

## AUDIT PROPOSAL

### Reviewing Selected State Contracts for IT-Related Services

#### SOURCE

This audit proposal was suggested by LPA staff.

#### BACKGROUND

The Office of Procurement and Contracts, within the Department of Administration, entered into numerous statewide contracts to provide 3 types of staffing services to state agencies and local governments. Overall, these contracts are designed to create a flexible framework for agencies to get certain services and speed up the procurement cycle. Lastly, they can save costs by leveraging the state's buying power.

- Within the temporary staffing services contracts, agencies work with the respective contractors and subcontractors to get temporary staff for various positions such as administrative support (e.g. customer service representative), trade professionals (e.g. custodial worker), and information technology (e.g. database administrator, information security officer, IT help desk analyst). Agencies may end up hiring temporary staff based on specific rules and paying conversion fees to the contractor or subcontractor. As of February 2026, the state had nearly 130 contracts in place.
- Within the information technology services contracts, agencies and local governments may work with pre-qualified contractors for specific task orders in various areas (e.g. database support, application development). These contracts must be used for fixed-bid task orders rather than staff augmentation.
- Within the master consulting services contracts, the state has authorized contractors to provide various types of consulting services, including strategic planning, financial and performance management, and technology. Agencies needing specific services valued at more than \$100,000 may create a task order for all eligible contractors to bid on. In turn, agencies select a successful bidder based on resumes or other relevant information received from the bidding contractors.

These staffing services contracts include numerous overarching requirements. This includes contractor assurances that assigned workers are fully qualified for the specified work and are properly classified as employees (not independent contractors). It also includes requirements for the contractor to conduct federal employment verification (E-Verify) and complete security awareness training and other security or confidentiality requirements. Lastly, these contracts include various monitoring or reporting requirements.

Several audits have raised questions about IT-related contracts and some of the associated requirements. For example, a recent Legislative Post Audit IT security audit report raised questions about the staff qualifications of a particular vendor providing IT services to a state agency. A 2023 Government Accountability Office (GAO) report highlighted that federal agencies may not always monitor E-Verify requirements. Finally, a 2019 New York State

Comptroller audit of IT services found deficiencies in monitoring, creating a high risk that the state never received the required deliverables. Kansas legislators have raised concerns that contractors may use less qualified staff, potentially causing sub-standard services or project delays. Lastly, questions exist about whether the use of temporary staffing contracts is efficient and effective.

## **AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY**

*The audit objectives listed below are the questions we would answer through our audit work. The steps listed for each objective convey the type of work we would do. These may change as we learn more about the audit issues.*

**Objective 1: Did the Office of Procurement and Contracts appropriately monitor and enforce certain contracts to ensure vendors comply with relevant reporting and worker qualification requirements?** Our tentative methodology would include the following:

- Work with Office of Procurement and Contracts (OPC) staff to identify all temporary staffing, IT services, and master consulting services contracts, as well as their utilization by state agencies and local governments.
- Select a subset of 3-6 contracts and identify relevant overarching contract and worker qualification requirements (e.g. quarterly reporting requirements, training completion, compliance with E-Verify, employment classification).
- For the selected requirements, review the selected contracts and identify relevant best practices for monitoring and enforcement activities.
- Interview OPC staff, select state agencies, and contractors, and request and review supporting documentation from stakeholders to determine what monitoring and enforcement activities are taking place for selected contract and worker qualification requirements.
- Compare the monitoring activities taking place to the best practices and contract requirements to evaluate whether the selected contract and worker qualification requirements have been sufficiently monitored and enforced.
- Interview OPC staff, state agencies, and other stakeholders to understand the reasons for any identified monitoring and enforcement weaknesses.

**Objective 2: Did state agencies get the agreed-upon services for selected contracted IT services or individual task orders?** Our tentative methodology would include the following:

- From the list of IT services and master consulting services contracts received from OPC, select 2-3 contracts frequently used by state agencies.
- Contact those state agencies to identify a subset of IT services or individual task orders they have completed under these contracts. Select a small number of these IT services or task orders to evaluate in more detail. Consider selecting services or tasks that state officials said had issues with things like unexpected delays, quality, or higher costs.

- For the selected IT services and task orders, summarize relevant components such as the statement of work, expected deadlines, required qualifications, level or length of experience, or certifications.
- Interview agency staff to understand what they did to select a contractor with matching criteria, and what activities they performed during the project to ensure the work was completed within expected timeframes and at the expected level of experience and quality.
- Request and review agency and contractor's documentation to evaluate whether and how the stated requirements were met for the contract staff involved in completing the work.
- For any requirements that weren't met, interview agency and contractor staff to confirm and understand the reasons for non-compliance.

**Objective 3: Did the use of temporary staffing contracts produce cost savings for the state for selected IT services?**

- Work with OPC staff and other stakeholders to identify temporary IT staffing contracts state agencies use frequently.
- Talk with state agency officials and other stakeholders to learn about the variables involved in hiring certain IT staff outright compared to hiring them through the conversion option of a temporary staff contract. As part of the interviews, also ask about less quantifiable variables such as qualified IT staff shortages in rural areas.
- Select several temporary staffing contracts state agencies have used to hire temporary IT staff, and gather such information as job classification, length of employment, whether the conversion option was exercised, direct and indirect expenditures, onboarding costs, and other relevant factors.
- Compare the estimated cost of hiring a state employee to the cost of hiring a temporary staff through the conversion option to determine the cost difference.
- Analyze available data to determine when agencies typically convert IT staff, and what the conversion rate is.
- Talk with stakeholders about any problem findings we identified.

**ESTIMATED RESOURCES**

We estimate this audit would require a team of **4 auditors** for a total of **5 months** (from the time the audit starts to our best estimate of when it would be ready for the committee).