Arizona Department of Administration

Arizona Strategic Enterprise Technology Office (ASET) Information Technology (IT) Project Oversight

24-Month Followup of Performance Audit Report 23-104

The July 2023 Arizona Department of Administration (Department)—ASET IT Project Oversight performance audit was the first of 2 audit reports of the Department we issued as part of the Department's sunset review.[1] This performance audit found that ASET has provided insufficient oversight of IT projects, decreasing its ability to identify projects at risk of failing and hindering critical State agency (agency) functions, and did not always ensure that high-risk IT projects received independent third-party reviews, potentially jeopardizing their success. We made **18** recommendations to the ASET, and its status in implementing the recommendations is as follows.

ASET's status in implementing 18 recommendations

Implementation status	Number of recommendations
✓ Implemented	17 recommendations
− Partially implemented	1 recommendation

Given its progress and demonstrated commitment to continue working toward implementing our recommendations, unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on ASET's efforts to implement the recommendations from the July 2023 report.

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[1]   The second audit provided responses to the statutory sunset factors. For more information on the second audit we issued as part of the Department's sunset review, including any applicable followup reports, see Report 23-107.

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Recommendations to ASET

Finding 1: ASET has provided insufficient oversight of IT projects, decreasing its ability to identify projects at risk of failing to meet their intended results and hindering critical State agency functions

1. ASET should ensure agencies submit all required IT project status reports.

   ▶ Status: **Implemented at 6 months.**

   To help ensure agencies submit all required IT project status reports, ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes that outline when agencies are required to submit IT project status reports and actions ASET staff must take if agencies do not timely submit them. Our review of a random sample of 10 of 115 IT projects that were in progress as of May 2024 found that ASET ensured that agencies submitted all monthly or quarterly status reports from December 2023 through March 2024 for all 10 projects.

2. ASET should ensure its staff review all agency-submitted IT project status reports to determine if they include all the required information.

   ▶ Status: **Implemented at 24 months.**

   As reported in our previous followup, ASET developed procedures and written guidance for agencies and ASET staff related to its project status reporting and closeout processes. During this followup, we reviewed a random sample of 3 of 58 IT projects that were in progress between August 2024 to October 2025 and found that ASET staff followed the procedures for reviewing monthly status reports to ensure all required information was provided. For example, our review of all 3 IT projects' September 2025 status reports found they contained actual start and end dates for milestones related to the reporting period and for the previous reporting period. Additionally, we found that all 3 reports included information on the IT project's overall health, including work that was accomplished during the reporting period and expected accomplishments for the next reporting period.

3. ASET should ensure that at IT project closure:

   a. All IT project milestones have been completed.

   ▶ Status: **Implemented at 6 months.**

   As discussed in recommendation 1, ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes. These procedures and standards require that agencies submit a project closeout report to ASET that includes various information, including listing completed milestones and reporting total project expenditures. The procedures also require ASET staff to review agencies' closeout reports to ensure that there are no outstanding milestones and that all project expenditures have been reported prior

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to closing the project. Our review of a random sample of 5 of 26 IT projects ASET closed between December 2023 and May 2024 found that ASET staff reviewed all 5 IT projects' closeout reports, including determining that the project had no outstanding project milestones and all program expenditures had been reported.

b. All IT project expenditures have been reported.

▶ Status: **Implemented at 6 months.**

See explanation for recommendation 3a.

4. ASET should evaluate or ensure agencies evaluate and report to it project outcomes, including changes in customer service, productivity, performance, cost savings, cost avoidance, and benefits to the State.

▶ Status: **Implemented at 24 months.**

As reported in our previous followup, ASET revised its written guidance to agencies and developed written procedures to measure project outcomes, including ensuring performance measures are established at the start of the project and assessed for success at project closeout. Our review of 3 of 30 IT projects ASET approved and that were completed between July 2024 and October 2025 found that ASET followed its IT project performance measurement procedures for all 3 projects.[2] Specifically, consistent with ASET's performance measurement procedures:

● ASET staff reviewed and approved key performance metrics for all 3 projects as part of project approval.

● ASET staff reviewed the project closeout reports for all 3 projects, which included explanations regarding whether the project met its key performance metrics or, if applicable, provided expected time frames for ASET staff to follow up with the agency if metrics were not available upon project closeout. For example, 1 agency reported that its project had resulted in substantial improvement to customer service with a 50% reduction in the number of calls that were transferred for additional support following staff's new access to data.

5. ASET should take action if it determines an IT project is at risk of failing to meet its intended results, including temporarily suspending IT projects, as required by statute and rule.

▶ Status: **Implemented at 24 months.**

ASET has developed and implemented policies and procedures to address IT projects that are at risk of failing to meet their intended results, including outlining criteria to determine if projects are at risk of failure and actions its staff can take. Specifically, ASET policy requires its staff to initiate a corrective action plan process if an IT project's health status is critical for 20% of the project duration or 3 consecutive months. Further, if the agency fails to comply with the corrective action plan process, ASET staff must

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[2] Our review of 3 of 30 IT projects that ASET approved and were completed between July 2024 and October 2025 included 2 randomly selected projects and 1 project we judgmentally selected because ASET data indicated that the project had exceeded its approved budget.

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escalate the project to a Corrective Action Committee (Committee) consisting of various members of ASET leadership, and the Committee must determine additional corrective actions or temporarily suspend the project until the corrective actions have been implemented within the time frame established by the Committee. Our review of 1 of 2 IT projects that were in progress as of November 2025 and had a critical health status for 3 consecutive months found that ASET initiated a corrective action plan and has been monitoring the project in accordance with the corrective action plan.

6. ASET should revise and implement its rules, policies, procedures, and/or standards to outline processes related to status reporting, including:

    a. Expectations for ASET staff and agencies on the specific information that should be included in each section of the status report.

    ▶ Status: **Implemented at 6 months.**

    ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes that include expectations for ASET staff and agencies on the information that should be included in IT projects' monthly/quarterly project status reports and outline the steps ASET staff should take to review status reports. As discussed in recommendation 2, the status reports for 2 projects were missing some required information. Therefore, we will assess ASET's continued implementation of its procedures and standards related to project status reporting through our work to assess its implementation of recommendation 2 during our 18-month followup.

    b. Expectations for ASET staff and agencies on the criteria that must be met for an IT project to be considered complete and the IT project completion summary information that should be documented in the IT project's last status report, such as actual project start and end dates and total development expenditures.

    ▶ Status: **Implemented at 6 months.**

    ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes that include expectations for the criteria that must be met for an IT project to be considered complete. The procedures and standards also outline the IT project completion summary information that should be documented in the IT project's last status report, including listing completed and incomplete milestones, as applicable, and reporting total project expenditures. As discussed in recommendation 3a, our review of a random sample of 5 of 26 IT projects ASET closed between December 2023 and May 2024 found that ASET staff reviewed all 5 IT projects' closeout reports, including determining that the projects had no outstanding project milestones and all program expenditures had been reported.

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c. Steps ASET staff should take to review status reports.

▶ Status: **Implemented at 6 months.**

See explanation for recommendation 6a.

d. Steps ASET staff should take when they do not receive agency status reports in a timely manner or when status reports do not include the required information.

▶ Status: **Implemented at 6 months.**

ASET developed procedures and standards for agencies and ASET staff related to its project status reporting and closeout processes that include steps ASET staff should take when they do not receive agency status reports in a timely manner. As discussed in recommendation 1, our review found that ASET staff ensured the agencies submitted all monthly or quarterly status reports for the projects we reviewed. Additionally, although the procedures and standards also include steps ASET staff should take when status reports do not include the required information, as discussed in recommendation 2, our review found that ASET staff reviewed and accepted as complete the status reports for 2 projects that were missing some required information. We will assess ASET's continued implementation of its procedures and standards related to project status reporting through our work to assess its implementation of recommendation 2 during our 18-month followup.

7. ASET should develop and implement processes, including written policies, procedures, and/or standards, to:

a. Maintain complete and accurate IT project data, including actual project start and end dates.

▶ Status: **Implemented at 24 months.**

As reported in our previous followup, ASET had developed and begun implementing written procedures to help ensure it maintains complete and accurate IT project data. Our review of 3 of 30 IT projects that ASET approved and were completed between July 2024 and October 2025 found that ASET ensured that agencies reported the actual project end dates for all projects and its IT project-tracking system reflected the projects' actual end dates. Additionally, as reported in recommendation 2, we reviewed September 2025 status reports for 3 of 58 in-progress IT projects from August 2024 to October 2025 and similarly found that ASET ensured agencies reported updated milestones for relevant reporting periods, including actual start and end dates, which were also reflected in ASET's IT-project tracking system (see recommendation 2 for additional information).

b. Corroborate expenditure data reported in status reports for all IT projects, such as requiring agencies to submit invoices and reviewing a sample of invoices or reviewing agency financial transactions in Arizona Financial Information System (AFIS).

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▶ Status: **Partially implemented at 24 months.**

As of June 2025, ASET revised its written procedures for IT project status reporting and closeout to require its staff to corroborate expenditure data in status reports by reviewing invoices and other financial documentation for IT projects with total project costs greater than $5 million. However, ASET's procedures do not include similar requirements and steps for staff to corroborate expenditure data for all IT projects, including those with total project costs under $5 million. ASET reported that it has limited resources to corroborate expenditure data for all IT projects and will continue to review invoices and other financial documentation for higher-risk IT projects, which it determined are those with total project costs greater than $5 million.

c. Close IT projects, including ensuring that IT projects do not have outstanding issues at IT project completion, such as incomplete milestones.

▶ Status: **Implemented at 6 months.**

See explanations for recommendations 3a and 6b.

d. Assess and address IT project failure risks, including comprehensive criteria for determining whether IT projects are at risk of failure, steps staff should take to address IT project failure risks, and determining whether an IT project should be temporarily suspended.

▶ Status: **Implemented at 24 months.**

See explanation for recommendation 5.

e. Evaluate project outcomes, including changes in customer service, productivity, performance, cost savings, cost avoidance, and benefits to the State, as required by the State-wide project status reporting standard.

▶ Status: **Implemented at 24 months.**

See explanation for recommendation 4.

Finding 2: ASET did not always ensure that high-risk IT projects received an independent third-party review, limiting key information related to project concerns and risks for it and Information Technology Authorization Committee (ITAC) to consider and address, potentially jeopardizing these projects' success

8. ASET should comply with statute and ensure that for IT projects with total project costs exceeding $5 million, agencies contract with an independent third party to review and guide the technology approach, scope, estimated cost, timeline for completion, and overall feasibility of the project before ASET makes IT project recommendations to ITAC.

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▶ Status: **Implemented at 24 months.**

During our initial followup, our review of the 2 IT projects with total costs exceeding $5 million that ITAC approved during our review time frame found that the agencies contracted for independent third-party reviews before ASET made IT project recommendations to ITAC. Similarly, during this followup, our review of the 1 IT project with total costs exceeding $5 million that ITAC approved between December 2024 and June 2025 found that the agency contracted with a third party for a review prior to ASET making an IT project recommendation to ITAC.

9. ASET should develop policies, procedures, and/or standards that outline steps that ASET staff and agencies must take to contract for the independent third-party review of IT projects with total project costs exceeding $5 million, including requirements for obtaining and retaining independent third-party review documentation and time frames for when it should be contracted.

▶ Status: **Implemented at 6 months.**

10. ASET should work with ITAC to develop a process, including written policies and procedures, for requiring that agencies obtain and provide ASET and ITAC with the initial results of independent third-party reviews, such as requiring that the independent third-party review be provided to ITAC at the time of project approval, or recommending that ITAC approve projects with conditions that the independent third-party review be provided for ITAC's review during a subsequent ITAC meeting.

▶ Status: **Implemented at 24 months.**

ASET has developed written policies and procedures requiring agencies to select an independent third-party reviewer before bringing the project to ITAC for approval and for requiring that the independent third-party reviewer's feasibility study is provided to ASET staff who will then provide the feasibility study to ITAC. Additionally, ASET's policies and procedures require its oversight staff to review project details to ensure that a third-party reviewer is selected before the project is presented to ITAC for approval. Our review of the 1 IT project with total costs exceeding $5 million that ITAC approved between December 2024 and June 2025 found that ASET followed its procedure for ensuring that it and ITAC obtained the independent third party's feasibility study, which was provided to ITAC as part of the project's first quarterly report to ITAC in accordance with the conditions ITAC established at project approval.

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