

Analysis
Department of Administrative Services
Information Technology Reorganization

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Request: Approve the rebalance of existing information technology related expenditures and the addition of new positions to implement HB 3099 (2015) and changes to Enterprise Technology Services as required under a budget note adopted for SB 5502, the budget bill for the Department of Administrative Services.

Recommendation: Approve the request with the IT procurement and vendor management positions approved as limited duration.

Analysis: During the review of the Department of Administrative Services (DAS) 2015-17 budget request, significant questions arose surrounding the operations of Enterprise Technology Services (ETS) and the increase in rates being proposed. As a result, the Legislature approved part of a Security and IT Operations Audit Support funding request that added \$12,286,008 Other Funds and 12 full-time limited duration positions (6.00 FTE) to implement Secretary of State and independent auditor findings. Due to the uncertainty about which services ETS would offer in the future, the positions were approved as limited duration for 12 months, with the intent that DAS would return during the 2016 session with recommendations on operational changes and a revised funding methodology for ETS for the second year of the biennium as detailed in the budget note for ETS:

Given the uncertainty involving which services Enterprise Technology Services will offer in the future due to the ongoing IT Common Service Delivery review currently underway and concerns over management of ETS which have led to numerous outside reviews and audits, the Subcommittee agreed to only partially fund the Enterprise Technology Services budget requests for 2015-17. The State Chief Information Officer (SCIO), through the Department of Administrative Services (DAS), shall return during the 2016 legislative session to the appropriate subcommittee of the Joint Ways and Means Committee with recommendations on changes to ETS information technology services provided, which services it will no longer offer and state agencies will then be responsible, the budgetary impact of these decisions on state agencies, as well as DAS, changes in ETS operations implemented or considered as a result of outside reviews and audits completed by the time of the report, and timelines for additional changes to ETS services or operations being contemplated and how those could affect budgets. In addition, SCIO shall recommend a new funding formula for ETS that refocuses charges to state agencies on fees for service and deemphasizes the use of assessments which fund all positions regardless of reductions in services delivered, show how reductions in services purchased by state agencies would be reflected in reductions in operating expenses, and include price list adjustments needed for implementation of a new revenue formula at the start of second year of the biennium.

Also during the 2015 session, the Legislature passed HB 3099, which made significant changes to the authority and responsibilities of DAS and the Oregon State Chief Information Officer (OSCIO)

surrounding statewide IT operations and policies, with substantial authority and responsibility being transferred from the DAS Director to the OSCIO. To implement the changes in HB 3099, the OSCIO has proposed significant changes in organizational structures to focus on data center operations, development of enterprise security capabilities, more effective management of IT vendors and contracts, as well as, implementation of the IT governance framework which includes stage gate reviews. Under this reorganization there will be five sections: Enterprise Technology Services (the state data center); Enterprise Security Office; Office of Strategic IT Governance; Enterprise Shared Services (which includes vendor management); and the DAS CIO, which will be responsible for meeting the Department's IT needs, such as help desk support. While the DAS CIO will remain under the authority of the OSCIO, it will report to the DAS Deputy Chief Operating Officer. Details of the changes envisioned for each of the five IT sections follows.

Enterprise Technology Services

As stated earlier, the Joint Committee on Ways and Means expressed concerns over the operations and costs of Enterprise Technology Services (ETS). ETS was formed out of the 2011 entrepreneurial management reorganization of DAS. Under this reorganization the State Data Center, Technology Support Center, IT application development, and E-Government were combined to form ETS. To set rates ETS used a proprietary cost-allocation and rate development tool. This tool should have ensured that each agency paid the full cost of the services they received. However, due in part to the lack of an employee time-tracking system, costs were ultimately based on estimates made by managers each biennium. DAS reports that under the entrepreneurial management model, rate development and revenue growth seemingly took precedence over service delivery. The increasing costs of ETS services incited other agencies to purchase duplicative IT infrastructure, thus ultimately making ETS services even more expensive.

Under the proposed reorganization, ETS will refocus on the business of being a state data center and a utility provider of computing and network services. As a result, the Technology Support Center (IT help desk for DAS), application development, E-government, and security operations will be moved out of ETS. In total, 60 positions (54.00 FTE) are proposed to be moved from ETS to the Chief Operating Office (DAS CIO, help desk functions, application development) and the Chief Information Office (some security operations and E-Government). While no new positions are needed for ETS due to the reorganization, there is a need to reclassify three positions - two IT positions would be changed to Principal Executive/Manager (PEM) E, and one from an ISS 5 to an ISS 6. In addition, DAS reports the need for an employee time tracking system and an integrated IT System Management tool to align ETS rate methodology with best practices, automate billing, improve system utilization forecasting, and provide management with better data and business analytics. DAS reports both systems are working through the stage gate review process and when actual costs are better known the Department will request additional Other Funds expenditure limitation at a subsequent meeting of the Emergency Board.

DAS CIO

The DAS CIO and Department specific IT operations will be housed in the Chief Operating Office (COO), where they will serve the Department's IT needs and focus on DAS's internal business needs. As such, the Technology Support Center, which provides help desk functions for DAS employees, and application development services will be transferred from ETS, where they are housed now, to the new DAS CIO office. An existing management position will be used for the DAS CIO position, with a request to establish an Executive Support Specialist 1 position to assist the new DAS CIO for a cost of

\$79,744 Other Funds. In all, 37 positions (37.00 FTE) and associated costs would be transferred from ETS to COO under the proposed reorganization.

Office of Strategic IT Governance

The OSCIO reports that the establishment of this office is key to oversight and portfolio management of all major IT investments. This office will ensure oversight and compliance with the Stage Gate incremental funding model and will institutionalize a modern IT governance structure. The office will be divided into three sections. The Strategic Planning and Investment team will work with agencies to understand business objectives and identify appropriate technology solutions. This group will also manage project portfolios for their assigned agencies and educate them on oversight policies and procedures. The Policy and Oversight group will oversee and enforce state policies on all major IT projects. The Enterprise Architecture and Design group will work with the planning and investment team to document how the current and future needs of an agency will be met. To implement this reorganization one position would be transferred from ETS and two existing positions would be reclassified as management positions. There is no increase in costs this biennium from the two reclassifications since the current positions are budgeted at a higher step than the management positions being created.

Enterprise Security Office

Until recently the State Chief Information Security Officer did not have authority for, or responsibility over the security of ETS operations. In the 2015 Secretary of State (SOS) audit of ETS operations, the Audit Division documented ongoing security weaknesses over a nine year period at the state data center. This was due in part to not having made any individual or group ultimately responsible for security. Instead, responsibility for security was diffused to all staff. Following adoption of HB 3099, the OSCIO created the Enterprise Security Office (ESO). ESO was staffed using the 12 limited duration positions approved in the 2015-17 budget for DAS (which were immediately filled using job rotations from existing ETS staff), some permanent ETS staff, and the OSCIO's original security policy team. The ESO now houses all enterprise security operations under a single organization. The ESO is directly responsible for security of ETS operations, real-time security monitoring and incident response, statewide IT security policy, and enterprise security architecture.

Using information gained from completion of a risk-based security assessment by Microsoft and the SOS audit report, the Enterprise Security Office has undertaken a number of security related initiatives. Due to its responsibility for ETS operational security and the need to collaborate with ETS service providers, the ESO will be embedded within the state data center. The State Chief Information Security Officer, however, will report directly to the State CIO and the unit will be budgeted as part of the Chief Information Office. With the formation of the ESO, total security staffing increased from 3% to 14% of ETS position authority. As noted earlier, the ESO was begun using 12 limited duration positions that were approved for the first 12 months of the biennium only. As part of the rebalance request, DAS is requesting these 12 positions be extended through the end of the biennium and made permanent. In addition, the rebalance request includes reclassification of the State Chief Information Security Officer from PEM G to PEM H, and establishment of an Executive Support Specialist position to assist the State Chief Information Security Officer.

Enterprise Shared Services

Enterprise Shared Services would house several existing programs including E-Government, Quality Assurance, the Geospatial Enterprise Office, the State Interoperability Program, and the Transparency website. These fall within the broad theme of developing shared services models and management

of the long-term vendor relationships. DAS has requested three positions related to these changes: (1) a dedicated Operations and Policy Analyst 4 position to staff Transparency initiatives, including maintaining the existing Transparency website (DAS has never had dedicated personnel for this program); (2) an additional Operations and Policy Analyst 3 position to work on the Quality Assurance program; and (3) an Executive Support Specialist 1 position to assist the manager of Enterprise Shared Services group. The manager would be created by repurposing an existing management position.

HB 3099 delegated substantial authority over IT and telecommunication projects and aspects of the IT procurement process to the OSCIO. These new powers for the OSCIO include, among other things, the ability to: cancel or modify an IT or Telecomm procurement, contract, or price agreement; modify the scope of an initiative prior to the award of a contract; and enforce the terms and conditions of a contract or price agreement. These new responsibilities affect how the state procures hardware, software, telecommunications services, and IT professional services. Complicating this are remaining legal and policy responsibilities for state procurement retained by DAS through Enterprise Goods and Services - Procurement Services. To meet these new responsibilities, the OSCIO has proposed that Enterprise Shared Services would partner with DAS Goods and Services to build a vendor management program, thus splitting IT related procurement roles and responsibilities between the two groups. To implement this the OSCIO is requesting the establishment of two new Operations and Policy Analyst 4 positions to staff its side of the vendor management program and DAS 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.

The Legislative Fiscal Office (LFO) has concerns over this proposed splitting of IT procurement, vendor management, and oversight. The splitting of IT related procurement to the point that a detailed chart needs to be created for all roles and responsibilities to be determined is troubling. Such complexity can often lead to breakdowns in communications and confusion, even with a detailed chart spelling out who does what. Therefore, LFO believes the positions associated with the portion of the request related to the new IT procurement and vendor management process should be limited duration to encourage the Department to identify and evaluate alternative IT procurement and vendor management models used in other states before resubmitting the request as part of their 2017-19 budget development.

Recommendation

LFO recommends that a net \$3,268,432 Other Funds expenditure limitation increase, the continuation of 12 limited duration positions (6.00 FTE) through the remainder of the biennium, and the establishment of 12 positions (6.96 FTE), be included in a budget reconciliation bill during the 2016 legislative session. The following table shows proposed adjustments to the Other Funds expenditure limitation of various DAS program areas that result from the IT reorganization:

	Total Adjustment
Chief Operating Office	\$12,171,544
Chief Information Office	\$29,841,240
Enterprise Technology Services	(\$39,863,385)
Enterprise Goods and Services	\$474,682
Business Services	\$644,351
	<u>\$3,268,432</u>