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Assembly
California Legislature



ASSEMBLY COMMITTEE ON
ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

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Dear Chair Salas and Members:

UPDATED/RECEIVED
06/09/2022

I respectfully request the Joint Legislative Audit Committee approve a performance audit regarding the California Department of Technology's (CDT) responsibilities regarding oversight of state information technology (IT) and security for the State of California. Specifically, the audit would examine and evaluate the processes used by CDT for reviewing IT projects and procurements, and assess the degree to which CDT provides statewide oversight, coordination, and leadership. It would also assess the adequacy of the State's defense and response to cybersecurity threats.

Information technology is a key tool used throughout state government, with many departments dependent on automated systems to perform their core, fundamental responsibilities. The State spends billions on IT. Currently, CDT oversees 26 IT projects costing the State nearly \$3.5 billion. CDT's responsibilities for IT projects and oversight may increase as departments continue to replace outdated legacy systems and identify more efficient and effective ways to implement technology in the provision of services.

CDT is the central information technology organization for the State and is responsible for approving, overseeing, and monitoring certain State IT projects, as well as completing regular project oversight reports detailing the progress of those projects. Additionally, CDT promulgates statewide IT security policies and procedures, and has responsibility over telecommunication and IT procurements. CDT's budget for fiscal year 2020-21 was over \$440 million and staffing level of 865 positions. For the 2021-22 fiscal year, the Governor has proposed an increased to CDT's budget to nearly \$500 million.

Recent IT project failures and delays have generated concern regarding the State's management and use of IT. For example, the IT system that the Employment Development Department (EDD) used to administer unemployment insurance is complex and includes major components that are aging, costly to maintain, and require modernization. EDD's IT problems left it unprepared for an influx of unemployment applications fueled by the pandemic—likely contributing to the EDD's struggles with a backlog and fraudulent claims.

The State's implementation of FI\$Cal, a financial management system intended to integrate the state's accounting, budgeting, cash management and procurement processes, provides yet another example of cost overrun and delays. The project started in 2005 with a six-year timeline and a \$138 million budget. The cost has since ballooned to almost \$1 billion and the deadline has been pushed to 2022, as the scope of the project gradually increased.

Furthermore, all too often we see headlines of ransomware attacks led to gasoline shortages across the East Coast, causing chaos and panic. While CDT is responsible for providing direction for the State's information security, its performance has been found by the State Auditor's Office to be inadequate. A report issued by the State Auditor's Office in January of this year found that CDT does not have a complete status of the State's information security and that the numerous entities under CDT's purview perform below-recommended standards. As the threat of cyber-attacks continues to grow, CDT must do more to help state agencies protect against and respond to the growing threat.

The State undoubtedly needs to modernize and strengthen its IT systems and security, but it needs to also ensure that CDT is providing requisite oversight and accountability to ensure success. A thorough audit of CDT's roles and responsibilities and its processes for reviewing and approving IT procurements and ensuring ongoing security would provide stakeholders and decision-makers insight and perhaps a holistic roadmap for future investments.

Audit scope/objectives:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Review and evaluate the processes used by CDT for reviewing and approving information technology procurements, and determine the degree to which CDT is responsible for state-wide oversight, coordination, planning, and leadership, as well as effective uses of information technology, including new systems that would allow for inter-departmental communication and sharing of information.
3. Review and evaluate the level of oversight CDT provides on statewide information technology and security, including but not limited to determining the following:
 - a) Whether CDT has conducted an inventory of all the information technology systems used by departments throughout the State, including the age of the systems and the adequacy of their security controls.
 - b) Whether CDT has identified all the legacy systems in need of modernization, including those that have unsupported hardware and software, are using outdated languages, or operating with known security vulnerabilities.
 - c) Whether CDT is involved in making key decisions, including the development of a modernization plans, and ensuring that the systems meet the needs of the departments.
 - d) The extent to which CDT has assessed and measured the information security status across the State.
 - e) The extent to which CDT monitored potential or actual security threats across the State.
4. Review CDT's role in managing procurements of information technology and whether they routinely follow laws, rules, regulations, policies, and best practices when selecting vendors

for the system, including, to the extent possible, those prohibiting a conflict of interest during the selection process.

5. Review a selection of projects at state departments, agencies, and entities for which CDT provides services, including recent projects at the Employment Development Department and FISCAL and determine whether CDT fulfilled its roles and responsibilities. Specifically complete the following:
 - a) Identify estimated and actual implementation costs and timeline for the system as well as the number of and reasons for change orders and contract amendments.
 - b) Determine whether the original project requirements, as defined by the scope of work, were delivered during implementation of the system project.
 - c) Evaluate the steps CDT took when project variances were identified within CDT's scope of responsibility. To the extent possible, determine whether CDT could have identified problems with the system earlier.
 - d) If applicable, determine whether the departments and/or CDT have documented lessons learned for use in future phases of system implementation.
6. Perform work aimed at determining whether CDT is right sized, including whether additional qualified staff would meaningfully improve CDT's services with respect to information security and large IT projects.
7. Conduct a survey of all state departments, agencies, and entities within CDT's scope of responsibility to assess the extent to which departments, agencies, and entities are aware of, using, and satisfied with the services that CDT offers, including project approvals and oversight, technology procurement, IT consulting, and information security
8. Determine statewide, all the legacy systems in need of modernization, and determine those that are most critical. For the departments, agencies, and entities with legacy systems needing modernization, determine whether they have documented modernization plans.
9. Identify any recommendations that could improve or assist CDT's efforts to deliver digital services, create solution, and provide assistance with IT projects and services.

Thank you for your consideration of this request. Should you have any questions or require additional information, please contact my office at 916-319-2074.

[REDACTED]
COTTIE PETRIE-NORRIS

[REDACTED] Administrative Review

[REDACTED] on Committee

[REDACTED]
RUDY SALAS

[REDACTED] Chair, Assembly Joint Legislative Audit Committee