
MEMORANDUM

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To: Joint Legislative Committee on Information Management and Technology

From: Sean McSpaden, Principal Legislative IT Analyst
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Date: February 12, 2016

Subject: OSCIO/DAS State IT Procurement Reorganization Request
LFO Analysis and Recommendations

Agency Request: During the January 2016 Legislative Days, the Oregon Department of Administrative Services (DAS) and the Office of the State Chief Information Officer (OSCIO) made a multi-part rebalance request and gave a report on the agency's 2015-17 budget bill (SB 5502) to the General Government Subcommittee of the Interim Joint Committee on Ways and Means. DAS and OSCIO made the rebalance request to gain legislative approval to implement service catalog and associated rate changes for the OSCIO Enterprise Technology Services unit in response to a budget note adopted for SB 5502 and to execute plans for reorganization of DAS and OSCIO enterprise information technology (IT) related functions to more effectively implement HB 3099 (2015).

The Legislative Fiscal Office (LFO) provided its general support for most of the requested items but recommended that the Interim Joint Committee on Ways and Means defer action on the rebalance request until the proposed changes to IT procurement and vendor management could be further reviewed by the Joint Committee on Ways and Means and the Joint Legislative Committee on Information Management and Technology (JLCIMT) during the 2016 session.

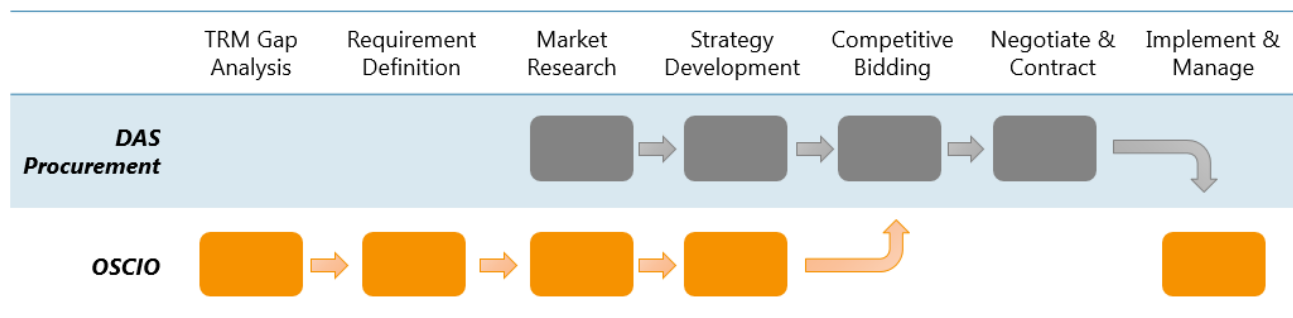
The proposed changes to IT procurement and vendor management involve the establishment of a shared IT vendor management and strategic sourcing program that OSCIO has termed - *Base Camp*. Staffing for the program involves an OSCIO request to establish two new permanent full-time Operations and Policy Analyst 4 positions (2.00 FTE) and a DAS Enterprise Goods and Services (EGS) - Procurement Services unit request for four new permanent full-time positions (4.00 FTE - comprised of three permanent full-time Operations and Policy Analyst 4 positions and one permanent full-time Procurement and Contract Specialist 3 position) needed to carry out each organization's proposed set of coordinated roles and responsibilities for state IT procurement, vendor management, and oversight. The requested positions would not be merged into and supervised within a single operating unit but would instead be independently led, managed, and directed by the requesting organizational unit. The OSCIO plans to pay for the requested increase in expenditure limitation by assessments to state agencies, and DAS plans to pay for the requested increase in expenditure limitation for DAS EGS - Procurement Services in 2015-17 by spending down the fund balance of its Vendor Collected Administration Fees account.

A. LFO Analysis

HB 3099 (Chapter 807, Oregon Laws 2015) transferred duties, functions, and powers for enterprise IT and telecommunications related planning, policy, oversight, and operations from DAS and the DAS Director to the State Chief Information Officer (CIO). Further, HB 3099 strengthened the State CIO's oversight authority for IT and telecommunication projects, expressly stated the DAS Director's ability to delegate statewide IT procurement responsibility to the State CIO, and established substantial State CIO authorities over certain aspects of the IT procurement process. These new OSCIO duties and powers include, among other things, the ability to: establish IT procurement rules, policies, and standards that DAS and state agencies must follow; review, approve, cancel, or modify IT or telecommunications procurements, contracts, or state price agreements; sign all IT contracts with a value \$1 million or higher; require that the DAS Director seek State CIO approval of IT related procurement delegations to agencies; modify the scope of an IT initiative prior to the award of a contract; and, enforce the terms and conditions of an IT related contract or price agreement.

These new State CIO duties, functions and powers will affect how the state procures hardware, software, telecommunications, and IT professional services. However, the legal and policy responsibilities and accountability for state IT procurement retained by the DAS Director and DAS by delegation to its Enterprise Goods and Services (EGS) - Procurement Services unit complicates the State CIO's ability to effectively carry out these responsibilities.

To fulfill these obligations under the current statutory division of duties and powers while addressing long standing gaps in alignment between state IT standards setting and procurement activities, DAS and the OSCIO have proposed that a newly formed OSCIO Enterprise Shared Services unit would, among other functions, partner with the DAS EGS - Procurement Services unit to establish a shared IT vendor management program, thus formally dividing the independent but coordinated IT related procurement roles and responsibilities between the two groups. A high level concept of operations diagram that depicts how the two organizations would work together is provided below:



Conceptually, the shared IT vendor management program would rely on a technical reference model (TRM) that the OSCIO would develop and adopt in collaboration with state agencies. A technical reference model is generally defined as a component-based technical framework used to categorize the standards, specifications, and technologies that support and enable the delivery of service. With the adopted Oregon TRM in place, OSCIO staff would then conduct a gap analysis (to be repeated on a periodic or as needed basis) comparing the current IT products and services available for purchase from existing state contracts and price agreements with the standard IT products and services called out within the adopted Oregon TRM. OSCIO staff would take the lead on defining requirements for new contracts and price agreements and then partner with DAS EGS Procurement Services staff to

conduct market research and develop strategies to close the identified gap between available and needed IT product and services contracts and price agreements. DAS EGS Procurement Services staff would then conduct procurements and establish needed contracts and statewide price agreements with appropriate involvement from OSCIO and agency staff throughout the process. As these contracts and state price agreements are accessed by state agencies and Oregon Cooperative Purchasing Program (ORCPP) member organizations, OSCIO staff would actively oversee and monitor state agency buying behavior to ensure progressive enterprise alignment with the adopted Oregon TRM, and would monitor vendor product and service performance to ensure compliance with specification, service level, and other contractual requirements over time.

To implement the shared IT vendor management program, OSCIO is requesting the establishment of two new Operations and Policy Analyst 4 positions to staff its side of the program and DAS EGS - Procurement Services has requested the addition of four positions to manage its set of roles and responsibilities related to IT procurement, vendor management, and oversight. Increases in expenditure limitation for OSCIO requested positions will be paid for by assessments to state agencies, and DAS plans for the increase in expenditure limitation for Enterprise Goods and Services to be paid for in 2015-17 by spending down the fund balance of its Vendor Collected Administration Fees account. A projected timeline for establishment and adoption of the Oregon TRM, hiring and training of requested staff, and the estimated amount of time it may take to move from concept to operations has not yet been developed.

LFO supports the intent behind this resource request in light of current statutes and believes that a recommendation to deny the request outright would inappropriately delay the implementation of an important IT vendor management program designed to improve state IT procurement efficiency and effectiveness, enable the progressive standardization of Oregon's enterprise IT operating environment, and enhance state IT procurement oversight and accountability.

However, LFO has concerns over this proposed splitting of state IT procurement, vendor management, and oversight between DAS - EGS Procurement Services and OSCIO. As a component of this request, DAS and OSCIO have provided a high level concept of operations diagram that is underpinned by an identified set of 27 separate activities for which a determination must be made as to which organization is **Responsible** or **Accountable**, or to be **Consulted** or **Informed** (See attached RACI Chart). While these kinds of determinations are commonly made to identify specific roles and responsibilities for IT project deliverables and activities, singular accountability for deliverables or decision making is always the goal. The designation of shared accountability for tasks, deliverables, or decisions creates risk, in and of itself. The splitting of state IT related procurement responsibilities and accountability to the point that a detailed chart needs to be created for this many roles and responsibilities is also troubling. Regardless of how carefully it is managed, such complexity can often lead to breakdowns in communications and confusion, as well as unnecessary processing delays and uncertainty and confusion regarding true responsibility and accountability for decision making even with a detailed chart of this kind in place. Further, with this much required interplay and coordination among and between the two organizations as they individually or collectively communicate and work with vendors, the Department of Justice, and state agencies, LFO believes that an alternative, simplified organizational model for state IT Procurement should be considered.

B. LFO Recommendations

The Legislative Fiscal Office (LFO) recommends conditional, temporary approval of the request for the remainder of the 2015-17 biennium assuming the funding, spending authority, and personnel resources are made available to DAS and OSCIO by the Joint Committee on Ways and Means. Specifically, LFO recommends that DAS and OSCIO:

- Conduct an assessment to identify and evaluate the alternative State IT procurement related organizational/operating models in use by other states across the nation. The assessment report should provide the raw findings and include (but not be limited to) the roles, responsibilities, accountability, staffing levels, and costs associated with:
 - The most predominant organizational/operating models in use across the nation as compared to the shared IT vendor management program proposed within this request.
 - A full transfer of state IT procurement duties, functions, and powers from DAS and the DAS Director to the State Chief Information Officer.
- Submit the assessment report and a status report on IT vendor management program progress to date to the Legislative Fiscal Office in November 2016.
- Jointly present the assessment report and status report on IT vendor management program progress to the Joint Legislative Committee on Information Management and Technology and the Emergency Board during the December 2016 Legislative Days.

- Motion on the LFO recommendations

C. Final IT Subcommittee Action

Transmit the JLCIMT recommendations to the General Government Subcommittee of the Joint Committee on Ways and Means.

OSCIO | HB 3099 Implementation

| Activity | Procurement | | | | Business Unit | DOJ | OSCIO - ITS Purchasing | OSCIO - CTO + STOs | OSCIO - VMO + IT Acquisitions |
|---|-------------|-------------|-----------|----------|---------------|-----|------------------------|--------------------|-------------------------------|
| | Responsible | Accountable | Consulted | Informed | | | | | |
| Develop sourcing strategies | I | C | | | C | | | | C |
| Manage sourcing strategies | I | I | | | C | | | | R |
| Conduct market intake/analysis | A/R | C | | | I | | | | C |
| Develop and recommend procurement strategies | A/R | I | | | C | | | | I |
| Manage Solicitation process | A/R | C | | | C | | | | R |
| Lead evaluations | A/R | I | | | C | | | | C |
| Develop contracts | A/R | I | | | A/R | | | | C |
| Develop solicitations | A/R | I | | | A/R | | | | C |
| Develop evaluation criteria | A/R | C | | | C | | | | C |
| Develop specifications/SOW | A/R | C | | | C | | | | C |
| Negotiate contracts | A/R | A/R | | | R/C | | | | R |
| Develop vendor perf metrics | I | C | | | R | | | | R |
| Collect & report perf data | C | I | | | I | | | | A/R |
| Conduct vendor perf review | A | I | | | I | | | | A/R |
| Day to day/contract specific vendor mgmt. | C | R | | | I | | | | A/R |
| Enterprise/strategic vendor relation mgmt | C | | | | C | | | | R |
| Identify supply chain risks | C | I | | | I | | | | A/R |
| Request procurement | A/R | A/R | | | I | | | | A/R |
| Monitor spend | C | | | | C | | | | C |
| Analyze spend | I | I | | | I | | | | I |
| Demand management | C | I | | | C | | | | A/R |
| Vendor classification/segmentation | C | I | | | C | | | | I |
| Manage vendor transitions | A/R | A/R | | | A | | | | A/R |
| Onboard vendors | A/R | A/R | | | C | | | | A/R |
| Maintain files of record | | R | | | | | | | C |
| Place orders for HW & SW under existing PAs | | | | | | | | | |
| Track/monitor license/maint use & renewal dates | | | | | | | | | |

***Responsible.** People or stakeholders who are the "doers" of the work. They must complete the task or objective or make the decision. Several people can be jointly Responsible.

***Accountable.** Person or stakeholder who is the "owner" of the work. He or she must sign off or approve when the task, objective or decision is complete. This person must make sure that responsibilities are assigned in the matrix for all related activities. Success requires that there is only one person Accountable, which means that "the buck stops here."

***Consulted.** People or stakeholders who need to give input before the work can be done and signed-off on. These people are "in the loop" and active participants.

***Informed.** People or stakeholders who need to be kept "in the picture." They need updates on progress or decisions, but they do not need to be formally consulted, nor do they contribute directly to the task or decision.