MEMORANDUM

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TO: Members, Legislative Post Audit Committee
FROM: Katrin Osterhaus, IT Audit Manager
DATE: May 12, 2025
SUBJECT: KDHE Early Childhood Data Integration and System Enhancement IT
            Project (monitoring period January 1 through April 1, 2025)

Our primary aim in monitoring IT projects is to identify when a project is at risk of failure due to scope, schedule, or cost. By communicating our concerns to the agency, legislators, and other stakeholders we hope to help improve the project's health. Our secondary objective is to evaluate whether monitored IT projects have adequately planned for security controls. We started monitoring the Early Childhood Data Integration and System Enhancement project in January 2024.

Project History

- **The outdated Child Care Licensing and Regulation Information System (CLARIS) has significant limitations.** The Kansas Department of Health and Environment (KDHE) and the Department for Children and Families (DCF) jointly use CLARIS for their child care and foster care licensing programs. This includes processing child care or foster care facility applications and renewals, recording inspection results, requesting and maintaining background check information for licensees, and following up on facility complaints.

  Due to the system's age and outdated coding practices, the 2 agencies struggle keeping up with regulatory requirements, and can't provide flexible and real-time reports (e. g. number of licensed childcare providers in western Kansas). Other problems include slow application and case management processing, reduced customer service, and lengthy staff training to navigate the system.

- **In January 2024, KDHE signed a $4.3 million contract to provide a Software as a Service solution through GL Solutions.** In early January 2024, KDHE signed an agreement with GL Solutions for $4.3 million to develop the needed licensing solution, using Software as a Service (SaaS). SaaS allows KDHE to rely on the vendor to provide and maintain the licensing software via the internet and cloud storage. SaaS avoids entities having to purchase, install, and maintain software in-house, and instead pay a vendor a subscription fee for the software. On January 19, 2024, KDHE approved the purchase order.

Monitoring Results

- **As of April 1, 2025, the project appeared to be satisfactory in terms of Scope,**

Cost, Schedule, and Security, but continued to struggle meeting milestones.
Our assessment is based on reviewing various project artifacts and attending status meetings through April 1, 2025. We also met with key stakeholders to get their thoughts on the projects' progress.

o **As of April 1, 2025, the project was <mark>satisfactory in Scope</mark>, including several scope changes previously approved.**

  ▪ <u>The project scope was agreed on by both parties and appears appropriate</u>. At a high level, the scope includes replacing CLARIS with a comprehensive software licensing system for child care and foster care. Components include processing various types of applications, renewals, surveys, as well as other processes (e.g. KORA requests, background checks, complaints, investigations, and various levels of enforcement).

    The scope also includes creating 10 "interfaces" (connections) to and from external computer systems and agencies, such as the DCF Child Abuse Registry, Kansas Bureau of Investigation (for background checks), Kansas Eligibility Enforcement System (for medical and social service programs), and PayIt (Kansas' portal for certain government online payments). Lastly, the project scope includes a full year of standard hosting and support services once the system goes live.

  ▪ <u>Since work began on the project, the parties agreed to 13 change requests using a structured change control process</u>. Of these 13 approved change requests, 5 will increase the cost while the other 8 were no-cost changes. The approved changes reflected a mix of tasks that needed re-engineered, new or additional functionalities that weren't part of the initial project plan, or changes in the plan or schedule. KDHE rejected 7 other proposed changes since the project began. Lastly, 2 change requests were pending a final decision at the end of the reporting period. Throughout the reporting period, both parties used a formalized change control process to suggest, discuss, and decide on potential scope changes.

  ▪ <u>Despite the project's structured change management processes, the state's monitoring system noted this project in alert status for scope</u>. In July 2023, the Kansas Information Technology Office (KITO) launched its new Project Approval and Reporting system (KARS). State agencies are required to report all IT projects within this computer system. The system also helps with several IT project oversight provisions in state law. Based on the project manager's updates into that system, this project received an alert status for scope as of April 1, 2025. It is unclear what triggered that rating, given the formalized process being used. None of the stakeholders we spoke with had concerns in this area.

o **As of April 1, 2025, the project was <mark>satisfactory in Cost</mark>, though the estimated cost is nearing the state's $5 million IT project encumbrance.**

- Through the end of the reporting period, the state has paid about $1.6 million of the $4.3 million fixed-price contract. The statement of work lists 25 deliverables, including the creation of the project plan, as well as various system configuration, data conversion, testing, and training deliverables. Each of the deliverables had acceptance criteria and an associated cost. Through April 1, 2025, the state accepted and paid for 5 deliverables and made partial payments on 3 others because those tasks were not fully complete or accepted (this includes the GAP analysis, as well as the Test and Training management plans).

- KDHE also approved 5 change requests that added about $123,400 to the project cost. Change requests ranged from about $7,800 to about $76,000. Officials stated the approved project cost of $5 million can absorb this additional cost. The rate of change requests appears to have slowed down during this past monitoring period, as both parties recognize additional change requests could affect the schedule and funding allocation.

- The project's estimated monitoring costs are likely to increase by nearly $38,000. The original project included 10 quarterly project management fee payments for the Kansas Information Technology Office (KITO). KITO assesses those fees for reportable IT projects state agencies carry out. KITO also levies a surcharge, bringing monitoring costs to about $17,250 each quarter (the project manager didn't know about the surcharge when initial cost estimates were made). Due to schedule delays discussed further below, we think the project will likely have 2 additional quarterly reports. As a result, the project will incur about $207,000 total in KITO project fees, nearly $38,000 more than originally planned. Through the end of this reporting period, KDHE has made 3 quarterly monitoring payments to KITO.

- In October, KDHE also worked on a separate contract for about $385,000 in annual tech support/licensing fees. This periodic cost is typical for a "Software as a Service" system. The contractor charges those subscription fees to maintain the system and storage for the state. The quote specifies the contractor will provide tech support services once the project goes live and will invoice the state 1 year after the tech support started. According to the KDHE project manager, the state encumbered this expense early to be able to charge it against the federal grant fund it received for this project, which had a December 2024 deadline. As of April 1, the two parties were working on a change request to finalize the exact cost and payment terms with the vendor.

- As of April 1, 2025, the estimated cost of the project is nearly $5 million, which is what KDHE had been awarded through a federal grant. This includes the original project cost, approved changes, its monitoring expense, and 1 year of tech support from the date the system goes live. Stakeholders told us they are working on a separate list of change requests that are likely needed after the project goes live. Those system

enhancements will require additional funding.

It's important to remember KDHE and DCF also incur costs for staff resources to execute the project. This includes the senior project manager who oversees the project. Other subject matter expert staff from both agencies participate in meetings and help the contractor create accurate business case scenarios, validate designs, evaluate data conversion, test system components, and training. Those internal resource costs aren't included as part of the overall project cost.

- **As of April 1, 2025, the project is <mark>satisfactory for schedule</mark>, but at least one segment of the project is behind, jeopardizing the system go-live date.**

  - The original completion date of October 2025 was pushed back to the end of February 2026. The vendors' schedule envisioned an initial go-live date in June of 2025, with reporting and other deliverables completed by October 2025. As a result of several milestones slipping in the last half of 2024, both parties agreed to extend the project. The new schedule pushed the go live date to October 10, 2025, and the project's final completion date is expected early March, 2026 (about 4 months past the original date).

  - Several sub-tasks have slipped past their due dates and stakeholders are concerned about progress on the Carematch interface. As of April 1, 2025, the Microsoft schedule showed 5 of 18 major milestones with missed sub-task deadlines. These include shared applications and surveys, child care subsidy components, and shared interfaces. Stakeholders we talked with were not overly concerned about those delayed sub-tasks. However, everyone we spoke with identified the Carematch interface as the biggest schedule risk. Carematch is the placement matching process within DCF's foster care services. Its process design and approval was due at the end of March. Yet, the contract amendment with the respective vendor has not been reviewed or approved. Until that happens, this task can't move forward.

  - Three new major tasks (data conversion, user acceptance preparation, and user acceptance testing) are scheduled to start in the coming months. Those tasks may need to be pushed back given the design delays. But stakeholders generally were confident time can be made up without jeopardizing the go-live date. To keep the project on schedule, several stakeholders did propose the Carematch interface work to be done after the go live date, as a project enhancement.

- **As of April 1, 2025, the project is <mark>satisfactory in Security</mark>, but specific checks for that are not called out in the project schedule or deliverables.**

  - The signed license agreement includes a security section for the software which appears to be comprehensive. That section requires GL solutions to provide a "good faith effort to meet applicable NIST 800-53, SOC I, and SOC II standards to prevent unauthorized access to, and use or modification of,

the software and data." NIST 800-53 security standards are wide-ranging and detailed. As such, it is likely they surpass the state's current ITEC requirements.

The section also outlines 22 specific provisions GL Solutions must provide or ensure. Those include user ID and access controls, security awareness training, audit logs, backup protocols, and incident response programs. Additional provisions include physical security measures, monthly vulnerability scans, encryption for transmitted data, malware protection, annual security audits. Although the signed contract does not require the vendor specifically to meet state security requirements, it's likely that given these provisions, the software will include satisfactory security controls.

- <u>No security-related issues have emerged during this monitoring period, but the project schedule and deliverables do not include checkpoints for this</u>. During the weekly meetings we participated in, no issues related to security have been raised. The project plan does not include any tasks or subtasks related to security compliance checks. Similarly, none of the 25 deliverables specifically involve security compliance. The Microsoft project schedule includes one single sub-task labeled security. This sub-task, within the "shared other initial applications" category, is marked complete. As interface development, system configuration, data conversion, and user acceptance testing are starting or progressing, the state should ensure the contractor complies with stated security standards.

<u>Other Findings</u>

- o **Based on our work for this IT project, we have concerns about how accurate and updated KARS is.** KITO's Project Approval and Reporting system (KARS) mentioned earlier was designed to facilitate the review and approval process, as well as the state's monitoring efforts, for IT projects. State agencies are required to report all <u>planned</u> projects for approval, and to assess their need for ongoing monitoring, based on project risk. KITO charges quarterly monitoring fees for active projects with a higher risk score.

  The KARS system is supposed to have up-to-date information to help with oversight. Agency project managers are supposed to update KARS with individual project information quarterly. In turn, KITO staff ensure updates are made, and the information is complete. However, we noted issues with accuracy and timeliness:

  - As noted earlier, in April 2025 the KARS classification for this project (Early Childhood Data Integration and System Enhancement) was Caution for Scope (and overall). The project manager for KDHE was unsure what led to that status.

  - Further, the latest update to project information occurred in November, 2024 reflecting the project's 2024 3rd quarter status.