Information Technology Projects: Determining Whether the Chief Information Technology Officer Has Followed All Applicable Approval and Notification Requirements" (Attachment 1).

Ms. Osterhaus cited the controlling law, passed in 1998, requiring all information technology projects expected to cost \$250,000 or more to be formally approved before agencies could implement them. The focus of this report was the Department of Revenue's streamlined sales tax project. The streamlined sales tax, approved by the 2003 Legislature, was to be implemented on July 1, 2003, giving the Department limited time to implement the project. Even with the Governor's delayed implementation date of January 1, 2004, the time frame remained limited. Ms. Osterhaus noted this project started, proceeded, and was completed without the Executive Chief Information Technology Officer (CITO) and the department head formally approving the project and issuing a joint approval letter. Also, a quarterly report for the period of July to September 2003, designed to show the status of projects costing more than \$250,000, was provided to the JCIT in November 2003, and did not mention the streamlined sales tax project, even though the Executive CITO knew in early October 2003 that bids were significantly more than \$250,000. The estimated cost of this project was \$560,000.

Because the typical approval letter was never signed, the Legislature did not receive the usual notifications about this project. The first time this project was included in a quarterly report was the January 2004 publication of the fourth quarter period of October to December 2003. It was listed as an active project.

Reviewing three other projects, Ms. Osterhaus said it was common for projects to begin before receiving formal CITO approval. Of four projects reviewed, three began before the CITO formally approved them as noted on page 12 (Attachment 1). Of the 26 projects active during this audit, 17 had a planned start date prior to the CITO's approval date.

Recommendations outlined by Ms. Osterhaus on pages 13 and 14 (Attachment 1) include that the Joint Committee on Information Technology amend KSA 75-7201 *et seq.*, to insure the planning, approval, and notification process for information technology projects conform to the law and that a bill be introduced to effect this change.

Denise Moore, Executive CITO, referred the Committee to her response in the Legislative Post Audit Report on page 21 (Attachment 1). She commented that the report did deal primarily with the streamlined sales tax project, but it also dealt with the approval process generally.

Timothy R. Blevins, Chief Information Officer, Kansas Department of Revenue, said they did work hand-in-hand on this project with the Kansas Information Technology Office and with the Executive CITO (Attachment 2). They talked daily and believed they had project approval or else they would not have moved forward.

Mr. Blevins was asked about the fact that the Department was essentially building a system from the ground up and how there could be any confusion about whether they were buying software or hardware. Mr. Blevins said he believed the project they proposed would do the job, would create the final product they wanted, if they bought the software package that was available at the time. It was known as GeoTax, from a group called Code One, that was recently bought by Group One. Believing their original estimate was built on buying a module priced at \$250,000, which, if that were the market price, they could negotiate a reduced price. Originally, it was planned to have staff create the final products needed to match the legislation.

As negotiations proceeded and vendors were identified (there were nine potential vendors and three that bid), it became apparent there was not a suitable product available in the market. What was needed to meet national standards would require additional time to develop, and developmental services would be needed to supplement staff resources.

Mr. Blevins stated this project produced the first streamlined sales tax database at the national level, and is in production today. The state will begin to collect sales tax, on Internet based sales, that has never been collected before. Mr. Blevins believes there will be over \$2.0 million annual transactions with businesses and customers using the Internet.

Total cost of the project was \$560,000, with additional yearly maintenance costs of \$150,000 for four years, payable each November.

Don Heiman, Legislative CITO, presented an issue paper on "IT Project Approvals and Recommendations" ([Attachment 3](#)). The three CITO's have conferred and agreed on the wording in the document that is intended to address the Post Audit recommendations.

Afternoon Session

Chairperson Huelskamp stated the Committee would pass over taking action on Mr. Heiman's recommendations until later in the afternoon session.

Hal Gardner, Executive Director of KAN-ED, Kansas Board of Regents, submitted three documents, "KAN-ED Legislative Executive Summary: Equal Access to Broadband Technology for All Kansans" ([Attachment 4](#)), an organization flow chart ([Attachment 5](#)), and "KAN-ED Network Project Status Report for Contract 06412" ([Attachment 6](#)). Mr. Gardner said they have received approval for \$1.723 million in e-rate savings from the Universal Service Acceptance Company, an administrative company of the Division of Schools and Libraries of the FCC. The e-rate savings amount to a 65 percent discount on the actual cost of purchases for the network.

Mr. Gardner stated that the Executive Summary ([Attachment 4](#)) is a draft and there will be a later version of the document, expanding on future plans and what is needed. KAN-ED representatives will discuss with the Board of Regents, at a planning meeting next week, about how to proceed with future planning and funding for the project. Mr. Gardner encouraged members to review a DVD or CD that was made available previously to the Committee. He will be meeting with his counterparts from other states in the near future and they are looking very closely at how Kansas has developed this model. He mentioned creating a legislative work space so legislators could access the system.

Regarding the organization chart (Attachment 5), Mr. Gardner said they would be at full strength this summer. There are two positions to be filled in bringing the agency to the total nine authorized positions.

Mr. Gardner also reviewed the KAN-ED Network Project Status Report for Contract 06412 (Attachment 6). KAN-ED is on schedule and under budget. There are 725 members today out of a potential of 929 that translates to a 75 percent membership rate. In regard to eligible hospitals, those in Northeast Kansas are participating at 33 percent, while those in Northwest Kansas are at 100 percent.

Chairperson Huelskamp referred back to Don Heiman's recommendations (Attachment 3). There was discussion of the morning's testimony, Committee concerns regarding the Post Audit report, and Mr. Heiman's proposed recommendations to prevent similar situations from occurring in the future. A member asked if there was anything in the recommendations to help the Legislature see or calculate cost overruns, in comparison with the fiscal notes. Ms. Moore said fiscal notes were not monitored to check for cost increases or changes in project estimates.

Mr. Heiman believes the law speaks to the \$250,000 limit, but the Information Technology Executive Committee's (ITEC) Policy 2400 could be changed without a statutory amendment. A member wondered if the Committee should get an Attorney General's opinion on identifying particular areas where there is ambiguity to get a clear and objective take on what the statute requires. Mr. Heiman stated that, since 1998, the statute has held up very well and allows him to work well with the Legislature and state agencies.

Chairperson Huelskamp suggested the Committee entertain a motion to approve Mr. Heiman's recommendations. There was further discussion regarding the recommendations. It was noted that the Committee can make recommendations on funding to Senate Ways and Means and House Appropriations. It was suggested that the Legislative Coordinating Council could return oversight authority to the JCIT. Some members expressed concern about the internal costs of agencies when staff develop a project before it comes up for approval. Such costs are not reported in the project cost estimate.

The Committee adopts four recommendations submitted by Mr. Heiman, including Recommendations 1, 5, 6, and 7. Motion passed. (Motion made by Senator Schmidt, seconded by Senator Huelskamp.) Recommendation 1: Project approval should be in advance of letting bid specifications. Recommendation 5: All CITO approval letters will be unambiguous and clearly state if a project plan is approved or disapproved. Recommendation 6: ITEC policy 2400 should be changed to state "branch CITOs should review and approve in writing all bid specifications for IT projects \$250,000 or greater." Recommendation 7: Project plans and approvals should clearly state the event that triggers formal start date of an approved project plan.

The Committee voted 3-2 for Recommendations 2 and 3, with additional language to include JCIT approval. Motion failed on the 3-2 vote. (Motion made by Senator Schmidt, seconded by Representative Dillmore.) Staff reminded the Committee that the vote must be at least six affirmative to approve motions due to a statutory provision regarding voting.

The Committee continued discussion and turned to the question of fiscal notes that are prepared for legislation when introduced and include a cost estimate if the legislation has an information technology project component.

The Committee recommends that a fiscal note be included, if available, in the project documentation and the Committee further recommends that when the 10 percent or \$1.0 million threshold for cost overruns is triggered, that the notification of the JCIT precede the agency filing a

new project plan. Motion passed. (Motion made by Senator Schmidt, seconded by Representative Morrison).

Concerns about documentation of project costs, including staff development time spent planning and implementing the project, were expressed by the Committee. It was pointed out by a member that project plans should include an estimate of the total accumulated costs of a project, including external (new) contracted costs and internal costs as used in projects.

The Committee adopts the recommendation that project costs include both the internal and external costs accrued during both the developmental process and after the project has received formal approval. Motion passed. (Motion by Representative McLeland, seconded by Representative Dillmore).

Brian Huesers, Director of Information Systems, Kansas Department of Health and Environment, reported on WIC Automation Project Costs (Attachment 7). It was noted the change in project cost was approved by the head of the agency and the Executive CITO. The Chairperson and Vice-Chairperson received notification of this change that was approved during the 2004 Session. There was a project cost increase of more than 10 percent that triggered the action. Total cost of the project was \$6,033,162.

Scott Brunner, Medicaid Director, Department of Social and Rehabilitation Services, reported on the HIRM Enterprise Project (Attachment 8). Mr. Brunner noted that two of the sub-projects are completed, one is still in progress, and two have been cancelled because of changes in federal legislation. The agency anticipates completion of the one remaining sub-project by November 2004. The change from the Blue Cross/Blue Shield system to the new Electronic Data Systems (EDS) system occurred on October 16, 2003. According to Mr. Brunner, there have been continuing transition problems, ranging from system defects, provider education, and technology issues. Responding to a member's question, Mr. Brunner noted that the claims issues cited are expected to be resolved by the end of October 2004. Mr. Brunner indicated that the average time to process a claim is now usually three days.

Tony Folsom, Deputy Director, Division of Property Valuation, Department of Revenue, submitted an update on the new Computer-Assisted Mass Appraisal System (Attachment 9). The new software has been installed in the first three beta counties, Douglas, Johnson, and Riley. The Douglas and Riley installations have been completed, and the initial conversion of the Johnson County data is scheduled for late August 2004. Mr. Folsom noted the agency is exploring the feasibility of hosting smaller counties on a centralized state server, with initial testing to be completed by the end of calendar year 2004.

The Chairperson announced his intent to revisit the CITO recommendations during the Friday session of the Committee meeting.

Friday, August 6

Vice Chairperson McLeland introduced Chuck Sexson, Assistant Director, and Ron Rohr, Information Resource Manager, Kansas Bureau of Investigation (KBI), who presented a report and slide presentation on the upgrade of the Automated Fingerprint Identification System, that is known as AFIS (Attachment 10). In response to a member's question, agency personnel said currently, there is no federal funding identified for this project, but that the agency is exploring the possibility of securing Homeland Security funds. It was noted that prior financing was obtained from the Kansas

Development Finance Authority through bonding for the last project and part of the costs were paid from federal dollars. Mr. Sexson invited the Committee members to come to the KBI for a demonstration of this project.

Brian Huesers, Chief Information Officer, Kansas Department of Health and Environment, submitted a report on the Network One Stop Subproject II (Attachment 11). In regard to a question regarding security concerns, Mr. Huesers said the agency can filter any of this information to restrict release of sensitive data. A member mentioned the attached profile of the Goodyear Tire and Rubber Company, pointing out that such information may be helpful for security purposes, but it may not be feasible to make it available on the Internet for the general public.

Ben Nelson, Bureau Chief of Computer Services, Kansas Department of Transportation (KDOT), presented an overview of the Intelligent Transportation System (ITS) Fiber Optics Infrastructure (Attachment 12). He noted that last year, the Committee was briefed on the public/private partnerships. The Kansas City center is operational and there are 75 miles of freeways in the greater Kansas City Metro area with fiber along the routes. The Wichita center is to be developed next. KDOT received CITO approval on June 23, 2004, for the Wichita project. The Committee asked for information derived from an inventory of assets, to be conducted by a contractor, Computer Services Corporation, as well as information regarding the current lit and dark fiber in the ground.

Don Heiman, Legislative CITO, reviewed the Kansas Legislative Information Systems Strategy - Information Systems Team - CITO Draft Version (Attachment 13). Mr. Heiman said there is a request for \$250,000 in funding to acquire personal computers for legislators. He also reviewed the base budget request for telecommunications, security, document management, and computing.

Next, Mr. Heiman asked for clarification on the Committee action taken yesterday regarding the CITO recommendations for changes in IT policy. He told the Committee it had approved Recommendations 1, 5, 6, and 7. Recommendations 2 and 3 were not approved.

Members questioned Mr. Heiman about recommendations 2 and 3. He indicated the Committee should approve them, as originally presented, to address the concerns raised in the Post Audit report on the approval process.

The Committee adopts Recommendations 2 and 3 as originally submitted. Motion passed. (Motion made by Representative McLeland and seconded by Representative Dillmore.) Recommendation 2: When a project originally estimated to cost under \$250,000, but is later discovered to cost more than \$250,000, a bid award should not be made until after the project plan is approved by the CITO and agency head. The branch CITO should notify JCIT, other CITOs, Division of the Budget, and Legislative Research when this condition exists, with notice to be given before the time of CITO project plan approval. Recommendation 3: Make a revision in ITEC policy 2400 that all IT projects with a cumulative cost of \$250,000 or more must have CITO and agency head approval prior to the public letting of bid specifications.

The Committee requests that time be allowed at the next meeting to review the recommendations for policy changes made to the project approval process, and that the Legislative CITO provide a concise outline of policy changes.

Prepared by Janet Martinek, Secretary
Edited by Melissa Calderwood and Julian Efird,
with assistance from Mary Torrence

Approved by Committee on:

September 9, 2004

(date)