

KATIE FRY HESTER
Legislative District 9
Howard and Montgomery Counties

Education, Energy, and
Environment Committee

Chair, Joint Committee on
Cybersecurity, Information Technology
and Biotechnology



Annapolis Office
James Senate Office Building
11 Bladen Street, Room 304
Annapolis, Maryland 21401
410-841-3671 · 301-858-3671
800-492-7122 Ext. 3671
KatieFry.Hester@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of SB 705 - Department of Information Technology -
Reporting Guidelines**

Feb 26, 2025

Chair Guzzone, Vice-Chair Rosapepe, and members of the Budget & Taxation
Committee:

Thank you for your consideration of SB 705, which on its surface, looks like a simple bill, altering the content of the Major Information Technology Development Reports. We are currently working with both the Department of Information Technology and the Department of General Services on amendments which will build on these reports to ensure project management and oversight are conducted with fidelity.

For context, the Joint Committee on Cybersecurity, IT, and Biotechnology has been working to modernize and reform DoIT since at least 2020. The lack of mission clarity, authority over information technology in other departments, and poor resourcing leads to poor project management, cost overruns, failure, etc. Listen to our hearings from the summer/fall of 2021, and you'll hear us discuss the need to centralize authority, reform the MITDP/modernization process, and increase oversight.¹²³

The problem became glaringly apparent in March of 2024. The DoIT Audit delivers a blistering assessment of DoIT's operations under the previous administration. Most notably, it uncovers a

¹ June 23, 2021 –

https://mgaleg.maryland.gov/mgaweb/Committees/Media/false?cmte=mjm&clip=MJM_6_23_2021_meeting_1&ys=2021rs

² September 29, 2021 –

https://mgaleg.maryland.gov/mgaweb/Committees/Media/false?cmte=mjm&clip=MJM_9_29_2021_meeting_1&ys=2021rs

³ November 9, 2021 –

https://mgaleg.maryland.gov/mgaweb/Committees/Media/false?cmte=mjm&clip=MJM_11_9_2021_meeting_1&ys=2021rs

disastrous increase in cost for the MD THINK project. As of July 2022, DoIT was responsible for overseeing the State's 53 MITDPs valued at \$2.9 billion. In short, the audit found that⁴:

- DoIT delegated significant MITDP responsibilities to State agencies without ensuring the agencies had sufficient resources and qualified personnel and did not ensure the projects had sufficient oversight to ensure the related projects were completed on time and on budget.⁵
- DoIT did not effectively monitor MITDPs to ensure that changes to the scope and cost were appropriate. DoIT could not explain projected cost increases for two MITDPs that increased a combined \$1.03 billion (271 percent) between 2018 and 2022.⁶ DoIT did not provide sufficient oversight for one project (MD THINK). Specifically, DoIT could not adequately explain or justify the increase and delays on the system implementation. As of the fiscal year ending in 2022, the MD THINK project estimated cost-to-complete totaled \$588.8 million, which is an increase of \$422.4 million from the original contract amounts of \$166.4 million.⁷

What makes this even more troubling is that the MITDPF was established in 2002 within the Department of Budget and Management to specifically avoid this problem. Language from the FY 2002 - Operating Budget Analysis - FA04 - Information Technology - Department of Budget and Management analysis states:

“State spending in fiscal 2001 totals nearly \$570 million on IT-related goods and services. In recent years, the State has also spent millions on the development of IT projects that have produced inadequate computer systems. Some of the reasons for project failures point to poor project management, lack of initial planning of projects, and insufficiently trained personnel to monitor and manage complex contracts. Maryland must take steps to safeguard its growing investment in this valued resource. In conclusion, this issue highlights some common problems found throughout the State in the development and implementation of major information technology systems. This includes: poor planning, lack of expertise in State agencies in the design and development of systems; low pay and inadequate training; and a lack of effective centralized oversight”

In 2008, DoIT was established to take over management of major IT projects – that is when the PINs with information technology expertise were taken out of agencies and moved to DoIT with the intention of centralizing IT. We have moved back to the same place we were in 2002 – with projects being managed by agencies who don't have the internal capacity to successfully manage major IT projects.

⁴ Report – https://dlslibrary.state.md.us/publications/OLA/DOIT/DOIT_2018-2022.pdf

⁵ Page 19-20 – https://dlslibrary.state.md.us/publications/OLA/DOIT/DOIT_2018-2022.pdf

⁶ Page 22 – https://dlslibrary.state.md.us/publications/OLA/DOIT/DOIT_2018-2022.pdf

⁷ Page 21-22 – https://dlslibrary.state.md.us/publications/OLA/DOIT/DOIT_2018-2022.pdf

In 2025, our total FY25 MITDP funding appropriations are \$348,148,500; total estimated cost at completion is \$2,113,508,069. Of these projects only **20% of them are NOT experiencing** some kind of challenge. That means that 80% of our portfolio of \$2.1B IS experiencing a challenge (likely relating to schedule, budget, cost or procurement). Given the budgetary challenges we are facing, we have to manage taxpayer funds dedicated to IT projects in a more responsible way.

DoIT's next audit update is due from OLA in March of this year. While I believe that the department has been working diligently to rectify these findings, the unfortunate truth is that the current structure for accountability is broken. Vendors in the industry summarize the problem as this: "There is no single throat to choke." Because there isn't one single point of accountability there are multiple opportunities for scope expansion, inadequate service delivery, systems that are out of date before they are delivered and of course significant cost overruns.

The core issue is as follows:

- The Department of General Services issues the contracts but does not manage them.
- Agencies have been delegated the responsibility to manage the projects (determining the scope of work orders, financial accounting, and performance measures) however they DO NOT do not have the technical capacity to manage them effectively.
- The Department of Information Technology, which is statutorily mandated to oversee these projects, is spending \$4.3M in FY25 to contract with _____ to provide oversight. However, this oversight is limited to tracking and reporting on limited metrics, with the Department explicitly stating they are not doing project management.

In recent conversations, DOIT admitted that most projects were in a high-risk situation, and they believed there was financial waste across all the projected appropriations. Do we think they can actually right the ship? Or have they been set up to fail?

When asked about management, DoIT says that DGS manages the contract, DoIT provides broad "oversight" (which is not project management) and the Agency is responsible for "determining the scope of work orders, financial accounting, and performance measures." DoIT also admits that the agencies did not have the capacity to manage these projects. Their solution has been to hire contractors (\$4.1M this year) to provide "oversight" of the other project contractors working with the agencies to deliver the projects. With so many cooks in the kitchen, and no clear accountability for performance, we will never get the results we need.

For context, per the FY25 mid-year MITDP report: The portfolio consists of 69 projects across 23 state agencies. Total FY25 MITDP funding appropriations are \$348,148,500 and total estimated cost at completion is \$2,113,508,069. The Maryland Department of Health has the largest number of active MITDPs (25) and the Department of Human Services has the largest

appropriations (approximately \$104.5M). Looking across the portfolio we see the following key findings at this point in time:

- 20% of projects report no explicit challenges to scope, schedule, or cost (which means 80% are challenged)
- Schedule management emerges as the most prevalent challenge, affecting 33% of projects
- Resource and staffing constraints impact 26% of projects
- Budget and cost management issues affect 22% of projects
- Procurement-related challenges are present in 20% of projects

Who, then, bears ultimate responsibility for delivering successful IT projects—projects that serve the people of the state, are completed on time, and stay on budget? Statutorily, auditors point to the Secretary of IT. However, in practice, her team lacks the structure and capacity necessary to fulfill this mandate effectively.

There is good news. After Senator Steve Hershey and I sent a letter to the Board of Public Works requesting a delay on the Agile Teams Contract, we had a highly productive meeting with the Governor's Office, the Department of Information Technology, and the Department of General Services.⁸ Everyone agrees—the current project management approach is broken. We are now actively working on a solution, which will be introduced as an amendment to this bill and delivered to this committee within the next 45 days. Our proposed solution focuses on three key areas:

- 1) Increased reporting which is what this bill currently does
- 2) Increased project management capacity
- 3) Either increased centralization of IT OR outsourcing to a new authority who would have the capacity of a Master Service Integrator

1. Increased reporting

As amended, this bill will reform the MITDP reporting process to produce more detailed reports and a more actionable dashboard summary. We must require the following changes to the MITDP reports including:

- **Project Oversight:** Identify the lead agency, project lead, scope, goals, objectives, performance metrics, and technologies used.
- **Schedule Management:** Provide original and updated completion dates, milestone tracking, and an overall project timeline. Additionally, provide a summary of monitoring and oversight of the project and a description of problems identified, and corrective actions taken.

⁸ Letter – <https://drive.google.com/file/d/1MvxyxWpaM8Fe4GfNwrb9KHpz97VwJR8I/view?usp=sharing>

- Financial & Risk Reporting: Detail total contract budget, estimated completion cost, contract ceiling, and IT operating expenses.

At the same time, I'm pleased to share that the Administration has committed to addressing key concerns around oversight, project management, and financial accountability for IT contracts. As part of this effort, they are proposing new reporting requirements for work order contracts entered into by client user agencies issued under the Statewide Agile Teams contract. These proposed reporting requirements include:

Client user agencies will be required to notify the Board of Public Works (BPW) 30 days after the work order award with the details as outlined below. For work order contracts exceeding \$1 million, and contract terms exceeding 6 months, the following information will be required:

- Client user agency
- DoIT accountable point of contact
- Contract vendor
- Scope of work
- Work order contract term
- Total work order cost
- Minority Business Enterprise (MBE) and Veteran-owned Small Business Enterprise (VSBE) goals, if applicable
- Funding source
- Project milestones and deliverables

For work order contracts over \$1 million with contract terms exceeding 4 months, the client user agency will be required to submit a report every 4 months to the BPW and the Legislative Policy Committee detailing updates on:

- Work order contract spend to-date
- Update on project milestones and deliverables
- MBE and VSBE compliance
- Efforts to manage risk and ensure scope, time and funding alignment

The report(s) must be signed by the head of the agency and reviewed by DoIT, in their oversight capacity, prior to submission to the BPW and the Legislative Policy Committee.

2. Increased project management capacity

Currently, MITDPs rely heavily on staff augmentation, often resulting in contractors managing other contractors—an inefficient approach. In a recent memo, DoIT acknowledged issues with the legacy oversight process, established in 2002, and has been working toward reforms.

However, ongoing discussions continue on whether current spending on project management is justified or if resources should be reallocated to permanent positions (PINS) or contracts for greater efficiency and accountability.

The memo states: *“DGS will manage the statewide contract; however, the agencies that issue the WOs will be responsible for managing the day-to-day performance of the contractors. DoIT will work with the agencies to ensure that they have the technical capacity to oversee the contractors. As for financial accountability, project success does not necessarily mean a project is on time and on budget. DoIT is currently working on fundamentally reforming the State’s approach to technology projects:*

- *Projects must take an iterative approach to development, where small pieces of work are defined, designed, tested, developed, and tested again with users in short iterations (~2 weeks) and then built upon over time.*
- *The design and test cycles are done collaboratively between the implementation team and the program team(s) and other users the*
- *Project strategy is managed through a prioritized set of stand-alone features / improvements that are shipped as ready rather than managing toward a big-bang release of an end-to-end system; all releases are phased.*
- *In order to make this possible, projects must have a technical product manager, engineering lead, and UX lead.*
- *Systems are never “done” and continue to be supported by small development teams in perpetuity to keep them updated, secure, and serving user needs. “*

3. Increased centralization

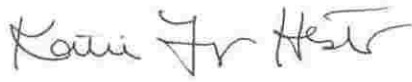
As mentioned earlier, the Joint Committee on Cybersecurity, IT, and Biotechnology has focused on the need to centralize authority, reform the MITDP/modernization process, and increase oversight for some time. Modernizing DoIT into a 21st-century IT agency requires both immediate and long-term solutions. States like Vermont, North Dakota, and Utah have seen significant success by adopting centralized enterprise IT models. According to NASCIO, while fewer than half of states have fully transitioned to this model, the trend is clearly moving in that direction—driven by the cost savings and efficiencies that Vermont’s CIO emphasized three years ago.

Transferring PINS from agencies and into DoIT in 2002 did NOT work. To ensure both strong project management and statewide consistency, we need expertise embedded within agencies while maintaining centralized oversight. One promising model, proposed by Senator JB Jennings, mirrors Maryland’s Attorney General structure: each agency has its own AG, deeply familiar with its operations, yet accountable to the State Attorney General, ensuring uniform

standards and guidance. Similarly, each agency could have an Information Security Officer (ISO) who reports to the State Secretary of IT, ensuring accountability for IT system success—not just “oversight.” Sticking with the status quo is not an option. The world is becoming increasingly digital, and without decisive action, we’ll find ourselves in 2028 facing another audit of failed projects and another half-billion dollars—or more—wasted. The time to fix this is now.

We are currently working on amendments to address the three points outlined above: reporting, management and centralization structure. For that reason, I am asking for your support while we work on the amendments, and once you have them, a favorable report on SB 705.

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive, slightly slanted style.

Senator Katie Fry Hester

Chair Joint Committee on Cybersecurity, Information Technology and Biotechnology