

DEPARTMENT OF ADMINISTRATIVE SERVICES

INFORMATION RESOURCES MANAGEMENT DIVISION ASSESSMENT & RECOMMENDATIONS FOR CHANGE

APRIL 2006
(v.2)

I. PURPOSE

The purpose of this organizational assessment was to: 1) describe the current state of the Department of Administrative Services' Information Resources Management Division in relationship to its statutory authority, customer expectations, and demands on division resources; and, 2) recommend a future state IRMD that is aligned with statutory authority, customer expectations, and resource demands, in the "post-SDC" era.

II. OVERVIEW

The Information Resources Management Division (IRMD) is the organizational unit of state government that provides: leadership in the governance of the state's information technology enterprise; delivers and maintains the telecommunications infrastructure; printing and distribution services; planning and oversight for enterprise information security; a variety of application support and project management functions; and, utility computing and network services to state agencies¹. The Division is under the direction of the IRMD Administrator who reports to the Director of the Department of Administrative Services (DAS). The IRMD Administrator also serves as the State Chief Information Officer (CIO).

¹The state's computing and network infrastructure will be consolidated in the State Data Center by January 2007 and will no longer be provisioned by IRMD.

MISSION

The division's mission is:

“To provide leadership within state government for the effective development, management and enhancement of digital technologies. Provide core technology and communication services in support of state agencies.”²

STATUTORY AUTHORITY

The division derives its authority at the discretion of the DAS Director. A number of Oregon Revised Statutes and Executive Orders and give the DAS Director the authority to carry out the mission, programs and activities of IRMD (e.g., ORS 84, 190, 192, 276, 282, 291, and Executive Orders 00-02 and 99-05). The division is not established in statute.

A compendium of the law and Executive Orders that authorize IRMD's work is attached to this report (Appendix A.).

FINANCES

In the past decade, IRMD has started and acquired a substantial number of significant programs.

- Acquired Oregon Education and Geographic Information Systems – 1997
- Launched State of Oregon Enterprise Network – 2001
- Launched Enterprise E-Government – 2001
- Acquired DAS Publishing and Distribution Services – 2002
- Established Enterprise Security Office – 2003
- Launched the Computing and Network Infrastructure Consolidation Project – 2003
- Established Enterprise Business Continuity Planning Program – 2004

Initiation and acquisition of these programs, expansions and reduced charges in existing programs without adequate business analysis, resulted in organizational and financial failure by 2003 – 2004.

² From the IRMD budget presentation to the General Government Subcommittee of the Joint Legislative Committee on Ways and Means (2005).

SERVICE

The 2003 DAS Customer Service Survey results showed IRMD ranking well below the DAS composite score. The division used the results of this survey to develop an action plan to remedy customer dissatisfaction with its services. Six months into execution of the plan, the CIO and deputy CIO resigned their positions. There is little evidence that any serious efforts were made to implement the corrective action either before or after their departure.

In 2005, DAS changed the Customer Service Survey protocol. Nonetheless, IRMD's customers continue to rank their satisfaction with its services well below other DAS divisions. Like other DAS divisions, IRMD will include a strategy for improving customer satisfaction in its division business plan for 2005 – 2011.

III. METHODOLOGY

Data and information for analysis was gathered from five sources:

- Structured and open-ended interviews with IRMD leaders, staff and customers in state agencies;
- Review of budget documents and accounting records;
- Review (documentary) of reform efforts in Michigan, Virginia, North Carolina, and Georgia;
- A selected review of literature (see Appendix B: Resource Bibliography);
- Review of internal audit reports and risk assessment.

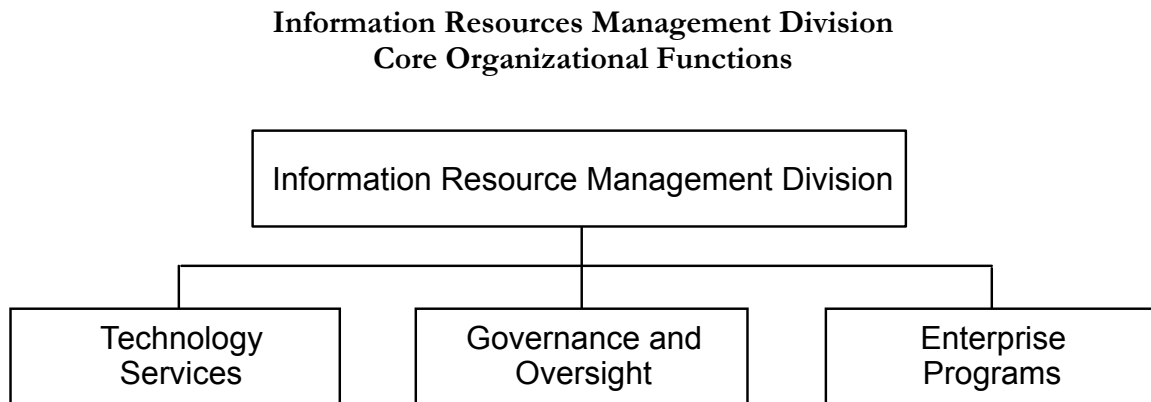
The data and other information collected from these sources was used to formulate five organizing principles that define a “future state” information technology organization. The analysis compared the “current state” IRMD business model to the organizing principles. The comparison resulted in three decision options that describe alternative “future state” central information technology organizations. Again, based on comparison with the organizing principles, the pros and cons of each option were identified and the most favorable alternative was recommended.

IV. CURRENT STATE

ORGANIZATIONAL UNITS AND STRUCTURE

The IRMD mission is: “To provide leadership within state government for the effective development, management and enhancement of digital technologies. Provide core technology and communication services in support of state agencies.” (Governor’s Recommended Budget Presentation, 2005). The division has three core functions: Technology Services (Operations); Governance and Oversight; and, Enterprise Programs (Figure 1.) with a Legislatively Approved Budget of \$155.5 million for the 2005-2007 state fiscal period.

Figure 1.



Technology Services. Technology Services is the organizational function that encompasses direct services to agencies. These services include: voice communications; publishing and distribution; enterprise application services (systems development and consulting); utility computing (General Government Data Center); data and video services; and the technology support center (desktop support). The 2005-07 Legislatively Adopted Budget for Technology Services includes \$104.5 million expenditure limitation and authority for 225 positions.

Revenue for Technology Services is comprised of direct charges (fee-for-service) to state agencies that use these services.

Governance and Oversight. Governance and Oversight is the organizational function that encompasses governance and oversight of enterprise information technology, and IRMD management. It includes: administration and management; enterprise strategic planning and policy development; and, strategic information technology investment

oversight. The 2005-07 Legislatively Adopted Budget for Governance and Oversight includes \$9.4 million expenditure limitation and authority for 15 positions.

Revenue for the Governance and Oversight function is derived from an allocation of costs through assessment to all state agencies and an internal overhead assessment.

Enterprise Programs. Enterprise Programs is the organizational function that encompasses managing the start-up of enterprise technology initiatives. Currently, these initiatives include the: e-government program; geospatial information service utility; enterprise business continuity planning; enterprise security; and the project management office. The 2005-07 Legislatively Adopted Budget for Enterprise Programs is \$39.7 million expenditure limitation and authority for 17 positions.

Revenue for Enterprise Programs is derived from an allocation of costs through assessment to all state agencies.

SERVICE

All of IRMD's revenue is generated from fees or assessments charged to state agencies that may not choose to procure services elsewhere³. Nearly 85 percent of the IRMD budget is spent in the direct provision of services to customers⁴. Since virtually all revenue is earned from a captive customer base and most of the division's expenditures are aimed directly at providing services to its public agency customers, the division should be especially sensitive and responsive to measures of customer satisfaction or dissatisfaction.

The most public expression of customer satisfaction or dissatisfaction with the division's services is the DAS customer service survey. For the past two biennia, overall IRMD customer satisfaction ratings have fallen well below the overall DAS ratings.

2005 DAS Customer Service Survey Composite Results. Internal and external DAS IRMD customers were asked to rate their level of satisfaction with IRMD services. Customers generally rated IRMD lower than their overall ratings for DAS. DAS employees expressed slightly more satisfaction than other state agency customers. Publishing and Distribution, the Technology Support Center, and Voice Services generally received customer satisfaction ratings higher than other IRMD business units and higher than DAS overall results. E-government generally received lower customer satisfaction ratings than other IRMD business units than IRMD as a whole.⁵ The 2005 survey was the second consecutive survey resulting in low levels of customer satisfaction with IRMD services.

³ There is a very small portion of IRMD revenue that is generated by fees charged to local governments and others.

⁴ 2005-07 Legislatively Adopted Budget

⁵ 2005 DAS Customer Service Survey

Factor Analysis. When customer satisfaction is weighed against the level of importance that customers ascribe to particular aspects of IRMD’s organizational performance, customers gave very low performance ratings to eight aspects of organizational performance that they rate as very important (Rapport, Expertise, Helpfulness, Follow-through, Accuracy, Timeliness, and Information Availability). Follow-through, Accuracy, and Timeliness were rated as low satisfaction – extremely high importance by survey respondents.⁶

BUDGET & FINANCING

The 2005-07 LAB for IRMD is \$155.5 million. The 2005-07 budget was built using a “modified zero-base” budgeting model. The zero-base model was adopted because underfunded program expansions had created misalignments of revenue and expenditures, internal cross-subsidy of programs, and negative ending balances in the IRMD budget for at least two biennia. Failed financial performance caused the 2005 Legislature to create a separate appropriation line for IRMD as a means of achieving greater accountability and budget transparency.

V. ANALYSIS

PROBLEM

The IRMD business model has not changed materially in more than 15 years. In the end, this has led to a loss of organizational focus, strained resources, and a mismatch between what IRMD is capable of doing and the expectations of customers and policy makers.

FLAWED BUSINESS MODEL The Information Resources Management Division was formed at a time in the state’s history when technical expertise was in short supply and access to information technology was largely limited to people with technical expertise. Moreover, Oregon state government has a long established tradition that values individual agency autonomy in planning and action over planning and acting as a single enterprise. Viewed in this framework, a central information technology function, aimed at applying scarce resources (personnel and technology) to siloed business solutions, in state agencies may have made good sense.

Over time, the scope and mission of IRMD have expanded with the advent of new technologies. Rising expectations for the application of information technology to attack business and policy challenges has begun to place higher value on the state’s ability to act on enterprise interests. In more recent years, IRMD has exerted more leadership in finding the balance between enterprise and agency interests.

During the past decade, the amount of information technology technical expertise and intellectual capital in the labor force has increased exponentially. The shear volume and

⁶ 2005 DAS Customer Service Survey

accessibility of “off the shelf” business applications has decreased reliance on trained technologists. Business leaders, faced with large public policy issues, have become less interested in access to information silos and more interested in integrating information to create more value for citizens. The dynamic created by these and other environmental factors has provided a powerful and compelling argument for change at IRMD.

Instability of Leadership. In the past decade, efforts to examine and reform the IRMD business model have been stymied by the rapid turnover of executive leadership in the DAS Director’s Office and at IRMD. The division has had six administrators/State CIOs since 1998. During the past seven years, the average half-life for IRMD and enterprise leadership has been 14 months. In the same period of time, DAS has had five different directors. Frequent leadership changes have hobbled efforts to meet customer expectations and have created a high risk fiscal environment.

BUDGET AND FINANCE

Failed Financial Model. The Information Resources Management Division has not had a financially solvent state fiscal period in at least the past three budget cycles. Program expansions and adoption of new programs without adequately developed business cases has resulted in misaligned revenue and expenditures and internal cross-subsidy of programs that mask revenue shortfalls. A fundamentally flawed financial model and failure to soberly manage the division’s finances led to negative closing balances of \$6.1 million and \$6.2 million in the 2001-03 and 2003-05 state fiscal periods respectively.⁷

At the 2001-03 fiscal period closing, IRMD’s negative closing balance was reduced, in part, through \$2.0 million in transfers from other DAS divisions. The remaining negative balance was carried forward without offsetting revenue increases in the 2003-05 budget. At the end of 2003-05, IRMD’s negative closing balance was offset by \$4.2 million in transfers from other DAS divisions. The remaining negative balance was carried forward.

2005-07 “Modified Zero-base” Budget. The 2005-07 IRMD budget was developed using a modified “zero-base” budgeting model. This approach was intended to:

- Fund statutorily required IRMD functions first;
- Justify resource allocations to each statutory function from a “zero” base budget rather than the traditional approach that assumes the current expenditure base and expands from there;
- Align revenue sources with program expenditures and eliminate the masking effects of internal cross-subsidies; and,

⁷ Estimated by DAS Operations Division

- Provide policy makers and customers with budget transparency.

Through the first seven months of the 2005-07 fiscal period, nine IRMD business units show expenditures within 10 percent of budgeted spending; three business units are under-expended by more than 10 percent; and, one is over-expended by more than 10 percent. Table 1 shows 2005-07 LAB, dollar amount of expenditures greater than or less than budgeted; and, the percent variance from budgeted at the end of February 2007.

Table 1.

**2005-07 Budget Status by Business Unit
on
March 1, 2007⁸**

Function/Business Unit	LAB⁹ (\$ x million)	Variance from Budgeted (\$ x million)	Percent Variance from Budgeted
<u>Technology Support</u>			
Voice	36.7	5.3	15%
Data/Video	8.9	1.1	13%
Publishing & Distribution	44.5	2.7	6%
Ent. Applications	5.3	(.5)	(8%)
Gen. Gov't. Data Center	5.8	.8	15%
Tech. Support Ctr.	5.2	.5	10%
<u>Governance & Oversight</u>			
Office of Administrator/CIO	1.6	.2	10%
Ent. Policy & Planning	1.3	.1	9%
Quality Assurance	6.5	.1	2%
<u>Enterprise Programs</u>			
Business Continuity Planning	.4	(.03)	(9%)
Ent. Security Office	29.2	.6	2%
Geospatial Info. Systems	1.4	(.3)	(18%)
Function/Business Unit	LAB¹⁰ (\$ x million)	Variance from Budgeted (\$ x million)	Percent Variance from Budgeted

⁸ As provided by the DAS Operations Division

⁹ IRMD 2005-2007 LAB = \$155.5 million

E-Government	8.7	.9	1%
Project Management Office	1.8	.6	32%

OTHER RISK FACTORS¹¹

In its 2006 risk assessment, IRMD cites a number of risk factors that have the potential for service disruption. Primary among these risks are:

- **IRMD has not established enterprise technology architecture.** Oregon Revised Statutes 184.473 – 184.477 requires DAS to establish standards for technology architecture. This is the centerpiece of IRMD’s enterprise mission. It has not been accomplished.
- **IRMD has not established statutorily mandated governance bodies.** Oregon Revised Statutes 291.038 requires the establishment of the Information Resources Management Council and the Stakeholder Advisory Council. These bodies are key components of the enterprise governance system, as envisioned in statute. Neither has been established.
- **Old equipment at the Salem Teleconferencing Center.** The Salem Teleconferencing Center uses older analog technology and does not have the resources to adopt new, industry standard, digital technology as the old technology reaches the end of its lifecycle.
- **Technology Support Center servers are at end of lifecycle.** Technology Support Center servers at the end of their useful lifecycle. There is no financial plan to replace the servers. Old servers will be moved to the State Data Center reducing efficiencies and increasing costs at the data center. Server failures may result in service disruption to DAS, the Governor’s Office, and other TSC customers.
- **Voice communications infrastructure has failure risks.** Planned investment in the state’s telephone infrastructure has not occurred. Many systems are out of date, at capacity, and have single points of failure.
- **Voice communications billing system is out-of-date.** The voice communications billing system handles more than \$1.5 million in monthly transactions. Most of the subsystems are paper-based, manual systems that are inaccurate, labor-intensive, and do not provide useful management information.
- **The E-government program requires business continuity and disaster recovery plans.** The E-government Program contract with EDS does not include a

¹⁰ IRMD 2005-2007 LAB = \$155.5 million

¹¹ Information Resources Management Division Risk Assessment for 2006

Business Continuity Plan or a Disaster Recovery Plan. There is no fail-over system or hot site backup. Adding these critical features to the program will strain an already marginal business case for outsourcing.

- **Basic information security systems have not been deployed with a sense of urgency.** In 2004, IRMD contracted to have an information security vulnerability assessment conducted. The results of the assessment showed that state agency practices and the vulnerability of the computing network placed the state's information assets at high risk. As a consequence of the assessment, the Legislature funded an emergency, two phase program to raise information security to an adequate level. The division's leadership did not implement the enterprise security program with the urgency demanded by the state's security posture.

VI. CONCLUSIONS

As it is currently constituted, IRMD represents a business model that is not contemporary. The organization was established at a time when the scarcity of information technology personnel and accessibility to technology for solving business problems were limited. Over time, IRMD has evolved from what was a customer-facing service business to a mixture of service business, enterprise governor, and operator of enterprise systems. The evolved business model has resulted in a loss of focus and an inability to keep up with rising customer expectations and rapidly changing technology.

At a time when stability, vision, and a focus on creating value for state agencies and citizens is crucial, IRMD has been plagued by a succession of CIOs who seldom remain in the job longer than two years and frequent turnover in DAS leadership. As successful state governments and industry information technology functions turn their attention to capturing the financial and policy benefits that follow improved enterprise governance, IRMD has continued to offer services that are not valued by its customers. The result has been a failed business model where less valued (or low quality) services are subsidized by more successful aspects of the business.

Customer satisfaction is unacceptably low. The DAS Customer Service Survey shows that internal and external IRMD customers consistently report low satisfaction with those organizational qualities that they prize the most.

The Information Resources Management Division should radically change its current business model to one that focuses on meeting critical enterprise needs for leadership in strategic planning, enterprise standard-setting and architecture. It should divest itself of customer-facing service businesses that will be more accountable when they are located with DAS and agency business units that must routinely face state agency customers and citizens.

VII. Alternative Future State Models

COMMON FEATURES

The alternative organizational models described below have some common features.

Publishing and Distribution. The Publishing and Distribution business unit is transferred to the State Services Division. The printing, packaging and distribution business, like many other government businesses, can become more efficient by applying technology to business process improvement but it is not fundamentally an enterprise information technology business. The Publishing and Distribution business unit has a metrics program, is well managed and financially stable. Thus making the business risk of incorporating it with another DAS business manageable.

Technology Support Center. The Technology Support Center (TSC) is transferred to the DAS Operations Division. The TSC provides desktop user support to DAS, the Governor's Office and several small state agencies. It is not an enterprise function. The TSC is largely a DAS internal business support function that has a similar customer base and business model as the DAS Operations Division. Prior to 2004, most of the desktop support services that are provided by the TSC were provided by the DAS Operations Division.

Project Management Office. The Project Management Office (PMO) is phased-out as the Computing and Network Infrastructure Consolidation (CNIC) project phases down. In the 2003 – 2005, the PMO failed to generate enough revenue to be self-sustaining and had to be subsidized by other IRMD revenue streams. The current PMO service rate is approximately \$97.00 per hour and is expected to increase in 2007-09. Agencies can procure these services at lower cost from private vendors through a state purchasing contract.

Enterprise Application Services. Enterprise Application Services (EAS) is phased-out and positions that support DAS legacy systems in the State Controller's Division and the Human Resources Services Division will be transferred to those DAS divisions. This change will place the technical support for DAS legacy systems in and under control of the businesses that they support. The DAS IT Council has studied the EAS function in depth and arrived at a similar (but not the same) conclusion.

MODEL #1: INCORPORATE ENTERPRISE GOVERNANCE AND COMPUTING OPERATIONS UNDER CONTROL OF THE STATE CIO

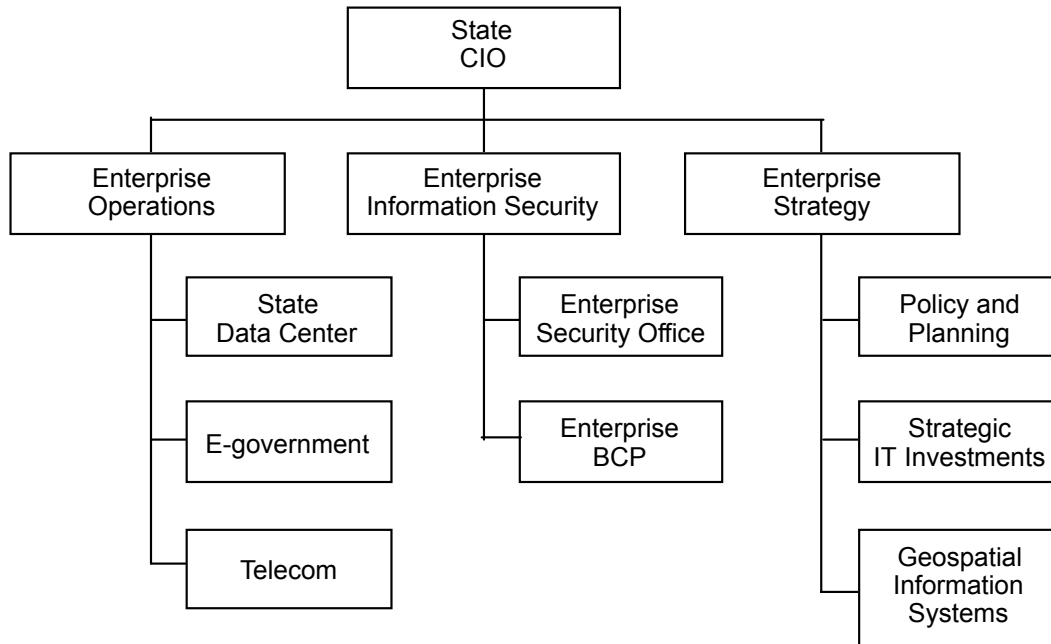
Summary

This option creates an enterprise information technology organization which includes governance and operations functions. The most significant feature of this model is incorporation of the State Data Center under the direction of the State CIO. This would give the State CIO complete control of the state's information technology infrastructure as an instrument of policy and regulatory control. By the same token, it requires the state's computing and network utility (the SDC), a customer-facing organization, in carrying out its mission in a business model that is primarily concerned with strategic decision making related to information technology policy, standards, and architecture.

Model #1 also leaves the State CIO in control of existing IRMD business units that are concerned with strategy and policy development.

Figure 2.

Incorporated Enterprise Governance and Operations



Actions

- Transfer the Publishing and Distribution business unit to the State Services Division.
- Transfer the Technical Support Center business unit to the Operations Division.
- Phase-out the Enterprise Application Services business unit through attrition. Transfer positions supporting the State Controller's Division and the Human Resources Services Division to those divisions. Transfer positions that provide oversight and supervision to EAS staff in the State Controller's Division and the Human Resources Services Division, to the Operations Division.
- Phase-out the Project Management Office as the CNIC funding source phases down.
- Reestablish IRMD under a new name (i.e., Office of Enterprise Information Technology) under administration of the State CIO.
- Transfer one communications coordinator position (in IRMD Administration) to the DAS Director's Office, under the supervision of the DAS Communications Manager.
- Abolish vacant program manager and deputy CIO positions in IRMD administration.

2007-09 Fiscal Impact (estimated)¹²

Table 2 shows the estimated 2007-09 fiscal impact of adopting Model #1 on IRMD and other DAS divisions. The functions of the Office of the State CIO are funded by an internal assessment of DAS divisions. Model #1 assumes that the Office of the State CIO would be funded by an assessment of state agencies.¹³ Additionally, the abolishment of the Project Management Office, Enterprise Application Services, and vacant positions in IRMD administration will leave approximately \$0.5 million in state government service charges, and the internal DAS assessments for the Operations Division and the Technology Support Center to be redistributed to DAS operating units. Model #1 results in an estimated net DAS budget reduction of \$5.2 million in the 2007-09 state fiscal period.

¹² Estimated by DAS Operations Division

¹³ Estimated \$1.9 million

Table 2.

**Estimated 2007-09 Fiscal Impact of Model #1
(\$ in millions)**

Division	Est. Budget 2007-09	Model #1 Revised 2007-09 Est.	Change	Est. FTE 2007-09	Model #1 Revised FTE	Change
IRMD	153.8	194.5	40.7	198.0	192.0	(6.0)
SSD	146.1	200.2	54.1	152.9	253.9	101.0
DO	5.1	5.4	.3	17.1	18.1	1.0
Operations	10.8	19.4	8.6	56.3	84.3	28.0
SDC	112.8	0	(112.8)	149.0	0	(149.0)
SCD	19.3	21.1	1.9	48.5	55.5	7.0
HRSD	16.3	16.8	.5	58.5	60.5	2.0

Pros and Cons

Pros.

- State CIO has control of enterprise strategic planning, policy, compliance and the most significant operational instruments for quickly translating plans and policy into action and correcting compliance failures.
- Creates a single point of accountability for achieving efficiencies through application of technology.
- May result in more rapid implementation of enterprise strategy decisions with respect to E-government and telecommunications.
- Control of strategy, standards, policy and operations may result in more consistency across the enterprise.
- Some successful states and industry experts favor placing broad control of planning, policy, compliance and operations with the State CIO.¹⁴
- Reduces DAS budget.

¹⁴ “The evolving role of the government CIO.” Gartner, Inc. 2006.

Cons.

- A State CIO in control of enterprise policy, compliance, and operations may be perceived as less responsive to the individual differences of state agencies.
- A State CIO serving as regulator (compliance enforcement) and a party subject to regulation (enterprise operations) may be perceived by state agencies as uneven in application of regulations.
- Customer-facing enterprise services may be considered an “add on” or second priority in a business model designed to achieve enterprise strategic planning, policy analysis, and standard-setting objectives.

MODEL #2: INCORPORATED GOVERNANCE AND OPERATIONS WITHOUT THE STATE DATA CENTER

Summary

Model #2 creates an enterprise information technology organization that retains two large enterprise operations from the original IRMD business model (E-government and telecommunications). E-government is retained because it is still a very young program with many important policy issues to address. Not the least of these decisions is whether or not the state should be employing an enterprise strategy for the E-government program. Telecommunication is retained because, even though it is a well established program, like E-government, it faces important strategic issues in the near future. The strategic decision that will determine how the state approaches current risks and future opportunities in these programs should rest with the State CIO.

The State CIO would oversee and direct existing IRMD business units that are concerned with strategy and policy development.

In this model, the SDC would continue to develop as it was originally envisioned---as a customer-facing computing utility that is subject to the enterprise standards and architecture adopted through the Office of the State CIO.

Actions

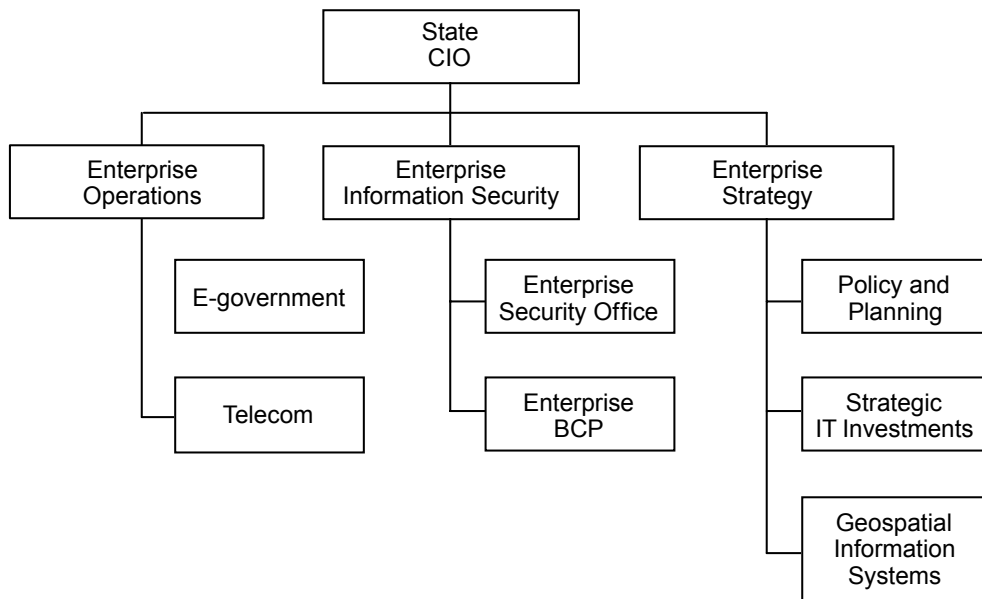
- Transfer the Publishing and Distribution business unit to the State Services Division.
- Transfer the Technical Support Center business unit to the Operations Division.
- Phase-out the Enterprise Application Services business unit through attrition. Transfer positions supporting the State Controller’s Division and the Human

Resources Services Division to those divisions. Transfer positions that provide oversight and supervision to EAS staff in the State Controller's Division and the Human Resources Services Division, to the Operations Division.

- Phase-out the Project Management Office as the CNIC funding source phases down.
- Reestablish IRMD under a new name (i.e., Enterprise Information Technology) under administration of the State CIO.
- Abolish vacant program manager and deputy CIO positions in IRMD administration.
- Transfer one communications coordinator position (in IRMD administration) to the DAS Director's Office, under the supervision of the DAS Communications Manager.

Figure 3.

Incorporated Enterprise Governance and Operations (excl. SDC)



Fiscal Impact (estimated)¹⁵

¹⁵ Estimated by DAS Operations Division

Table 3 shows the estimated 2007-09 fiscal impact of adopting Model #2 on IRMD and other DAS divisions. The functions of the Office of the State CIO are funded by an internal overhead assessment. Model #2 assumes that the Office of the State CIO would be funded by an assessment of state agencies.¹⁶ Additionally, phase-out of the Project Management Office, Enterprise Application Services, and vacant positions in IRMD administration will leave approximately \$0.5 million in State Government Service Charges, and the internal DAS assessments for the Operations Division and the Technology Support Center to be redistributed to DAS operating units. Model #2 results in an estimated DAS budget reduction of \$6.6 million in the 2007-09 state fiscal period.

Table 3.

**Estimated 2007-09 Fiscal Impact of Model #2
(\$ in millions)**

Division	Est. Budget 2007-09	Model #2 Revised 2007-09 Est.	Change	Est. FTE 2007-09	Model #2 Revised FTE	Change
IRMD	153.8	81.7	72.1	198.0	43.0	(155.0)
SSD	146.1	200.2	54.1	152.9	253.9	101.0
DO	5.1	5.4	.3	17.1	18.1	1.0
Operations	10.8	19.4	8.6	56.3	84.3	28.0
SDC	112.8	112.8	0	149.0	149.0	0
SCD	19.3	21.1	1.9	48.5	55.5	7.0
HRSD	16.3	16.8	.5	58.5	60.5	2.0

Pros & Cons

Pros.

- Places State CIO in control of enterprise strategy, policy, standards and architecture through the enterprise information security and enterprise policy and planning functions.
- Most customer-facing enterprise computing resides with the business units responsible for meeting customer needs, while retaining control of E-

¹⁶ Estimated \$1.9 million

government and telecommunications where significant enterprise strategy and implementation issues will be faced soon.

- May result in more rapid implementation of enterprise strategy decisions with respect to E-government and telecommunications.
- Establishes a single point of accountability for developing enterprise standards and architecture that will improve efficiency and support integration of data across the enterprise.
- Integrated data will allow policy makers to engage in fact-based decision making on complex public policy issues.
- Reduces the DAS budget.

Cons.

- A State CIO in control of enterprise policy, compliance, and operations may be perceived as less responsive to the individual differences of state agencies.
- A State CIO serving as regulator (compliance enforcement) and a party subject to regulation (enterprise operations) may be perceived by state agencies as uneven in application of regulations.
- Customer-facing enterprise services may be considered an “add on” or second priority in a business model designed to achieve enterprise strategic planning, policy analysis, and standard-setting objectives.

MODEL #3: OFFICE OF THE STATE CIO (DISTRIBUTED ENTERPRISE SYSTEMS SUPPORT AND APPLICATION DEVELOPMENT)

Summary

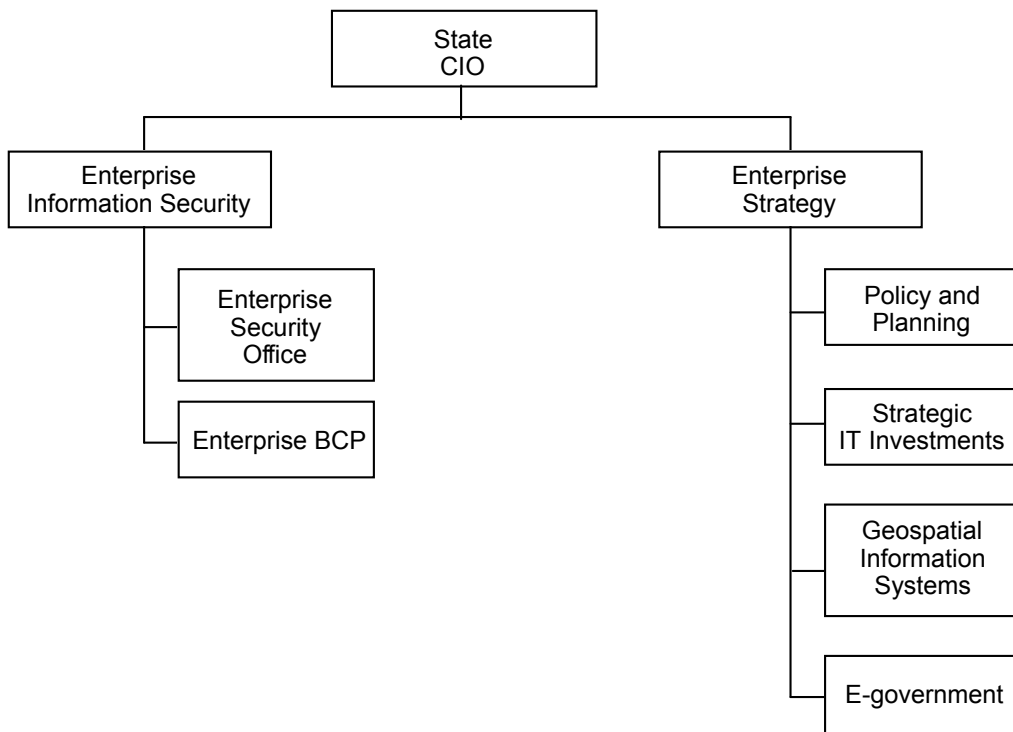
In Model #3, the State CIO is a strategic planning and policy leader. This model focuses the enterprise information technology organization on: strategic planning; enterprise standards and architecture; information security and privacy; and, ensuring compliance with regulations. In this business model, the role of the State CIO is to serve as a government official who understands the enterprise business objectives and the capacity of enterprise computing to support achieving those objectives.

All of the customer-facing, operations functions of the former IRMD organization are distributed to the government businesses responsible for meeting the business needs of

citizens and government customers. Telecommunications is transferred to the customer-facing SDC.

Figure 4.

Consolidated Enterprise Governance and Distributed Operations



Actions

- Transfer the Publishing and Distribution business unit to the State Services Division.
- Transfer the Technical Support Center business unit to the Operations Division.
- Transfer Enterprise Application Services positions that support the State Controller's Division and the Human Resources Services Division systems to those divisions. Phase out positions supporting non-DAS projects through attrition.
- Phase out the Project Management Office as the CNIC funding source phases down.

- Reestablish IRMD under a new name (i.e., Office of Enterprise Information Technology) under administration of the State CIO.
- Abolish vacant program manager and deputy CIO positions in IRMD administration.

Fiscal Impact (estimated)¹⁷

Table 4 shows the estimated 2007-09 fiscal impact of adopting Model #3 on IRMD and other DAS divisions. The functions of the Office of the State CIO are funded by a \$1.0 million internal overhead assessment. Model #3 assumes that the Office of the State CIO would be funded by an assessment of state agencies.¹⁸ Additionally, the abolishment of the Project Management Office, Enterprise Application Services, and vacant positions in IRMD administration will leave approximately \$0.6 million in State Government Service Charges, and the internal DAS assessments for the Operations Division and the Technology Support Center to be redistributed to DAS operating units. Model #3 results in an estimated DAS budget reduction of \$6.6 million in the 2007-09 state fiscal period.

Table 4.

**Estimated 2007-09 Fiscal Impact of Model #3
(\$ in millions)**

Division	Est. Budget 2007-09	Model #3 Revised 2007-09 Est.	Change	Est. FTE 2007-09	Model #3 Revised FTE	Change
IRMD	153.8	81.7	29.9	198.00	27.0	(171.0)
SSD	146.1	200.2	54.1	152.9	253.9	101.0
DO	5.1	5.4	.3	17.1	18.1	1.0
Operations	10.8	19.4	8.6	56.3	84.3	28
SDC	112.8	150.6	37.8	149.0	159.0	10
SCD	19.3	21.1	1.9	48.5	57.5	9.0
HRSD	16.3	16.8	.5	58.5	60.5	2.0

¹⁷ Estimated by DAS Operations Division

¹⁸ Estimated \$1.0 million

Pros & Cons

Pros.

- Focuses the work of the State CIO on governance of the state information technology enterprise.
- Makes the State CIO the primary translator of business needs and priorities to the technology community that supports the enterprise.
- Establishes a single point of accountability for developing enterprise standards and architecture that will improve efficiency and support integration of data across the enterprise.
- Integrated data will allow policy makers to engage in fact-based decision making on complex public policy issues.
- Distributes technology resources to the businesses that are directly accountable to customers.
- Reduces the DAS budget.

Cons.

- State CIO control of operational resources may result in more rapid practice changes to achieve efficiencies, implement strategic plans, and implement technology standards and architecture.
- Control of strategy, standards, policy and operations may result in more consistency across the enterprise.
- A State CIO in control of enterprise policy, compliance, and operations is favored by some successful states and some industry experts.¹⁹

¹⁹ “The evolving role of the government CIO.” Gartner, Inc. 2006.

VIII. Recommendation

Recommendation

Adopt Model #3: Consolidated Enterprise Governance and Distributed Operations.
Adoption of Model #3 will:

- Create an enterprise office of the State CIO that is focused on enterprise strategy, governance, standards, and architecture which stand in the way of realizing efficiencies from applying information technology to business solutions that will make the most difference to citizens.
- Establish the State CIO as the bridge between the needs of the enterprise business leaders and the capabilities of information technology in business process re-engineering.
- Discontinues services that are of lower value to customers or not sustainable.
- Establish valued services in business unit homes where they will be more accountable to customers.

IX. Appendices

Appendix A: Compendium of Laws and Executive Orders Governing the IRMD

Appendix B: Bibliography of Resources

Appendix A:

**Compendium of Laws and Executive Orders Governing the Information
Resources Management Division**

Appendix B:

Bibliography of Resources

Center for Digital Government

“Prove IT: The Discipline of Harvesting Value from Public Sector Information Technology”, e.Republic, Inc. (2006).

Fleming, Donald and Amo, Curt

“Connecting Oregon Government Services: Enterprise Information Resources Management Strategy – 2005”, Chief Information Officers Council, DAS Information Resources Management Division, Salem, OR (2005).

Gates, Bill

“Business at the Speed of Thought: Using a Digital Nervous System”, Warner Books, New York, NY (1999).

Harvard Policy Group on Network-Enabled Services and Government

“Eight Imperatives for leaders in a networked world: Guidelines for the 2000 election and beyond”, Harvard University, John F. Kennedy School of Government Program on Strategic Computing and Telecommunications, Cambridge, MA (2000).

Kanter, Rosabeth

“e-Volve: Succeeding in the Digital Culture of Tomorrow”, Harvard Business School Press, Boston, MA (2001).

Kost, John

“Michigan’s successful experience with centralizing government IT”, Gartner, Inc., 2006.

Kost, John

“The evolving role of the government CIO”, Gartner, Inc., 2006.

Kost, John

“Government CIO position continues to mature”, Gartner, Inc. 2006.

Oregon Department of Administrative Services

“DAS Customer Service Survey”, DAS Director’s Office, Strategic Planning and Performance Measurement, Salem, OR (2006).

Information Resources Management Division Assessment & Recommendations

Oregon Department of Administrative Services

“Information Resources Management Division Risk Assessment for 2006”, DAS Director’s Office, Internal Audits Section, Salem, OR (2006).

Oregon Department of Administrative Services

“2005-07 Governor’s Recommended Budget Presentation to the Joint Legislative Committee on Ways and Means, DAS Information Resources Management Division, Salem, OR (2005).

Oregon Department of Administrative Services

“Legislatively Adopted Budget 2005-2007”, Salem, OR (2005).

Oregon Department of Administrative Services

“Legislatively Approved Budget 2001-2003”, Salem, OR (2003).

Oregon Department of Administrative Services

Audit Report 03-002: Review of Management Controls---Enterprise Network Services, DAS Director’s Office, Internal Audits Section, Salem, OR (2003).

Oregon Department of Administrative Services

“Legislatively Approved Budget 2003-2005”, Salem, OR (2003).

Weill, Peter and Ross, Jeanne W.

“IT Governance”, Harvard Business School Press, Boston, MA (2004).

Williams, J.D., Stapilus, Randy, and Watkins, Linda

“21st Century Government: A Primer on Technology for Public Officials.” National Association of State Auditors, Comptrollers and Treasurers (2002).