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STATE OF ARIZONA
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August 11, 2014

The Honorable John Allen, Chair
Joint Legislative Audit Committee

Dear Representative Allen:

Our Office has recently completed an initial followup of the Review of Selected State Practices for Information Technology Procurement regarding the implementation status of the seven audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in November 2013 (Auditor General Report No. 13-14). As the attached grid indicates:

- 1 is in the process of being implemented, and
- 6 have not been implemented.

Our Office will conduct an 18-month followup with the Arizona Department of Administration on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ss
Attachment

cc: Brian C. McNeil, Director
Arizona Department of Administration

Review of Selected Practices for Information Technology Procurement

Auditor General Report No. 13-14 Initial Follow-Up Report

Recommendation

Status/Additional Explanation

Chapter 1: Department's standard terms and conditions protect the State, but should be specialized for IT procurement

<p>1.1 The Department should develop contract templates with IT-specific terms and conditions. Specifically, the Department should:</p> <ul style="list-style-type: none"> a. Undertake a review of terms and conditions used in IT procurements by considering all the requirements in the uniform and special terms and conditions, selecting all requirements that are relevant to IT procurements, and obtaining stakeholder input on these requirements from procurement, technology, risk management, and legal personnel, as well as representatives from state agencies and the vendor community, as appropriate; b. In reviewing and considering revisions to existing terms and conditions based on stakeholder input, seek direction from the Legislature and/or Governor, as appropriate; c. Based on its review, develop and implement a specialized template of contract terms and conditions for IT procurements. In addition, the Department should consider creating and using separate templates specific to procurement of IT materials and services; d. Develop and implement policies and procedures to guide the regular review of the IT-specific terms and conditions included in its contract template(s). These policies and procedures should indicate how frequently the terms and conditions should be reviewed and who should participate in the review; e. Provide training and/or written guidance to procurement officers at SPO and the state agencies with delegated procurement authority on how to use and modify the template(s); and 	<p>The Department has not yet begun implementing most of the recommendations presented in this audit report, but has developed an implementation plan. This plan includes actions the Department reported it will complete through March 2017. Auditors will evaluate plan-implementation progress at the 18-month followup.</p> <p>Implementation in process The Department reported that representatives from its procurement, risk management, and technology offices, as well as the Arizona Attorney General's Office, reviewed the Department's existing terms and conditions in June 2014. The Department plans to obtain vendor input through industry stakeholder meetings it will conduct during fiscal year 2015.</p> <p>Not implemented See explanation for Recommendation 1.1.</p>
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Recommendation

Status/Additional Explanation

- f. Negotiate terms and conditions for IT procurements, as necessary, and provide training and/or written guidance to procurement officers at SPO and the state agencies with delegated procurement authority to reduce inconsistencies in the negotiation process that can be addressed through training.

Not implemented

See explanation for Recommendation 1.1.

Chapter 2: Department should further modify intellectual property terms and conditions

- 2.1 The Department should include options for intellectual property rights, as described in the FAR, in the IT-specific contract templates recommended in Chapter 1 (see Recommendation 1.1, pages 10 through 11). These options should provide flexibility to ensure that the intellectual property rights included in a particular IT solicitation are appropriate based on who pays for the IT development costs. The Department should also provide training and/or written guidance on the appropriate use of these terms and conditions.

Not implemented

The Department plans to implement this recommendation in conjunction with Recommendation 1.1.