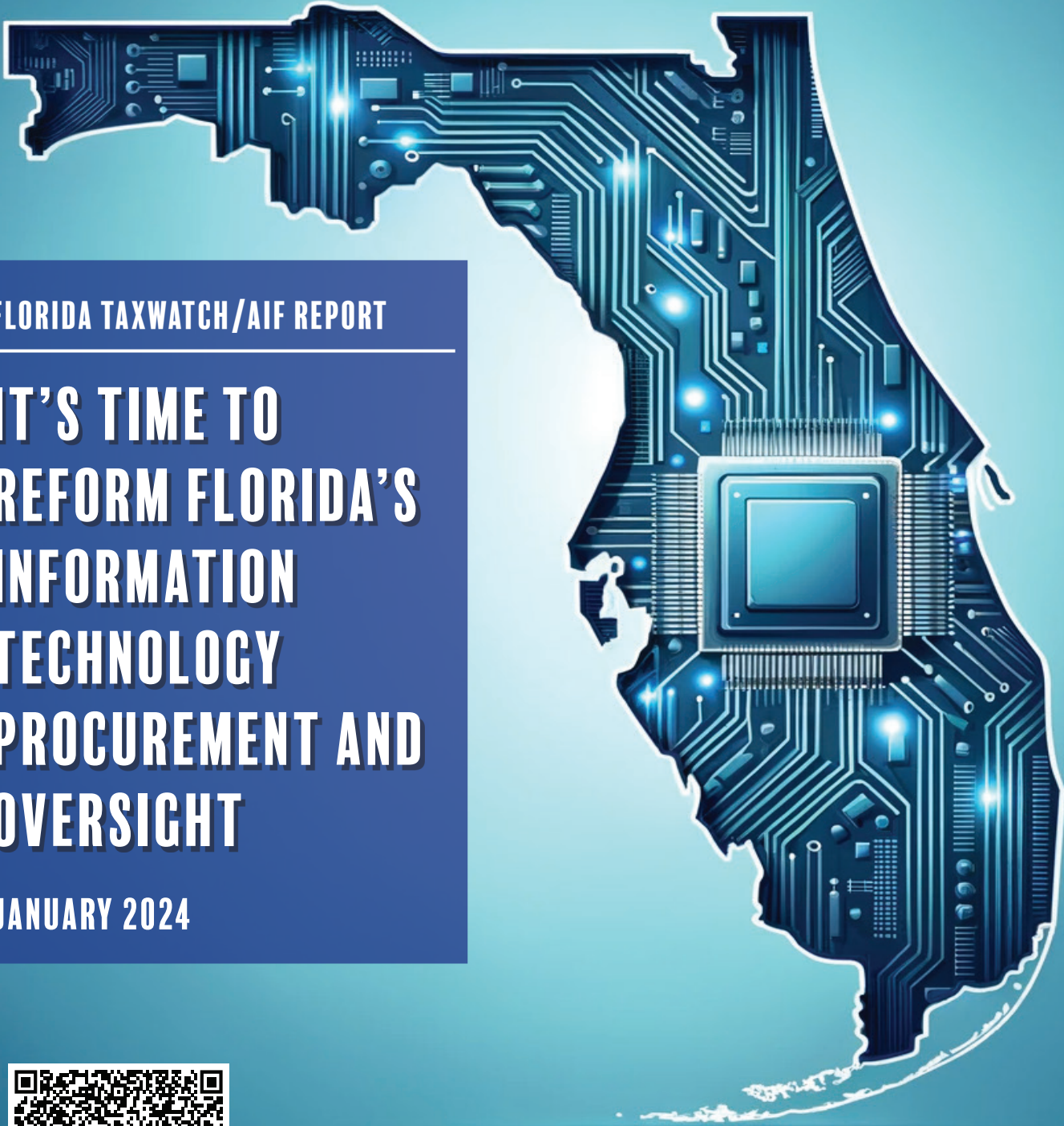




Florida
TaxWatch



FLORIDA TAXWATCH/AIF REPORT

IT'S TIME TO REFORM FLORIDA'S INFORMATION TECHNOLOGY PROCUREMENT AND OVERSIGHT

JANUARY 2024





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Dear Fellow Taxpayer,

Florida's history of poorly executed large technology-related projects is well documented and should give taxpayers cause for concern. Florida taxpayers must hold state government accountable for making smart business decisions and conducting the high-level planning and project management necessary to ensure success of these multi-year, multi-million-dollar projects and minimize the risk to the state.

In the past 25 years the state has created, abolished, and then recreated a centralized state agency to oversee large information technology (IT) projects at least four times. The current iteration, the Florida Digital Service (FL[DS]) was created in 2020. Florida TaxWatch and Associated Industries of Florida believe strongly that we cannot afford to let the FL[DS] fail and offer recommendations designed to give the FL[DS] a fighting chance of success for Florida's hard-working taxpayers.

Florida TaxWatch and Associated Industries of Florida are pleased to present this report and its findings and looks forward to engaging policymakers during the 2024 legislative session in discussions regarding the need to reform how the state procures, manages, and oversees large IT projects and what we can do to make sure the FL[DS] is successful. The Sunshine State can and must do much better.

Sincerely,

Dominic M. Calabro
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Florida TaxWatch

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Table of Contents

Key Findings	i
Introduction	1
Florida’s Recent Large-Scale Technology Projects.....	1
CONNECT	1
SLERS-2	2
iConnect.....	3
Sunpass.....	4
PALM.....	5
Florida Health Care Connections (FX) Enterprise Data Warehouse	6
State Agency Oversight.....	6
State Technology Office (1999)	6
Agency for Enterprise Information Technology (2007).....	6
Agency for State Technology (2014)	7
Division of State Technology (2019).....	7
Florida Digital Service (2020)	7
Conclusions and Recommendations	8
Appendix A – Suggested Governance Model.....	13

Key Findings

Florida’s history of poorly executed large technology-related projects is well documented and should give taxpayers cause for concern. The implementation and operation of enterprise-wide IT projects have historically been plagued by a set of common, recurring problems, including poor planning, poor contracting, and poor oversight and management.

Over the past 25 years, the state has created, abolished, and recreated a state agency to oversee large information technology projects at least four times. The current iteration, the Florida Digital Service (FL[DS]) was created in 2020. Florida TaxWatch and Associated Industries of Florida believe strongly that we cannot afford to let the FL[DS] fail and offer the following recommendations designed to give the FL[DS] a “fighting chance” of success.

- 1. A joint committee of the House and Senate on information technology, appointed by House and Senate leaders, with whom is vested sole and exclusive authority for overseeing the governance of the FL[DS] and IT policy and budget issues, will help to ensure the successful operation of FL[DS].**
- 2. A governance model like the one shown in Appendix A should serve as the model structure to govern future enterprise-wide IT projects.**
- 3. Statewide standardization of core agency business processes would alleviate some of the software customization and additional workload issues associated with trying to accommodate so many different business processes.**
- 4. Section 287.057, Florida Statutes, should be amended to permit agencies to publish draft ITN specifications and solicit vendor input before releasing the final ITN specifications.**
- 5. The state should consider dividing acquisitions of major systems into several smaller increments (modules) that are easier to manage individually than would one comprehensive system solution.**
- 6. Section 287.057, Florida Statutes, should be amended to define the term “history of non-performance” and to require state agencies to incorporate an IT vendor’s history of non-performance into the scoring of their response to a procurement solicitation.**
- 7. The legislature needs to look for ways to foster a more flexible working environment that permits the state to be more competitive when it comes to attracting and retaining IT talent. Further, FL[DS] and other state agencies’ IT managers need to be trained in the new leadership skills needed to retain and develop younger employees.**
- 8. Signing/recruitment bonuses --- like those provided to teachers and law enforcement officers --- can help FL[DS] and state agencies in the recruitment of IT talent.**
- 9. FL[DS] and state agencies’ job descriptions (and salary bands) should be revised or rewritten to focus on the skills required to do each job and not on the type(s) of degree likely to have those skills.**
- 10. The State CIO should work closely with the Chancellor of the SUS to establish a talent pipeline through which the SUS’ “best and brightest” Computer and Information Science graduates can be recruited by the FL[DS].**

Failure to act is a recipe for the continued failure of enterprise-wide IT projects to be delivered on time, within scope, and within budget. Florida taxpayers must hold state government accountable for making smart business decisions and conducting the high-level planning and project management necessary to ensure success of these multi-year, multi-million-dollar projects and minimize the risk to the state. Florida TaxWatch and Associated Industries of Florida call on the legislature to take the corrective actions necessary to repair the IT procurement and oversight processes during the 2024 session, in time to give the Florida Digital Service a “fighting chance” of success.

Introduction

In a 2008 report to then-Governor Charlie Crist, the state-appointed Council on Efficient Government (“Council”) looked critically at three large, complex, multi-year projects initiated by state agencies to upgrade and modernize the state’s operational software and information technology infrastructure:

- **MyFloridaMarketPlace** – an eight-year, \$114 million project to automate the state’s existing procurement (order, approval, invoicing and payment) process and to make the procurement cycle more cost-effective and more timely. MyFloridaMarketPlace provides a suite of electronic tools to streamline the development and execution of solicitations, award and management of contracts, online certification of minority vendors, online catalog shopping, and online quoting processes.
- **Project Aspire** – a six-year, \$100 million project to replace the State of Florida’s 25-year-old legacy accounting and cash management systems known as FLAIR (Florida Accounting Information Resource) and CMS (Cash Management Subsystem) with a streamlined accounting system capable of serving 36 separate state agencies. One database would be used to manage the state’s financials including accounts receivable, billing, accounts payable, general ledger, fixed assets, purchasing, contracts, projects, and grants.
- **People First** – a nine-year, \$350 million project to create a Web-based human resources management system that consolidated the existing seven personnel-related information systems into one.¹

The Council identified several common, recurring problems that plagued the implementation of these projects, including:

- A lack of strong executive sponsorship, coupled with agency resistance to move away from existing business processes, resulted in a significant number of costly software customizations;
- Project team members lacked the subject matter expertise and experience to successfully size, plan, negotiate, and implement projects of such large scope and significance;
- Frequent customer surveys with stakeholders to identify and measure their level of satisfaction were not taken and communication with agency users was limited;
- Agency staff members were not properly trained on the new systems or on their new roles and responsibilities;
- Untrained staff members were required to work and train in systems that were not fully functional; and
- Work requirements were added that were not included in the original scopes of work, resulting in significant delays and additional costs.

Since the 2008 report, the state has continued to experience challenges implementing large-scale technology platforms. Florida TaxWatch undertakes this independent research project to better understand why these problems persist and to recommend necessary improvements to Florida’s procurement process.

Florida’s Recent Large-Scale Technology Projects

In September 2020, Florida TaxWatch questioned the state’s ability to implement and manage large-scale technology projects and joined with the Associated Industries of Florida in calling for a complete overhaul of the state’s procurement system, with a new focus on transparency, open competition, and a commitment to always focus on the best outcomes for Florida’s taxpayers.² This call for procurement reform was in response to problems exposed by the COVID-19 pandemic with CONNECT, the state’s \$77 million automated Reemployment Assistance Program website. The problems exposed with CONNECT, as well as other enterprise-wide technology platforms, are summarized below.

¹ Council on Efficient Government, “Report to the Governor on MyFloridaMarketPlace, People First and Project Aspire,” Report No. R08-002, January 17, 2008.

² Florida TaxWatch, “It Is Time to Overhaul the State Procurement System,” September 1, 2020

CONNECT

First launched in October 2013, CONNECT was designed to be “a fully integrated Web-based claims management system that includes the following Reemployment Assistance Program functions: initial and continued claims, wage determination, adjudication, appeals, benefit payment control, and program integrity.”³ Six years after its implementation, however, reports by the state Auditor General continued to identify problems that preclude the accurate and timely processing of claims which has resulted in the overpayment of benefits and erroneous claimant and employer charges.

Designed to accommodate a fraction of the applications for Reemployment Assistance benefits filed during the COVID-19 pandemic, the CONNECT website collapsed under the surge of applications filed by unemployed Floridians.⁴ In response to this collapse, Governor DeSantis asked the Office of the Chief Inspector General (CIG) to review the troubled history of CONNECT. In its March 2021 report,⁵ CIG observed that:

- The requirements for system capacity, as outlined in the 2010 Invitation To Negotiate (ITN), were never fully tested or documented. The Department of Economic Opportunity (DEO) contracted for a system that had capacity for a minimum of 200,000 concurrent external users; however, there was no evidence that DEO enforced this contract requirement. The vendor’s own stress testing documentation shows that testing was done for approximately 4,200 concurrent internal and external users.
- The vendor’s solution was not the “fully mature transferable” solution outlined in the vendor’s response to the ITN. The product that was delivered by the vendor required greater customization than was foreseen by CONNECT stakeholders.
- Implementation of CONNECT was delayed and vendor staff were delayed and overextended as a result of the vendor’s work in other states.
- The independent verification and validation (IV&V) services provided by a subcontractor were neither “fully independent nor adequately rigorous.” Further, DEO reduced the IV&V oversight responsibilities (including the scope of services and frequency of oversight) mid-contract and before “go-live.”
- The number of known “fatal and severe system defects” at go-live was greater than what was allowed in the contract and amendments.
- After go-live, CONNECT was still hampered with issues that were identified in the code review (performed during the warranty performance period) and in three operational and performance audits conducted by the state Auditor General from 2015 to 2019.

SLERS-2

In 2016, the Department of Management Services (DMS) initiated an Invitation to Negotiate (ITN) to replace the aging State Law Enforcement Radio System (SLERS) equipment, which was nearing end-of-life, with a new, non-proprietary, mission-critical P25⁶ (SLERS-2) network, which would improve and expand SLERS coverage, reliability, and audio clarity. The ITN was initiated almost five years before the incumbent vendor’s contract expires to give the new P25 SLERS-2 vendor sufficient time to construct and make operational the new network and to ensure a seamless transition. Three companies submitted replies in response to the ITN, two (including the incumbent) of which were deemed to be responsive and were invited to negotiate.

3 Auditor General, “Department of Economic Opportunity, Reemployment Assistance Claims and Benefits Information System (CONNECT),” Report No. 2019-183, March 2019.

4 Florida TaxWatch, “The Aftermath of COVID-19: Rethinking How the State Delivers Services to Floridians in Need,” November 2020.

5 Office of the Chief Inspector General, “Review of the Department of Economic Opportunity Florida CONNECT System,” CIG Number 202005040015, March 4, 2021.

6 P25 is a set of standards that manufacturers can follow to ensure that their land mobile radio (LMR) equipment can interoperate (communicate) with equipment produced by other manufacturers. This permits emergency responders and others who rely on LMR equipment and systems for critical communications to rest assured that equipment from various manufacturers can be configured to work together.

As negotiations concluded, the incumbent vendor was not selected and timely filed a bid protest. The incumbent vendor's bid protest alleged, among other things, that the negotiators selected by DMS did not have the requisite expertise and knowledge--- none of the negotiation team was an engineer, and certain negotiators had no technical knowledge or background in law enforcement radio systems. Further, because the subject matter experts did not conduct a technical evaluation of the winning vendor's network design, it was unclear whether the winning vendor could actually deliver the system proposed in its best and final offer (BAFO). The incumbent vendor also claimed that the winning vendor could not use 21 radio frequency (RF) towers listed in its BAFO because these towers had been conveyed to the incumbent vendor as part of the original contract. As a result, the contract price included in the winning vendor's BAFO substantially underestimated the actual cost to the state.⁷

The Administrative Law Judge (ALJ) who presided over the bid protest entered a Recommended Order dismissing the bid protest. Based upon the Findings of Fact and Conclusions of Law, the ALJ found that the DMS negotiators "collectively" had the requisite experience and knowledge to conduct negotiations for the SLERS-2 service and to evaluate, negotiate, and score the vendors' replies. The ALJ also pointed out that the ITN called for a preliminary design, with the ultimate delivery system to be developed by the winning vendor "after execution of the contract."⁸ So... the ITN did not require the vendors to present a final, fixed tower network until after the contract had been executed. In October 2018, DMS entered a Final Order adopting the ALJ's Recommended Order and dismissing the bid protest.

After more than a year of negotiations, DMS and the winning vendor reached impasse, ostensibly over "termination for convenience" language that had been negotiated during the competitive procurement and agreed to by all parties. The termination of convenience requirement, which is included in the state's general purchasing contract provisions, would permit the state to terminate the remaining work on the SLERS-2 contract in the event the financial means to pay for the project are no longer available; in the event the state no longer wanted to operate a statewide law enforcement radio system; or in the event new technology becomes available that makes the SLERS-2 equipment obsolete. Other stumbling blocks include the compressed timeframe to build the SLERS-2 network (less than 18 months, instead of the 48 months reflected in the ITN process); questions whether the legislature would appropriate the additional funding needed to support the SLERS-2 P25 upgrade; and uncertainty surrounding the use of the 21 existing SLERS tower sites currently owned by the incumbent vendor.⁹

After a seven-month bid protest process and 14 months of negotiations with the winning vendor that followed without a contract, DMS was no closer to a contract for a successor P25 SLERS-2 network than it was in 2016. A Florida TaxWatch report found it to be in the best interest of all Floridians for DMS and the incumbent vendor to extend the current SLERS agreement through the end of FY 2025-26, to permit the transition to SLERS-2 and the decommissioning of the current SLERS legacy system.¹⁰ The Legislature agreed and took the unusual step of preempting an ongoing second procurement and, through the budget process, awarding a sole source contract to the incumbent vendor before the current contract expired.

iConnect

A recent Florida TaxWatch research report identified a number of problems with the Agency for Persons with Disability's (APD's) iConnect program, a client data management system with capabilities to perform electronic visit verification (EVV),¹¹ a safeguard against fraud. Since the inception of iConnect in 2015, APD's

7 State of Florida Division of Administrative Hearings, Case No. 18-1781BID, Recommended Order, September 5, 2018.

8 Ibid.

9 Donny Jackson, "Florida Ends Talks With Motorola Solutions on P25 Contract, Will Seek 'Next-Generation' System," International Wireless Communications Expo, Urgent Communications, July 20, 2001, retrieved from <https://urgentcomm.com/2020/01/10/florida-ends-talks-with-motorola-solutions-on-p25-contract-willseek-next-generation-system/>, December 15, 2020.

10 Florida TaxWatch, "Calling All Cars? Florida's Statewide Law Enforcement Radio System (SLERS-2) Underscores the Need for Procurement Reform," April 2021.

11 Electronic visit verification (EVV) is a technical method of verifying the delivery of health services within a client's home. EVV is reliant upon the accuracy of global positioning systems (GPS). Implementing EVV protects clients against fraud or neglect.

contract management processes have undergone two operational audits by the Auditor General. Both the first audit (performed in 2017) and the second audit (performed in 2021) found that APD had neglected to conduct required contract monitoring activities.

Florida TaxWatch took a “deeper dive” into the iConnect contract and found that the contract had been extended more times than may be permissible under Florida law. Following the 2013 legislative session, APD issued an ITN for the delivery of a client data management system with the capability to perform electronic visit verification (EVV). APD was looking for a vendor that could deliver a commercial off the shelf (COTS), software as a service (SaaS), solution that would meet APD’s business requirements and that could be deployed expeditiously.

The contract with the winning vendor anticipated the completion of all deliverables within the specified three-year timeframe (through June 2018). A three-year renewal, through June 2021, was anticipated for operations and maintenance and was permissible under Florida’s procurement law. This renewal was executed through Amendment #3 to the contract. Florida’s procurement law¹² also permits extension of a contract for commodities or contractual services for a period not to exceed six months, unless the failure to meet the criteria set forth in the contract for completion of the contract “is due to events beyond the control of the contractor.” The extension must be in writing and be subject to the same terms and conditions set forth in the initial contract and any written amendments signed by the parties.

The first six-month extension (Amendment #6) was executed on June 8, 2021, and extended the contract through December 31, 2021. A second extension (Amendment #7) was executed on December 16, 2021, and extended the contract through June 30, 2022. A third extension (Amendment #8) was executed on May 25, 2022, and extended the contract through December 31, 2022. A fourth extension (Amendment #9) was executed on December 15, 2022, and extended the contract through June 30, 2023.

Under the provisions of s.287.057(15), Florida Statutes, the second, third, and fourth extensions are permissible ONLY if the contractor’s failure to meet the criteria set forth in the contract for completion of the contract is due to events beyond the control of the contractor. A review of these amendments on the Florida Accountability Contract Tracking System (FACTS) website¹³ by Florida TaxWatch staff found no documentation to support the second, third, and fourth extensions.

Florida TaxWatch also identified a number of contract deliverables (e.g., deployment of a consumer portal, a claims module to process the billing of iBudget services, interface capabilities with secondary data systems, etc.) that had yet to be fulfilled. In 2020, the Florida legislature passed Senate Bill 82, requiring service providers to use the iConnect claims module as the official form of payment for iBudget services. In September 2022, APD announced that it was discontinuing the claims module feature, requiring providers to continue using AHCA’s Florida Medicaid Management Information System (FMMIS) for billing purposes. Discontinuing the claims module and continuing the use of the FMMIS for billing appears to be contrary to the plain language of Senate Bill 82.

The vendor was also required to create software that could interface with the data systems of providers and to support other data systems within APD; however, at the time of Florida TaxWatch’s report, no such interfaces had been implemented. Interoperability is invaluable to service providers because interfacing reduces redundancy caused by double data entries and makes business operations more efficient.

SunPass

In 2012, the state initiated actions to overhaul the way Florida processes tolls, centralizing software and call centers among its four tolling agencies. Companies bidding on the project had to be able to process at least one billion toll transactions annually and manage 4.5 million accounts. This approximated the number of transactions and accounts that were currently being processed by the state’s outdated toll system. At

¹² §287.057(13), Fla. Stat.

¹³ <https://facts.fldfs.com/Search/ContractDetail.aspx?AgencyId=670000&ContractId=WCM01>.

the urging of a contractor hired by the state to help with the procurement, the minimum standards were lowered to 500 million transactions and 2.25 million accounts.¹⁴

In 2014, the Florida Department of Transportation (FDOT) awarded a 14-year (two seven-year terms), \$600 million contract to a vendor to manage the call centers for the state's aging SunPass tolling facilities. The contract was awarded after negotiating with only one vendor, even though another company submitted a bid that was \$47 million lower and yet another company had higher technical scores. Both non-winning companies filed bid protests, one of which was paid \$3.6 million to drop its bid protest. Further, the state employee leading the negotiations with the winning vendor was a former employee of that vendor and members of the state's consulting team were previously employed by a major subcontractor of the vendor.¹⁵

In June 2018, the SunPass Centralized Customer Service System (CCSS) went live and failed to function as planned. Almost immediately, the system was overwhelmed and there were multiple customer-facing issues that occurred and continued for several weeks thereafter. Thousands of Floridians were overbilled, costing the state millions of dollars in lost toll revenue. A 2019 report by the state's Chief Inspector General looked at the reasons for the go-live failures that occurred and found that:

- The SunPass website and mobile application were not functioning as required at go-live;
- The SunPass Interactive Voice Response (IVR) was not functioning as required at go-live;
- Unintentional account replenishments resulted in duplicate charges, resulting in refunds to more than 1,200 customer accounts;
- Untimely customer billings resulted in bank account overdrafts to more than 2,200 SunPass customers, resulting in more than \$189,000 in refunds;
- An unknown number of SunPass customers experienced issues when entering and exiting airport parking facilities that interface with SunPass Plus Airport Parking; and
- Bandwidth and server capacities did not meet consumer demand.¹⁶

In the face of losses of toll collections in excess of \$50 million,¹⁷ the state decided in 2019 to procure a new SunPass contractor, choosing not to renew the second seven-year term of the incumbent vendor's contract. The final list of potential vendors (which did not include the incumbent vendor) was scrapped and the state started the process once again. This time, the incumbent vendor was one of the three finalists; however, the state selected another bidder as the intended awardee. Bid protests were filed and the case went before an Administrative Law Judge for disposition.

The Administrative Law Judge determined that the intended awardee failed to meet the requirement in the Request for Proposal that a bidder must have at least ten years' experience in tolling related customer service operations. A second bidder was determined not to have at least ten years' experience in tolling related customer service operations and failed to submit required financial documents (audited financial statements).¹⁸ The Administrative Law Judge recommended the state rescind the intended award, and the Agency Final Order rescinded the intended award and rejected all bids.¹⁹ The contract with the incumbent vendor remains in effect today.

14 Lawrence Mower, "How Florida's SunPass Debacle Started in 2012," Tampa Bay Times, April 18, 2019, retrieved from <https://www.tampabay.com/florida-politics/2019/04/18/how-floridas-sunpass-debacle-started-in-2012/>, May 3, 2023.

15 Supra, see footnote 14.

16 Office of the Chief Inspector General, "Review of SunPass Centralized Customer Service System CIG Number: #A-18/19-003," Executive Office of the Governor, November 22, 2019.

17 Lawrence Mower, "Florida's SunPass Debacle Could Cost More Than \$50 Million," Tampa Bay Times, September 19, 2019, retrieved from <https://www.tampabay.com/florida-politics/buzz/2019/09/19/floridas-sunpass-debacle-could-cost-more-than-50-million/>, August 8, 2023.

18 State of Florida Division of Administrative Hearings, "Recommended Final Order, Case Nos. 22-0172BID and 22-0173BID," July 22, 2022.

19 State of Florida Department of Transportation, "Final Order, DOAH Case Nos. 22-0172BID and 22-0173BID," September 2, 2022.

PALM

The Florida Planning, Accounting, and Ledger Management (PALM) project is a multi-year project designed to replace the Florida Accounting Information Resource (FLAIR), the state's 40+ year-old double entry, general ledger accounting system, which is utilized to perform the state's accounting and financial management functions. State agency activities related to payments for payroll, retirement, unemployment compensation, expenses, and public assistance are processed through FLAIR. Initiated in 2018, Florida PALM is a cloud-based PeopleSoft application.

The Department of Financial Services (DFS) contracted with an outside consulting firm to perform a comprehensive assessment of the PALM Project. The assessment reviewed 243 deliverables and work products and 3,576 requirements and found (among other things) that:

- Without a proven project management methodology that ascribes to industry norms, the Florida PALM Project risks scope creep or scope degradation, cost overruns, schedule delays, and poor-quality deliverables;
- Over the course of six amendments to the software and system integrator (SSI) vendor contract, the specific scope the SSI vendor is responsible for was reduced and, in most cases, those responsibilities transferred to the state. Even though the scope of the SSI Vendor's contract reduced over time, the state was charged 2.9 times more for new deliverables than those that they replaced.
- While the SSI vendor was contractually charged with leading organizational change management (OCM) for the project, the Florida PALM Project Team (specifically DFS staff) inherited the majority of OCM efforts and operations. Overly generous flexibility granted to agencies (and the permission to consolidate internal OCM roles) eroded the overall change effort and diminished statewide agency buy-in.²⁰

Florida Health Care Connections (FX) Enterprise Data Warehouse

To improve the administration and operations of Florida's Medicaid Program, the Agency for Health Care Administration (AHCA) has launched an effort to replace the Florida Medicaid Management Information System (FMMIS) with a more robust system that will allow Florida Medicaid to connect and communicate with systems that reside outside AHCA without having to rely on a common technology platform. Dubbed "Florida Health Care Connections" ("FX"), this effort will use Medicaid Information Technology Architecture (MITA) developed by the Centers for Medicare & Medicaid Services within the U.S. Department of Health and Human Services to provide greater quality and value and a better experience for Florida's Medicaid recipients.

As part of FX, AHCA in 2020 procured a vendor to implement an Enterprise Data Warehouse (EDW) solution to modernize AHCA's data management and analytic infrastructure and capabilities. AHCA entered into a seven-year, \$71 million contract with the same vendor that built and services the state's reemployment assistance claims system (CONNECT), which collapsed during the COVID-19 pandemic.

NOTE: In mid-December 2023, AHCA chose to delay work on a \$154 million IT contract that is a central part of the FMMIS' overhaul. The delay, expected to be at least 12 months, was attributed to a "critical resource constraint" at AHCA.

State Agency Oversight

Over the past twenty-five years, the state has created, abolished, and recreated a state agency to oversee large information technology projects at least four times.

²⁰ Department of Financial Services, "Florida PALM Update." Presentation to the House State Administration and Technology Appropriations Subcommittee, March 7, 2023.

State Technology Office (1999)

The State Technology Office (STO) was created in 1999 as an “enterprise-wide gateway” for best business practices to improve the way state agencies deliver services to Floridians. Led by the state’s first Chief Information Officer (CIO), the STO was supposed to save Florida taxpayers millions of dollars annually by negotiating contracts across state government, rather than by individual agencies.

The STO was “done in” by a series of self-inflicted wounds. The first CIO was arrested for (unrelated) fraud and eventually resigned. He was subsequently acquitted. The second CIO resigned after an Auditor General report found that more than \$170 million in contracts was awarded to two companies without the STO having conducted full feasibility studies, cost analyses, or risk assessments to determine if outsourcing the specified functions would provide the best value to the state.²¹ Also, the information provided in the procurement documents did not provide sufficient detail about STO operations, services, and needs to allow for a responsible vendor to adequately respond to the listed key initiatives. The contracts that were awarded lacked certain safeguards or guardrails to adequately protect state resources and were subsequently retracted.²² The legislature eventually eliminated funding for the STO, which effectively eliminated the STO.

Agency for Enterprise Information Technology (2007)

In 2007, the legislature created the Agency for Enterprise Information Technology (AEIT) within the Executive Office of the Governor. The Executive Director of AEIT functioned as the state’s CIO and as the executive sponsor for all information technology projects. Specific duties and responsibilities of the AEIT included:

- Developing and implementing strategies for the design, delivery, and management of IT services for executive branch agencies.
- Making recommendations to the State’s CIO and legislature concerning other IT services that should be designed, delivered, and managed.
- Developing a work plan describing the activities AEIT intends to undertake and the proposed outcomes.
- Developing policy recommendations and implementation plans for current and proposed IT services.
- Assessing and recommending minimum operating procedures for ensuring an adequate level of security for all data and IT resources for executive branch agencies.²³

In 2012, the legislature abolished the AEIT and reassigned its functions and duties to a successor agency. No funding for the AEIT was appropriated for fiscal year 2012-13. Instead, funding was appropriated for the successor agency. The bill abolishing the AEIT was subsequently vetoed by the governor, creating a situation where the AEIT remained in effect, although it had no money to fund its operation.

A December 2012 operational audit²⁴ disclosed that:

- The AEIT had not established required rules and guidelines for use by agencies in conducting information security audits;
- The AEIT procedures used in the review of agency security plans were not adequate to provide assurance that the plans were submitted timely and addressed all required elements.
- The AEIT had not developed written procedures to be used in the review of the plans and had not pursued the correction of plan deficiencies.

21 Lawrence Mower, “Here’s Why Florida’s Information Technology Projects Keep Failing,” Tampa Bay Times, December 22, 2020, retrieved from <https://www.tampabay.com/news/florida-politics/2020/12/22/millions-wasted-why-floridas-info-tech-projects-keep-failing/>, August 8, 2023.

22 Professional Staff of the Florida House of Representatives, “Staff Analysis: HB 1835 CS, PCB GO 05-10,” April 20, 2005.

23 Professional Staff of the Florida House of Representatives, “CS/HB 1557: State Information Technology,” House of Representatives Staff Analysis, April 24, 2007.

24 Office of the Auditor General, “Agency for Enterprise Information Technology, Office of Information Security, Operational Audit,” Report No. 2013-052, December 2012.

Agency for State Technology (2014)

In 2014, the legislature created the Agency for State Technology (AST) in another attempt to coordinate information technology projects across the state. Among the AST's duties and responsibilities were:

- Overseeing IT projects with total costs of \$10 million or more for executive agencies;
- Overseeing cabinet IT projects that impact another agency and has a total project cost of \$25 million or more; and
- Reviewing state agency IT purchases of \$25,000 or more.

The AST's financial management practices drew the scrutiny of the legislature and governor. In fiscal year 2014-15, AST overspent the data center budget by \$1.7 million. In fiscal year 2015-16, AST overbilled the customer entities by more than \$5.3 million. In fiscal year 2016-17, AST overbilled the customer entities by more than \$1.2 million.²⁵ In 2019, the legislature authorized a transfer of the duties and responsibilities of AST to the Department of Management Services (DMS) and renamed the technology program within DMS as the Division of State Technology, with the Division Director functioning as the state CIO.

Division of State Technology (2019)

In 2019, the Florida legislature passed and the governor signed House Bill (HB) 5301 which combined the Agency for State Technology with DMS' Division of Telecommunications, creating DMS' Division of State Technology. HB 5301 established a State CIO who is appointed by the DMS Secretary to lead the Division and created the Florida Cybersecurity Task Force to improve the governance and operations of the state's cybersecurity infrastructure. HB 5301 also requires state agencies to show procurement preferences for cloud computing solutions.

Florida Digital Service (2020)

Housed within DMS' Division of State Technology, the Florida Digital Service (FL[DS]) was created in 2020 to propose innovative solutions that securely modernize state government, achieve value through digital transformation and interoperability, and to fully support the cloud-first policy of the state.²⁶ The specific duties and responsibilities of the FL[DS] include, but are not limited to:

- Developing and publishing information technology policy to manage the state's information technology resources;
- Establishing project management and oversight standards with which state agencies must comply when implementing information technology projects;
- Develop enterprise architecture that supports the cloud-first policy;
- Overseeing all state agency information technology projects that cost more than \$10 million;
- Overseeing all cabinet agency information technology projects that cost more than \$20 million;
- Identifying opportunities for standardization and consolidation of information technology services that support interoperability and the cloud-first policy; and
- Establishing best practices for the procurement of information technology products and cloud-computing services.

The FL[DS] is required to report at least quarterly to the governor, president of the senate, and speaker of the house of representatives, on any information technology project that has been identified as "high risk" based upon a project plan. Each report must assess the risks going forward to the next stage of the project, as well as any recommended corrective actions.²⁷ Despite repeated requests by Florida TaxWatch for a list of IT projects identified by FL[DS] as "high risk," DMS has yet to provide this information.

²⁵ Professional Staff of the Florida House of Representatives, "HB 5301: Information Technology Reorganization," House of Representatives Staff Analysis, July 1, 2019.

²⁶ §282.0051(1), Fla. Stat.

²⁷ §282.0051(1)(d), Fla. Stat.

Conclusions and Recommendations

One obvious question is “why does the state continue to have so much trouble procuring, implementing, and managing these large, multi-year, multi-million-dollar technology platforms?” Although no state is immune from IT failures, Florida has consistently failed to show the strong leadership and coordination among agencies that is necessary to make many of these large, enterprise-wide projects work.

One reason for this can be found in the historically decentralized IT organization and cabinet-style governance structure of Florida’s executive branch. With more than 50 state agencies, departments, and other entities --- each with their own IT staff and millions of dollars to spend--- the challenges of effectively managing large IT projects on an enterprise level are easy to understand. This is especially true considering how quickly the IT landscape changes and the emerging importance of cybersecurity.

The implementation and operation of the IT projects mentioned in this research report were plagued by a set of common, recurring problems:

- **Poor planning** --- agency planners did not have the skills to know what they needed and failed to consider the complexity of the new system and what would be required to make it work when developing the project scope of work and timeframe;
- **Poor contracting**--- contracts failed to include provisions to protect the state’s interests and minimize the risk; and
- **Poor oversight and management** --- agencies failed to monitor deliverables and hold vendors accountable.

Public sector IT agencies are at a competitive disadvantage when it comes to hiring knowledgeable staff. The state has difficulty competing with private sector compensation scales, and more flexible working conditions (e.g., working remotely) that are permissible in the private sector are discouraged by public agencies. In addition, public sector IT staff often lack the knowledge to comprehend exactly what it is that they need; what questions to ask vendors; and to assess the work performed by their vendors. This is not to disparage state employees but to acknowledge an economic reality. As a result, state agencies rely too heavily on consultants and vendors for project planning and development, oversight, and implementation.

Let’s be clear --- the state cannot afford to allow the FL[DS] to fail.

The question then becomes “what steps can and should be taken to improve the FL[DS]’s chances of success?” In that regard, Florida TaxWatch and the Associated Industries of Florida offer the following recommendations to improve the procurement and oversight of enterprise-wide IT projects.

1. A joint committee of the House and Senate on information technology, appointed by House and Senate leaders, with whom is vested sole and exclusive authority for overseeing the governance of the FL[DS] and IT policy and budget issues, will help to ensure the successful operation of FL[DS].

In its June 2016 Final Report, the constitutionally mandated Government Efficiency Task Force recommended a joint committee of the House and Senate be appointed to provide the proper governance, oversight and direction of what was then the AST. It was a good recommendation then and it is a good recommendation today. Legislatively, oversight of the FL[DS] and DMS is currently provided by “general government-oriented” policy and budget committees that oversee the FL[DS] and other state agencies.

2. A governance model like the one shown in Appendix A should serve as the model structure to govern future enterprise-wide IT projects.

If the IT project is not meeting expectations, then difficult decisions need to be made immediately. To guide these decisions, it is important to establish and implement a governance structure that assigns accountability at each level of the project and provides a framework to guide decision-making, problem solving, and conflict resolution. The governance structure must also identify the points at which decisions must be escalated. An example of what Florida TaxWatch and Associated Industries of Florida consider to be a workable governance model is depicted in Appendix A.

Eventually, there may be issues that, because of their cost, complexity, or impact on the project, must be resolved at the highest level. Florida TaxWatch and Associated Industries of Florida believe a governance structure that includes the vendor's counterpart of each designated agency staff member will help to provide proper oversight and management of the project.

3. Statewide standardization of core agency business processes would alleviate some of the software customization and additional workload issues associated with trying to accommodate so many different business processes.

One of the biggest challenges affecting the implementation and performance of these enterprise-wide IT platforms is related to the lack of standardized business rules and practices among agencies and the costly and time-consuming customization that often results. When attempting to institute a standardized business process or rule, agency IT teams often encounter resistance or push-back from other agencies (that did not want to change their existing business processes to a more uniform business process).

Consider PeopleFirst, the state's web-based human resources system, which supported seven different personnel systems and a host of inconsistent policies, procedures, pay cycles, and pay dates. In its January 7, 2008 report to the governor, the Council on Efficient Government concluded that "... the lack of standardization has caused complexities within the system, which led to excessive customization of the People First system, resulting in the creation of over 200 interfaces required to support the various business rules."²⁸ These agency-specific customizations to PeopleFirst included large amounts of proprietary code which made it more difficult for the project team to train individual agency staff in its use.

4. Section 287.057, Florida Statutes, should be amended to permit agencies to publish draft ITN specifications and solicit vendor input before releasing the final ITN specifications.

Another challenge affecting the implementation and performance of these enterprise-wide IT platforms is poorly worded ITN specifications, which often lead to bid protests and poorly worded contracts for services. Oftentimes, the agency planners lack the knowledge and skills to understand exactly what it is that they need; what questions to ask vendors; and how to assess the complexity of the new system and what would be required to make it work. Current procurement law permits respondents to seek clarification about bid specifications after they have been published, but this does not correct the problem of poorly written bid specifications. Florida TaxWatch and AIF believe that permitting public agencies to publish draft ITN specifications and to solicit input from the vendor community and other stakeholders at the front end will help to avoid the problems and unintended consequences at the back end that have plagued large IT procurements.

5. The state should consider dividing acquisitions of major systems into several smaller increments (modules) that are easier to manage individually than would one comprehensive system solution.

There are risks inherent with replacing one comprehensive legacy system with another. The obscene amounts of money appropriated for these large, multi-year, enterprise-wide IT platforms and awarded to a single vendor (e.g., the nine-year, \$350 million PeopleFirst contract) often prompt

²⁸ Florida Council on Efficient Government, "Report to the Governor on MyFloridaMarketPlace, People First and Project Aspire," Report No. R08-002, January 17, 2008.

technology companies to hire lobbyists with close, sometime cozy, ties to the executive branch in an attempt to influence vendor selection. Managing a series of smaller contracts increases the odds of getting a sustainable software platform. Another benefit to using smaller contracts is the lower likelihood of bid protests, since the value of the contract may not justify the time and costs to protest a bid award.

Dividing acquisitions of major systems into smaller increments also makes it easier to use commercial-off-the-shelf (COTS) software (whenever possible). A significant advantage of using COTS is that it can be purchased and installed much faster than it takes to develop it, and at a lower cost. Further, COTS is more likely to meet the latest industry standards, which makes it more reliable and easier to use.

Dividing acquisitions of major systems into smaller increments can also expand the use of state term contracts. Most smaller IT projects use state term contracts; however, the technology offerings and providers can easily become “stale.” The ability to more readily and more easily add or delete vendors to the list of vendors on state term contracts will help to ensure that state agencies have access to best-in-class technology at any given time.

6. Section 287.057, Florida Statutes, should be amended to define the term “history of non-performance” and to require state agencies to incorporate an IT vendor’s history of non-performance into the scoring of their response to a procurement solicitation.

Under Florida procurement law, an agency may consider a number of factors, including a vendor’s history of past non-performance, in determining whether a vendor is “responsible.”²⁹ The use of the term “may” is permissive and does not require the vendor’s history of past non-performance to be considered. Further, the term “history of non-performance” is not defined in Chapter 287, F.S. As a result, vendors with demonstrated past non-performance continue to receive large contract awards. Consider CONNECT, the Web-based unemployment claims management system that collapsed under the surge of applications filed by unemployed Floridians during the COVID-19 pandemic. Six years after CONNECT’s implementation, reports by the state Auditor General continued to identify problems that precluded the accurate and timely processing of claims and that resulted in the overpayment of benefits and erroneous claimant and employer charges. This same vendor received a seven-year, \$71 million contract to implement an Enterprise Data Warehouse solution to modernize AHCA’s data management and analytic infrastructure and capabilities.

7. The legislature needs to look for ways to foster a more flexible working environment that permits the state to be more competitive when it comes to attracting and retaining IT talent. Further, FL[DS] and other state agencies’ IT managers need to be trained in the new leadership skills needed to retain and develop younger employees.

In 2013, 43 percent of the workforce was made up of Baby Boomers (ages 58-76) and Veterans (ages 77 and above). In today’s workforce, Baby Boomers and Veteran Generation employees make up just 14 percent of the workforce. Today’s workforce is appreciably younger. In 2013, Millennials (ages 23-41) and Generation X (ages 42-57) made up 56.8 percent of the workforce; today, they make up 76 percent of the workforce.³⁰

It is important to recognize that today’s workplace and work rules have changed. The state’s archaic personnel rules and leadership ideologies and skills are designed for the Veteran and Baby Boomer generations, and not for the Generation X, Millennial, and Generation Z employees the FL[DS] and other public agencies need to recruit and retain.

8. Signing/recruitment bonuses --- like those provided to teachers and law enforcement officers --- can help FL[DS] and state agencies in the recruitment of IT talent.

²⁹ §287.012(25), Fla. Stat., defines a responsible bidder to be a vendor who “has the capability in all respects to fully perform the contract requirements and the integrity and reliability that will assure good faith performance.”

³⁰ Gerry Hoeffner, “The Vanishing Workforce: An Employer’s Response,” presentation to the 2022 MakeMore Manufacturing Summit, October 12, 2022.

The success of FL[DS] is more challenging, given the difficulty finding the right talent. Like other public sector IT programs, the FL[DS] has experienced difficulty staffing up to its full capacity.

“... the hours are long and the pay sucks.”

— Former Florida CIO James Grant³¹

This comes as no surprise given Florida’s shortages of teachers, law enforcement officers, doctors, nurses, and other critical skilled positions. The challenge is in making FL[DS] and other state agencies desirable places for skilled IT professionals and then developing a talent pipeline to get them there and keep them there. Comparatively low pay and better opportunities in the private sector have contributed to the IT vacancies. Offering IT professionals job security, higher salaries, and better benefits alone will not fill these vacancies.

9. FL[DS] and state agencies’ job descriptions (and salary bands) should be revised or rewritten to focus on the skills required to do each job and not on the type(s) of degree likely to have those skills.

Today’s prospective Generation X, Millennial, and Generation Z employees view themselves as commodities to be sold to the highest bidder. They want to be compensated based upon their skills and value to the enterprise, and not upon seniority or length of tenure. Today’s prospective Generation X, Millennial, and Generation Z employees are more mobile and twice as likely to leave a job than in 2010. They leave “because they can.”

Work-life balance, self-improvement, and advancement are important to prospective Generation X, Millennial, and Generation Z employees, and they seek the flexibility to experience more than just the work. Once in a job, they want challenging career pathways and upskilling opportunities.³² Recruiting the best and brightest IT professionals will continue to be a challenge for the FL[DS] and state agencies as long as compensation is influenced by seniority; working remotely is discouraged; and leadership ideologies and skills are designed for the Veteran and Baby Boomer generations.

10. The State CIO should work closely with the Chancellor of the SUS to establish a talent pipeline through which the SUS’ “best and brightest” Computer and Information Science graduates can be recruited by the FL[DS].

One readily available source of IT talent is the State University System (SUS). Each year, the SUS graduates more than 7,000 students with degrees in Computer and Information Science. Establishing this talent pipeline between the SUS and FL[DS] will diminish the need for the FL[DS] to “poach” talent from the state agencies it serves.

In this research report, Florida TaxWatch and the Associated Industries of Florida point out some of the major flaws in the procurement, operation, management, and oversight of large, enterprise-wide IT projects. Failure to act is a recipe for the continued failure of enterprise-wide IT projects to be delivered on time, within scope, and within budget. Florida taxpayers must hold state government accountable for making smart business decisions and conducting the high-level planning and project management necessary to ensure success of these multi-year, multi-million-dollar projects and to minimize the risk to the state.

We call on the legislature to take the corrective actions necessary to repair the IT procurement and oversight processes during the 2024 session, in time to give the Florida Digital Service a “fighting chance” of success.

³¹ Jule Pattison-Gordon. “States Take New Look at Cyber Procurement Strategies,” Government Technology, January 31, 2022, retrieved from <https://www.govtech.com/computing/states-take-new-look-at-cyber-procurement-strategies>, June 19, 2023.

³² Gerry Hoeffner, “The Vanishing Workforce: An Employer’s Response,” presentation to the 2022 MakeMore Manufacturing Summit, October 12, 2022.

Appendix A – Suggested Governance Model

SUGGESTED GOVERNANCE MODEL — ENTERPRISE-WIDE IT PROJECTS

Governing Body		Membership		Meeting / Discussion Frequency	Report Out / Escalation Point
Executive Sponsors	Agency	Designated Agency Executive Manager	At least once per month and as needed	NA	
	Vendor	Designated Vendor Executive Manager			
Steering Group	Agency	Designated Agency Senior Level member(s)	Bi-weekly and as needed	To Executive Sponsors	
	Vendor	Designated Vendor Senior Level member(s)			
	Agency	Designated Agency project team leader			
Program Management	Vendor	Designated Vendor project team leader	Daily	To Steering Group	
	Process Design	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management
		Vendor	Designated Vendor project staff		
	Functional Testing	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management
Vendor		Designated Vendor project staff			
Operational Cutover	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management	
	Vendor	Designated Vendor project staff			
Operational Readiness Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management	
	Vendor	Designated Vendor project staff			
	Agency	Designated Agency project staff			
	Vendor	Designated Vendor project staff			
Operations Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management	
	Vendor	Designated Vendor project staff			
	Agency	Designated Agency project staff			
	Vendor	Designated Vendor project staff			
Technology Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management	
	Vendor	Designated Vendor project staff			
	Agency	Designated Agency project staff			
	Vendor	Designated Vendor project staff			
Staffing Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management	
	Vendor	Designated Vendor project staff			
	Agency	Designated Agency project staff			
	Vendor	Designated Vendor project staff			
Contract Leads	Agency	Designated Agency project staff	Bi-weekly and as needed	To Program Management	
	Vendor	Designated Vendor project staff			

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As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the taxpayers of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on taxpayers and businesses.

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