Local 1000 Concerns about the Governor's IT Reorganization Plan

On February 5, 2009 the Governor released a plan for consolidating statewide information technology (IT) functions under the Office of the Chief Information Officer (OCIO).   Local 1000 reviewed the Governor's Reorganization Plan (GRP) and agrees that a consolidation of IT resources will achieve needed efficiencies. However, Local 1000 does have a number of concerns:

- The CIO must have enough authority and resources to enforce the policies established
- The "human capital management" strategy must encompass rank and file as well as management.
- Provide the needed resources to both manage and monitor the use of IT contracts.
- Specific systems integration should be listed in the Governor's Plan
- The Governor's IT Reorganization needs an implementation plan

1. **The CIO must have enough authority and resources to enforce the policies established**
   We are not convinced the CIO will be given sufficient authority or resources to enforce the policies established under the federated governance model envisioned by the Governor's plan. One of the Governor's purposes for the Reorganization Plan is to "provide the State Chief Information Officer with authority for IT procurement policy and enterprise IT management." (Governor's transmittal letter to Little Hoover Commission, 2/5/09) The GRP echoes the Little Hoover Commission's call for strengthening the authority of the state CIO: *"The state CIO must be given the authority to set and execute technology priorities as laid out in the state's (2008) IT Strategic Plan. The state CIO must be given the resources to accomplish the task."* (GRP, p.13, quoting Little Hoover Commission report of November 2008)

   We believe the CIO's authority will be limited by the federated governance model envisioned in the GRP. The plan defines the "federated governance model" as one that "maintains the authority of agencies to manage program-specific IT processes and systems" while "IT functions that are common across the entire state are managed at the enterprise level for all agencies by the central IT organization." (GRP, p.4) Toward the end of the GRP, we read that "the State CIO will be responsible for providing technology direction to Agency Chief Information Officers (AIOs) and Department Chief Information Officers (CIOs) . . . " (GRP, p.22) By contrast, the Department CIOs will be responsible for "portfolio management" and "operational oversight of IT functions, personnel and operations" including all departmental employees in IT classifications, all IT systems, assets, projects, purchases, and contracts. (GRP, p.22) The simplicity of this statement in the Governor's Plan does not define the complexity of issues facing departments that must deal with multiple funding sourcing and personnel issues. The Plan should better clarify the extent to which the State, Agency and Department CIO's authority extends.

   Given the extent to which departments retain control over their own staff and systems, we question whether "providing technology direction" through a "new more coordinated approach" under a federated IT governance model represents a real shift in strengthening the State CIO's existing authority. Leaving in place an existing practice of allowing agencies to manage their own program-specific IT processes and systems does not appear to empower the CIO with much additional authority or resources. The Governor's claim that a benefit of the Reorganization Plan is to establish "a single-point of accountability for information Technology" (GRP, p.23) fails to persuade.

2. **The "human capital management" strategy must encompass rank and file as well as management.**
   The GRP establishes an Enterprise Services Office (ESO) responsible for developing the state's enterprise architecture as well as for "human capital management." This means the ESO will be responsible for "leading statewide efforts to recruit and retain skilled IT professionals" and for "developing a statewide IT succession/workforce plan, and establishing a comprehensive development, training and performance management program for state IT employees." (GRP, p.20) Local 1000 proposes that any reorganization plan should:

   - Establish as Separate office of Human Capital Management under the CIO or under Policy Program & Management.   We believe that recruiting and retaining IT professionals is too important and too involved to be relegated to the status of one of five separate functions under the ESO. (see organizational chart for the proposed Office of the State Chief Information Officer, GRP, figure 4, p.17)
   - Ensure that human capital management explicitly includes both line and management IT professionals.   The CIO must ensure that recruiting and retaining IT professionals includes more than just management staff. The Union believes a sincere commitment to human capital management for IT professionals means building on the potential of the state's own workforce. This means opening doors for professional advancement by providing training opportunities to current staff, allowing staff to work side-by-side with consultants when new technology is being introduced and looking for options to the "must leave to promote" element of the current civil service structure.
   - Update the job specifications of the state's IT workforce. Currently, the official functions and duties of the state's IT workforce are defined by outdated job specifications, some dating back to 1979, that have not changed as the field of information technology has undergone major transformations.
   - Completing the modernization of the IT job specifications should be an important part of any human capital management program. We understand that the OCIO is moving in this direction and wholly support these efforts.

3. **Provide the needed resources to both manage and monitor the use of IT contracts.**
   The GRP does not address deficiencies in the state's ability to monitor the use of contractors by agencies/departments or the quality of the performance of IT vendors.   Improving the situation will require not only staff and other resources, but also a greater degree of transparency. A realistic approach to assessing and monitoring the performance of more than a hundred major projects and thousands of IT vendors requires more than the establishment of a uniform project management methodology and training procedures by the State CIO. To ensure contracted work is completed successfully, contract oversight, management and monitoring must become as important as who is responsible for the procurement policy in the Governor's Reorganization Plan. Contract oversight ensures that a project is being managed properly and that the vendor is building the right product and building it correctly. Contract management is about holding the contractor to the legal provisions of the contract. Monitoring is a more comprehensive view of a department's numerous contracts for purposes of risk assessment.   To ensure greater transparency of the state's IT contract relationships, the GRP should recognize the inadequacy of the current State Contract and Procurement Registration System (SCPRS) database and provide for the establishment of an enhanced tracking database for IT purchases (goods, consulting and services).

   The GRP mentions procurement policy but says little about contract management, monitoring and enforcement. This plan continues a state practice of emphasizing procurement efficiencies without recognizing a need to increase the use of the state's current capacity for performing project management

and performance assessment. Many of the state's current IT classifications include project management components and the technical abilities included in other performance assessment activities   Since all IT projects encounter problems to some degree, the Governor's own California Performance Review pointed out the need for a statewide contract management policy (see *The Report of the California Performance Review - Government for the People for a Change*, vol. 4, ch. 7, Procurement, S073)

The GRP mentions that currently the State CIO's specific responsibilities include "establishing performance management practices and ensuring state information technology services are efficient and effective" (GRP, 5) Under the GRP, setting performance metrics, project management and coordinating and implementing project remediation actions are the responsibilities of the Program Management and Project Management groups within the Policy and Program Management Office. (GRP, p.19) Beyond these broad outlines, however, there is no guidance as to the allocation of staff and other resources for maintaining the state's many existing and new systems after implementation, and monitoring the thousands of contracts on these systems. The GRP should address specific staffing and resource challenges the CIO faces so as to ensure the optimal performance of:

    a. 108 approved state IT projects under construction worth $6.8 billion as of October 28, 2008 (see http://www.cio.ca.gov/Business/Appr_State_IT_Proj_Under_Constr_20081028.pdf)

    b. Thousands of current contracts for IT goods and services many of which are administered not statewide but at an agency or department level, -- more than 11,000 of which were entered into in 2008 alone (see http://www.pd.dgs.ca.gov/scpreg/data.asp#ContractTypes)

Through thousands of contracts, the state procures routine IT goods and services on an ongoing basis. Such procurements do not rise to the level of projects, yet the Governor's plan makes no mention of how the validity or performance of these contracts will be measured or assessed under the proposed reorganization. Local 1000 recommends that the role of the Policy and Program Management Office should be expanded to include a group responsible for ensuring the effective management, maintenance, enhancement and refresh of existing office systems.

Additionally, to provide transparency over the state's procurement of IT goods and services, a new reporting most be established. The current State Contract and Procurement Registration System (SCPRS) database administered by DGS has the following major deficiencies:

- The data is not consistent; there are numerous errors; data is entered into the wrong fields, there are no field edits; it is not consistently updated by departments.
- The description of the work can be minimal and incomplete.
- There is little or no indication of the amount of staffing, including the number of hours and/or IT positions anticipated in the contract.
- There are no yearly spending totals for multi-year contracts.
- The way amendments are reported makes it difficult to track additional spending over the original contract amount.

Consolidating IT resources can achieve streamlined contract monitoring (oversight) that is also cost effective if state IT workers are given the opportunity to do the work. Currently, the state's contract monitoring for major projects has been contracted out nearly 100% to specialized contractors that

perform Independent Verification & Validation (IV&V) and Independent Project Oversight Consultant (IPOC) duties. These contracts normally cost 8-15% of the primary developer's contract costs for IPOC and 10-25% of the primary developer's contract costs for IV&V. (This is in addition to spending 15-20% of costs for a consultant project manager!) The CIO's Office has informed us that state spending on IV&V and IPOC currently amounts to about $20 million a year in contacted services that could be obtained more cost effectively in-house by utilizing state IT workers. The cost for performing these services in-house could be as little as $5 million a year.

4. **Specific goals of systems integration should be listed in the Governor's Plan**
   Supporting integrated business and IT planning is described as a benefit of the Governor's Reorganization Plan (GRP, p.23), but it would be worth emphasizing more specific types of integration that represent major opportunities for turning IT consolidation into government efficiency.   One such opportunity is closing the tax gap. With the state facing unprecedented budget deficits, now is the time to leverage information technology to collect unpaid taxes owed to the state. The FTB's Enterprise Data to Revenue Project would leverage an information technology system to increase state revenue by a projected $90 million to $1 billion per year starting in 2013. (FTB, Budget Change Proposal #1, 10/27/08 http://www.ftb.ca.gov/law/meetings/attachments/120408/4a.pdf)   *"The EDR project will significantly narrow the state's $6.5 billion tax gap through a strategically planned Tax Systems Modernization effort consistent with the FTB TaxSystems ITSP, FTB IT Capital Plan, and enterprise vision incorporating state IT goals and objectives."* (FTB, BCP#1, 10/27/08)

5. **The Governor's IT Reorganization needs an implementation plan**
   The Governor's proposed Reorganization Plan is ambitious in scope. Local 1000 is concerned that no implementation plan is being proposed. If there is no such plan, the estimated cost savings may be unrealistic. To ensure the success of the IT Reorganization Plan, the Governor should set forth specific goals and timelines for achieving a proposed $1.5 billion in estimated cost savings over the next five years. Such an implementation plan should also address:
   a. How both line and management IT professionals will be included under "human capital management" planning
   b. How the CIO's authority will be enforced statewide
   c. How the GRP treats departments under the administrative authority of the constitutional officers
   d. How the Office of the CIO will allocate resources to ensure better contract oversight over more than 100 projects and thousands of individual IT contracts.

SEIU Local 1000 Questions for the Little Hoover Commission about IT Outsourcing

1. How much is the state spending on IT outsourcing in the current fiscal year? How much is proposed for the next fiscal year?

2. How much of state spending on IT outsourcing is under the direct control of the CIO?

3. What are the year-over-year spending trends on IT outsourcing? What is the percent change?

4. How is the State CIO ensuring oversight over:
    a. 108 major approved state IT projects worth $6.8 billion?
       (see http://www.cio.ca.gov/Business/Appr_State_IT_Proj_Under_Constr_20081028.pdf)

    b. more than 11,000 new contracts for IT goods and services entered into in 2008?
       (see https://www.scprs.dgs.ca.gov/data/SCPRSExportFiles/SCPRS_PAD2008CT1_3.xls)

5. How many state civil service IT workers performing oversight on the 108 IT projects?

6. How many state staff doing oversight on the more than 11,000 new contracts for goods and services?

7. How many of the 108 approved projects are performing to expectations? How many are troubled?   How many exceed original cost? By how much?

8. How many of the 11,000 goods and services contracts are performing to expectations? How many are troubled? How many exceed original cost? By how much?

9. How do you see the role of the state IT workforce under the Reorganization Plan. For example, will they be involved in maintenance? Project management? Business experts?

10. If the Department of Technology Services consolidates IT services in a network managed service through the CALNet2 project, will the State become much less prepared to deal with a regional disaster?