



# AUDITOR GENERAL

WILLIAM O. MONROE, CPA



## DEPARTMENT OF LAW ENFORCEMENT INTEGRATED CRIMINAL HISTORY SYSTEM

### Information Technology Audit

#### SUMMARY

The Department of Law Enforcement (Department) is in the process of replacing its Computerized Criminal History (CCH) System and Automated Fingerprint Identification System (AFIS) with a new application, the Integrated Criminal History System (ICHS).

The scope of this audit focused on determining the status of the ICHS project, including which Department legacy systems were being subsumed by ICHS and evaluating the Department's procurement process for obtaining ICHS development consulting services during the period December 2002 through April 2003 and selected actions taken from October 2002 through January 2004.

As described below, we noted deficiencies in certain management controls related to the ICHS procurement process.

**Finding No. 1:** We noted instances where the Department did not ensure compliance with Florida law and State purchasing rules in the procurement of ICHS.

**Finding No. 2:** The contract between the Department and Science Application International Corporation (SAIC) for the development and implementation of ICHS lacked certain key provisions that were negotiated after the contract was signed and contained a provision that would allow potential cost variances under the terms of the contract.

#### BACKGROUND

The Department began an initiative in the 1993-94 fiscal year to improve Florida's crime solving processes and technologies. The Department long-range plan, the Florida Crime Information Center II Master Plan FCIC II, identified four major elements to accomplish this initiative, including implementing a new frame relay network, providing workstation software for personal computers accessing FCIC, replacing the FCIC message switch and hot files, and replacing the CCH System. The first three elements of this plan have been completed. The final element, replacing the CCH System, was expanded to also include replacing AFIS.

The ICHS project began in late 2000. Records of arrests, court dispositions, and incarcerations are maintained in the CCH System. Fingerprint images are maintained in AFIS. The Department's 2001-2002 Agency Annual Enterprise Resource Planning and Management Report stated that both the CCH System and AFIS are legacy systems that are approaching the end of their life cycles and processing capabilities. According to the Department, the CCH System cannot support the new, technologically sophisticated functions that criminal justice agency users have requested, while AFIS cannot continue to expand to accommodate future growth demands. The Department estimated a failure date of April 2005 for current AFIS.

According to the Department's Long Range Program Plan for Fiscal Years 2002-2003 through 2006-2007, ICHS will integrate records from both the CCH System and AFIS into a system that is intended to support the capacity and high volume processing needs of its customers. In addition, it is to include state-of-the-art technology that is supposed to improve integration between criminal history information, fingerprint images, and photographic images.

ICHS has been designed in three phases. Phase I, Data Profiling and Data Analysis, was finalized in September 2001; however, work to clean and repair the CCH data is expected to continue through ICHS implementation. Phase II, System Requirements Analysis, was completed in June 2002. The Department released an Invitation to

Negotiate (ITN) for the Systems Design, Development, and Implementation phase (Phase III) on October 31, 2002. Three vendors submitted proposals for the system, including SAIC, Unisys, and Lockheed Martin.

The Department provided us with an ICHS Project Budget Report on March 11, 2003. This report showed an original cost estimate of \$17,200,000 in the Original Feasibility Study prepared by the Department in September 2000.

KSJ & Associates provided a revised estimate of \$27,600,000 in its Independent Cost Estimate for the 2002 Feasibility Study in September 2002. According to the Department, the original estimate did not consider actual system requirements of the ICHS because the Systems Requirements Analysis for ICHS had not yet been completed. The revised estimate considered the actual requirements gathered during the Systems Requirements Analysis phase and, according to the Department, provided a better estimate than the original estimate. However, it also used assumptions about system complexity and labor rates that were subject to adjustment.

In March 2003, the Department provided a project cost estimate of \$39,900,000, based on a cost proposal submitted by SAIC on March 6, 2003 in response to the October 2002 ITN. This estimate included additional costs over the previous estimate from KSJ, such as additional labor hours at a higher labor rate and costs for fingerprint matching software. Neither the \$39,900,000 nor the previous estimates included

the estimated cost of \$11.7 million for AFIS components (field equipment and software) for other Criminal Justice agencies identified in the Department Feasibility Study or additional costs of \$9.8 million for operations and maintenance of ICHS.

SAIC signed a contract with the Department for the Systems Design, Development and Implementation of ICHS on April 29, 2003, for \$37,435,566. The Systems Design, Development, and Implementation phase of the project is organized into 5 additional subphases. The systems design portion of the System Design, Development, and Implementation phase was completed on October 31, 2003.

The new fingerprint capability of ICHS is scheduled to be implemented in October 2004, with full implementation of ICHS projected for December 2005, 20 months after the originally scheduled date of April 30, 2004, established in the ICHS Project Master Plan schedule released in July 2001. An implementation delay was caused by a stop work order that was imposed during Phase II, Systems Requirements Analysis, because of concerns related to the vendor's revised estimate of the cost and time needed to complete work on the contract for this phase. Additional delays were caused by the complexity of ICHS, the need for a detailed analysis between the Systems Requirements Analysis phase and the release of the ITN, and a bid protest following an announcement of the winning vendor.

An ICHS budget, dated June 6, 2003, was submitted by the Department to the Technology Review Workgroup (TRW). The ICHS budget contained an estimated system cost of approximately \$61.9 million, which included \$9.8 million budgeted for operations and maintenance support of the ICHS system through fiscal year 2009-10 and additional categories of expenses not included previously; but did not include funding for contractually permitted cost variance in the SAIC contract (\$3.6 million) and potential project scope change (\$4.5 million). Additionally, it did not include the \$11.7 million for AFIS components, as previously discussed. Considering the Department's ICHS budget, equipment cost, and potential additional costs, the total cost of the ICHS project could total \$81.6 million (adjusted for rounding).

The 2003-04 General Appropriations Act (GAA)<sup>1</sup> specified that the ICHS project is to be complete in December 2005, for a maximum cost of \$55,572,863. According to the Department, this amount included only development costs.

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**Finding No. 1:  
Procurement Issues**

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Florida law<sup>2</sup> requires that, prior to issuance of an ITN, the agency must determine in writing that the use of an invitation to bid or a request for proposals will not result in the best value to the State. The agency's written determination must specify reasons that explain why negotiation may be necessary in order for the State to achieve the

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<sup>1</sup> Specific Appropriation 1176, Chapter 2003-397, Laws of Florida

<sup>2</sup> Section 287.057(3)(a), Florida Statutes

best value. In addition, State purchasing rules<sup>3</sup> require that certain criteria be met prior to contracting with a vendor for the purchase of tangible personal property. Specifically, the agency must determine in writing that there is an absolute and demonstrated need to acquire the property through the vendor, as opposed to direct acquisition by the agency.

We noted instances where the Department did not ensure compliance with Florida law and State purchasing rules in the procurement of ICHS:

- The Department issued a memorandum stating that the ITN was decided upon as the method of procurement for ICHS. In this memorandum, the Department specified reasons why an ITN would result in a better value to the State than an invitation to bid. However, the Department did not similarly justify its reasons for using an ITN, instead of a request for proposals.
- The ICHS contract with SAIC provided that the vendor would purchase the related computer equipment associated with the application. However, the Department did not demonstrate, in writing, the need to acquire property through the vendor, as required by State purchasing rules.

Without key procurement issues addressed and documented as required by Florida law and State purchasing rules, the risk is increased that the best value to the State will not be achieved.

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**Recommendation: The Department, in future IT procurements of this nature, should document procurement decisions in a manner consistent with Florida law and State purchasing rules.**

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**Finding No. 2:  
Contract Provisions**

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Prudent business practices dictate that, in preparing an outsourcing contract, the parties ensure that the contract contains, at a minimum, complete and definite clauses and schedules. In a formal contract, all terms and conditions should be physically incorporated into the contract document to constitute the complete agreement between the parties.

Pursuant to the contract, a Project Management Plan (PMP) was to be delivered to the Department by SAIC within 30 days of the contract signing. The purpose of the PMP was to describe the organizational resources and management controls to be employed to meet the cost, performance, and schedule requirements for the ICHS project. The plan included a description of the methods and approach for management functions to be performed for the project and provided reference to related plans that detailed software development, systems engineering, configuration management, data management, and other critical project functions. As noted above, the ICHS project is to be accomplished in five phases. The PMP was initially created and delivered at Phase I and is to

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<sup>3</sup> Department of Management Services Purchasing Rule 60A-1.017

be updated with specific changes required to support each subsequent phase. These updates are to be tracked in the PMP revision record which is to provide a description and date for each change.

We noted the following contract deficiencies:

- The original contract for the development and implementation of ICHS, signed on April 29, 2003, did not include a schedule for implementation. According to the Department, a detailed implementation schedule was to be included with the PMP.
- According to the PMP revision record, the PMP was not delivered within the 30 day timeframe established in the contract. The initial delivery of the PMP for Department review was on June 11, 2003 (43 days after the contract signing). The final version of the PMP at Phase I that incorporated mutually agreed upon changes and included a schedule for implementation was delivered on June 30, 2003.
- The contract included \$2 million for training, stakeholder activities, and county-by-county conversion and implementation (CCCI) plan costs; however, the provider for these activities had not been established. According to the Department, during final negotiations, the Department discussed with SAIC the training, stakeholder activities, and CCCI plan, and determined that the actual work

to be performed under each category was subject to significant change. However, the structure of the contract required the State to pay a fixed amount at the end of each phase. Therefore, the Department negotiating team proposed changing the costs associated with this work from firm fixed price to time and materials, and making the assignment of work optional for SAIC or other contractors of the Department's choosing. In response to our inquiry, the Department indicated that if SAIC is requested to perform this work, it will be initiated through a Statement of Work as described in Rider 7 of the contract; otherwise other procurement methods would be followed as appropriate. Nevertheless, when no firm descriptions of what is to be provided are defined in the contract and no provider is established for these activities, the Department's ability to ensure adequate delivery of the above services at the price established may be limited.

- The contract allowed for potential percentage increases that could add to the cost of the contract. According to the Department, these percentages could result in a cost increase of up to \$3.6 million (or 9.6 percent of the original contract amount) over the life of the project. This potential cost variance does not include any cost increases resulting from approved project change requests, which also have the potential to increase

the total cost of the contract. The Department's justification for the potential cost variances was to minimize the risk factor (and associated cost) that vendors include in their cost proposals and to provide the vendor with a means to address contingencies within a recognized ceiling price.

Without key issues addressed and agreed to by both parties upon signing the contract, the risk was increased that the Department and SAIC might not have come to an agreement on those issues. Additionally, the Department allocated \$2 million of the contract price for training, stakeholder activities, and CCCI plan expenses with no assurance that same will be obtainable at that price. Furthermore, the absence of a detailed implementation schedule with interim target dates could have hindered the Department's ability to track project progress and ensure the timely implementation of ICBS. Finally, contract provisions that allow for cost variances increase the likelihood that the system cost will be further escalated without recourse by the Department.

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**Recommendation: The Department, in future IT procurements of this nature, should ensure that key provisions of the contract are negotiated and agreed upon by both parties and documented prior to signing the contract. Additionally, cost provisions in contracts of this nature should be drawn taking into consideration the risk that costs may escalate without recourse and may result in the inability to obtain all of the services needed to complete project implementation.**

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### SCOPE, OBJECTIVES, AND METHODOLOGY

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The scope of this audit focused on determining the status of the ICBS project, including which Department legacy systems were being subsumed by ICBS. Our objectives were to determine the effectiveness of the Department's management controls over the procurement process for obtaining consulting services for the development of ICBS during the period December 2002 through April 2003 and selected actions taken from October 2002 through January 2004.

In conducting the audit, we interviewed appropriate Department personnel, observed Department processes and procedures, reviewed documentation, and performed various other audit procedures to test selected controls related to ICBS.

**AUTHORITY**

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our information technology audit.

*William O. Monroe*  
William O. Monroe, CPA  
Auditor General

**DEPARTMENT'S RESPONSE**

In a letter dated March 12, 2004, the Commissioner provided responses to our preliminary and tentative findings. This letter is included in its entirety at the end of this report.

To promote accountability and improvement in government operations, the Auditor General makes audits of the information technology programs, activities, and functions of governmental entities. This information technology audit was made in accordance with applicable standards contained in **Government Auditing Standards** issued by the Comptroller General of the United States. This audit was conducted by Wayne Revell, CISA, and supervised by Tina Greene, CPA\*, CISA. Please address inquiries regarding this report to Jon Ingram, CPA\*, CISA, Audit Manager, via e-mail at [joningram@aud.state.fl.us](mailto:joningram@aud.state.fl.us) or by telephone at (850) 488-0840.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

\*Regulated by State of Florida.



Florida Department of Law Enforcement

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Commissioner

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Tom Gallagher, *Chief Financial Officer*  
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March 12, 2004

Mr. William O. Monroe, CPA  
Auditor General  
G74 Claude Pepper Building  
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

We have received the preliminary and tentative findings and recommendations from the following information technology audit of:

**Florida Department of Law Enforcement  
Integrated Criminal History System  
For the Period December 2002 through April 2003,  
and selected actions taken from October 2002 through January 2004**

Your findings and our related explanations or our descriptions of actual or proposed corrective actions initiated by the Florida Department of Law Enforcement are enumerated below:

**Recommendation:** The Department, in future IT procurements of this nature, should document procurement decisions in a manner consistent with Florida law and State purchasing rules.

**FDLE Response:** Agree. In future memoranda to the Office of General Services, the Office of Information Resource Management will explain more fully the reasons for recommending Invitations to Negotiate (ITN) over other procurement options such as RFPs. When applicable, the memoranda will also explain the need to have a prime contractor acquire computer equipment as part of systems integration project.

**Recommendation:** The Department, in future IT procurements of this nature, should ensure that key provisions of the contract are negotiated and agreed upon by both parties and documented prior to signing the contract. Additionally, cost provisions in contracts of this nature should be drawn taking into consideration the risk that costs may escalate without recourse and may result in the inability to obtain all of the services needed to complete project implementation.

**FDLE Response:** Agree. The contract between FDLE and SAIC was developed with these concepts in mind. However, it is understood that improvements can be made to any large and complex contract. FDLE will continue working to reduce risk and maximize the value for the State.

The recommendations in your audit report are appreciated. If you require further information regarding the actual or proposed corrective actions, please contact me or Inspector General Al Dennis at 410-7225.

Sincerely,

Guy M. Tunnell  
Commissioner

GMT/ALD/dkk