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The Honorable Edmund G. Brown, Jr.
Governor of California

The Honorable Darrell Steinberg   The Honorable Robert D. Dutton
President pro Tempore of the Senate   Senate Minority Leader
    and members of the Senate

The Honorable John A. Pérez   The Honorable Connie Conway
Speaker of the Assembly   Assembly Minority Leader
    and members of the Assembly

Dear Governor and Members of the Legislature:

California needs to maintain its investment in modernizing information technology across state government. As the budget crisis tests the state's commitment to expensive technology projects, policy-makers can protect and leverage the investment by reinforcing their support for the newly established California Technology Agency.

The Little Hoover Commission held a hearing on August 25, 2011, to learn about the new agency's progress on managing the state's information technology (IT) portfolio. The Commission found:

- The agency's emphasis on upfront planning eliminated 132 unnecessary and duplicative project proposals that would have cost the state nearly $700 million.

- Savings will continue to flow from improved oversight and the agency's practice of embedding IT professionals into the procurement and implementation process, keeping more projects within budget and on schedule.

- The consolidation of data servers and warehouses has reduced energy usage by 37 percent since 2009 and delivered $75 million in cumulative cost savings.

Moving forward, the agency should strengthen communication with policy-makers, maintain aggressive oversight, expand its pool of project managers, streamline the procurement and project life-cycle process and give managers more tools to use data to improve decision-making.

The Commission long has pushed the state to empower a strong technology leader with the resources and authority to better manage state IT projects and make California a leader in using technology to improve government. The governance landscape has shifted greatly since technology played a smaller role in government operations, when IT was a subunit in the Department of Finance in the 1970s. Today, IT is a driver in the policy realm, helping managers track and deploy their resources to improve the delivery of services.

The state's chief information officer is now a member of the Governor's cabinet, following a Governor's Reorganization Plan in 2009 that consolidated technology functions under the Office of the state Chief Information Officer (OCIO). The Commission supported that reorganization plan.

These actions addressed the fact that until then, California's IT governance had been checkered by reactionary responses to failed projects and a procurement scandal that left the state for years without a central technology planning agency. As other states embraced innovation, California retreated.

Until the 2009 reorganization plan, the state's chief information officer remained a figurehead. In 2010, the Legislature passed AB 2408, codifying the reorganization proposal and re-establishing the OCIO as the California Technology Agency, with a cabinet-level Secretary of Technology. The renamed agency officially opened on January 1, 2011.

The consolidation gave the California Technology Agency a $470 million budget and more than 1,200 employees to implement a strategy and common technology infrastructure that could save money while improving efficiency and security. Though the centralized agency still does not build technology projects – departments retained direct authority over the state's 10,000 IT employees – the Technology Agency serves as a gate-keeper to greenlight projects that are aligned with state standards and to monitor current projects, stepping in to force changes or stop troubled projects.

As the administration and lawmakers continue looking for budget savings, momentum by the Technology Agency must not be lost. The agency's January 2011 strategic plan acknowledged this vulnerability: "At a time when government is stretched beyond its limits, IT should not be returned to the backburner of state concerns. ...[W]hen government is trying to conserve, streamline and simplify, IT can be an asset to achieving the state's overarching goals."

The Commission agrees: The Governor and Legislature must continue best practices of IT administration through the consolidated structure of the Technology Agency.

Successes of Technology Agency

Despite some internal resistance to centralization – and the up-front costs that can come with it – early results have been promising. The agency moved quickly to issue new guidelines and strategies for technology planning, spending, security and data-sharing; instituted a training program for department-level IT managers to keep projects on track and on time; revised IT civil service classifications to speed hiring; and, redesigned the state Web site, ca.gov/.

As a sign of legitimacy and trust, the Legislature and the previous administration began turning to the agency for development of Web-based efforts to showcase education data, travel-expense reporting and federal stimulus spending. The Legislature also assigned the agency additional oversight duties on projects that fall outside of the executive branch, such as a $1.9 billion court automation project.

The new culture of shifting support to the Technology Agency – as opposed to away from it – cannot be understated. The Legislature has long harbored a fear of investing in technology projects because of a handful of high-profile failures that are memorable, but rare.

Despite gains in confidence and credibility, information technology remains a "high risk" issue because of the scope and cost of the state's multibillion-dollar technology portfolio, according to the Bureau of State Audits. "Governance and oversight are key to keeping these projects on track and on budget," the State Auditor reported.

Issues to Continue Monitoring

In the last two years, the OCIO and Technology Agency took the lead on policy. The agency also began building internal capacity so that state IT managers could better handle more of the oversight and project management duties previously outsourced to vendors. How these changes will speed the success of large IT projects will require continued vigilance and status checks by the Governor and Legislature. As part of the ongoing conversation, policy-makers will need a nuanced understanding of course corrections inherent in deploying large-scale IT efforts. "Every change does not mean the project is a failure," Secretary Carlos Ramos told the Commission.

Communication. To bridge this knowledge gap and reinforce confidence in the agency, the Technology Agency will need to translate the complexities of IT procurement and implementation into language that policy-makers can understand. The agency has launched a project-tracking Web site, which details activity on large IT projects under construction: ocio.ca.gov/Government/IT_Policy/IT_Projects/index.html. The site marks an improved effort at transparency and a one-stop information source, though the site falls short of the federal government's technology Web site – www.itdashboard.gov – which is easier for the public to navigate, drills deep into the status of IT projects and serves a high-level or executive audience.

The California Technology Agency has assembled substantial documentation on its IT tracking site. The information presented, however, often is too technical for most policy-makers or the public to follow. Departments provide a self-assessment score on their projects, in the form of a red-yellow-green stoplight indicator. Such self-rating is vulnerable to bias toward making projects appear more successful than they might be. The color indicator also indicates progress from the prior month's status report – rather than overall progress since the project's inception. Of the 66 projects included on the state's "IT Project Tracking" site in September 2011:

- No projects were listed as "red," indicating a project is "in need of immediate intervention."

- 15 projects were listed as "yellow," indicating a project is "slipping."

- 34 projects were listed as "green" or "fairly healthy."

- 17 projects did not file an updated monthly status report or rating.

Ongoing Oversight. The Commission received status updates on five projects:

- Financial Information System for California (Fi$Cal); $1.6 billion.

- Human Resources Management System (21st Century) Project; $300 million.

- California Medicaid Management Information System (CA-MMIS); $275 million.

- Unemployment Insurance Modernization (UI MOD); $159 million.

- California Longitudinal Pupil Achievement Data System (CALPADS); $62 million.

Each is essential to improve government performance and efficiency so it is critical that they succeed. But California knows that success is not guaranteed. Oversight by the Legislature and by an aggressive and informed Technology Agency can increase the likelihood of success. The process depends on the Secretary being able to provide candid and unvarnished assessments of how these projects are developing and the potential pitfalls they face.

Office of Systems Integration. The Technology Agency ultimately is accountable for the $5 billion in IT projects under construction. The agency needs the tools and resources to provide uniform direction – and enforcement – of state standards and expectations for technology projects. To strengthen its capacity to step into troubled projects, the Office of Systems Integration – a successful team of project managers working in the Health and Human Services Agency – should be transferred to the Technology Agency.

Cementing the Technology Agency's reputation as a center of excellence for managing large IT projects should encourage cooperation from government entities that fall outside of the agency's scope, from constitutional offices to the courts system. Oversight of the state's court automation project, for example, will remain an open question and demand attention from legislators and the State Auditor.

Procurement Process. The Commission is encouraged that the Technology Agency is working with stakeholders to shorten the project life-cycle process, from improving initial cost estimates to streamlining project review time to 30 days from 90 days. Showing more immediate value in IT investments is critical in a budget climate that is forcing necessary questions about IT projects with decade-long rollout schedules. The state also has been testing new procurement processes that allow for structured communication with potential vendors. Early reviews indicate the potential for this type of interaction to minimize risk and deliver cost-savings by improving a project design before a contract is signed. As the new agency grows, its role in procurement policy is likely an unfinished issue and should be watched to ensure the agency has sufficient tools to execute the state's goals for technology.

Performance Management. The state's multibillion-dollar investment in technology is not just about replacing old computer systems. Likewise, the Technology Agency's potential is greater than merely overseeing this transition.

Technology can and should change how the state does business. Agencies are collecting troves of data, and the state must ensure that the data can be leveraged to inform budget, policy and

management discussions, strengthen accountability and improve the performance of state government. Data reliability, however, continues to be a problem, and until addressed and resolved, will undermine the state's investment in harnessing useful information for decision-makers.

The California Technology Agency can be a leader in ushering in a state government culture that focuses on outcomes and continual improvement. Giving state managers and policy-makers these tools will help demonstrate the value of government to taxpayers and earn legitimacy of how the state is spending their money.

Sincerely,

Daniel W. Hancock
Chairman