



# OAG

Office of the Auditor General

## Report Summary

### Performance Audit

### Modernization of Legacy IT Systems

### Department of Technology, Management, and Budget (DTMB)

**Report Number:**  
071-0550-17

**Released:**  
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According to the National Association of State Chief Information Officers (NASCIO), the modernization of legacy IT systems is a significant financial, technical, and programmatic challenge to states' ability to deliver services to citizens and conduct day-to-day business. In 2012, DTMB initiated the Michigan Legacy Application Modernization Planning (MiLAMP) methodology. MiLAMP is an enterprise portfolio management methodology that is composed of tools, templates, and processes to address all phases of the State's legacy modernization efforts. As of May 2017, 239 (16%) of the State's 1,516 information systems met DTMB's definition of legacy.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of DTMB's efforts to optimize the maturity of the State's IT investment management (ITIM) processes.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
DTMB should continue to formalize and expand the State's ITIM program to help ensure that the State's IT investments align with strategic and business objectives, minimize risk, and maximize return on investment (ROI). These actions would help improve the State's ability to make the best use of resources by allocating them to the highest value projects ( <a href="#">Finding #1</a> ).	X		Agrees
DTMB, in conjunction with the State Budget Office (SBO), had not fully established policies and procedures necessary to ensure that the State's ITIM practices are defined, repeatable, and consistently implemented across all State agencies for Stages 2 through 5 of the U.S. Government Accountability Office's (GAO's) ITIM Framework. Undefined processes increase the likelihood that the State's IT investment activities will be performed inconsistently, thereby producing varying results ( <a href="#">Finding #2</a> ).	X		Agrees
DTMB and SBO had not fully implemented processes to ensure that business cases used to select IT projects for investment contained complete, accurate, and quality information to ensure that projects with the greatest business value, largest ROI, and lowest risk of failure are selected ( <a href="#">Finding #3</a> ).		X	Agrees

<b>Findings Related to This Audit Objective (Continued)</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
As DTMB matures the State's ITIM program, DTMB should develop additional metrics to measure the ITIM program's impact toward improving government operations. Without additional metrics, DTMB does not have objective and accurate data to assess the impact of IT on organizational performance and determine the effectiveness of key ITIM practices over time ( <u>Finding #4</u> ).		X	Agrees
<b>Observations Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
If DTMB fully implemented critical Stage 2 and Stage 3 ITIM practices, it could achieve a higher stage of maturity over all IT investments. A higher level of ITIM maturity increases the likelihood that investments will have a greater ROI and better align with business needs ( <u>Observation #1</u> ).	Not applicable for observations.		

<b>Audit Objective</b>			<b>Conclusion</b>
Objective #2: To report on the status of the State's legacy systems.			Status reported
<b>Observations Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
An ongoing, comprehensive analysis of the State's information systems would assist in the development of strategic plans for legacy system replacement. A comprehensive analysis would provide decision-makers, including the Governor and the Legislature, with the information needed to plan for the ongoing modernization of the State's information systems ( <u>Observation #2</u> ).	Not applicable for observations.		

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Office of the Auditor General  
201 N. Washington Square, Sixth Floor  
Lansing, Michigan 48913

**Doug A. Ringler, CPA, CIA**  
Auditor General

**Laura J. Hirst, CPA**  
Deputy Auditor General