

## Information Technology Oversight and Service Delivery in Mississippi State Government

**CONCLUSION:** PEER identified several areas of improvement the Department of Information Technology Services (ITS) should take under consideration to ensure the state is maximizing efficient and effective operation in the use of information technology (IT) resources: improved efficiency in the procurement of IT goods and services, implementation of a statewide project management framework, and ensuring the ITS workforce and operations are capable of overseeing IT service delivery provided by private vendors to state agencies. PEER also found ITS lacks performance measures in four budget programs that could better demonstrate ITS performance. Finally, PEER also reviewed the impact of paying high hourly rates to specialized IT-related independent contractors and determined the potential for cost savings if state IT employees are compensated at a competitive market rate.

### Background:

ITS utilizes a hybrid consolidated model of IT governance, vesting some control of IT operations in ITS and others in state agencies. MISS. CODE ANN. § 25-53-1 et seq. (1972) establishes the ITS Board and defines the duties and responsibilities of ITS and its employees as providing technical expertise in planning, purchasing, and establishing the enterprise IT direction for the state government.

Over the past four years the Legislature twice changed how ITS is funded, before implementing the ITS hybrid funding model beginning in FY 2019. Under the hybrid funding model, ITS receives a general fund appropriation to pay for central IT operations as well as spending authority authorizing ITS to contract for vendor-provided services and then pass on those vendor costs to agencies on a fee-for-service basis.

The ITS accountability program inventory indicates that ITS has 67 accountability programs, wherein more than \$25 million (68%) of total expenditures (over \$36 million) are spent on the largest five programs.

### Procurement

ITS conducts procurements on behalf of state agencies and institutions of higher learning utilizing 18 full-time employees, two contract employees, and two assistant attorneys general. In order to ensure sound, legal procurements, ITS utilizes a quality assurance process to review deliverables produced by ITS staff during the procurement process. Through interviews with ITS staff and a review of 14 procurement files, PEER determined various inefficiencies exist in the procurement process, some of which are a result of internal ITS inefficiencies, while others are a result of poor communication on the part of state agencies and ITS:

- ITS did not complete procurements within its own timeframes in 9 of the 14 procurements;
- The quality assurance process is not risk-based and leads to delays in the procurement process;
- ITS has no style guide and utilizes out-of-date templates, leading to delays;
- State agencies submit incomplete procurement requests, delaying the start of procurements;
- State agencies offer delayed responses to ITS requests for needed information, delaying the start

of procurements;

- Miscommunication regarding when a procurement truly begins leads to frustration from the agency perspective; and
- ITS does not sufficiently monitor its procurement performance.

### Project Management

ITS has not developed uniform project management standards for use in the planning, procurement, and implementation phases of an IT project, which increases the risk of IT project failure. Non-uniform requirements during the procurement phase, including not requiring business cases or security assessments for projects below \$1 million in total cost, as well as ill-prepared agency presentations to the ITS board when seeking approval for a procurement, threaten successful project management from the beginning of a project. Additionally, ITS resources (e.g., agency IT plans, the Strategic Services Division, and its ability to reject procurements) are not utilized to ensure ITS and agencies are planning for IT projects sufficiently prior to initiating a procurement.

During the Department of Public Safety (DPS) Driver License System Modernization Project, an independent audit performed by MTG Management Consultants noted various project management issues, including not sufficiently validating requirements defined in the RFP, thus demonstrating a disconnect between the procurement and implementation phases of the project. Additionally, during implementation, DPS failed to assign a full-time project manager. A further issue exists in the lack of a statewide quality assurance tool to validate requirements for product acceptance – another key issue noted in the MTG audit of the DPS Driver License System Modernization Project.

Finally, MISS. CODE ANN. § 25-53-21(c) (1972) provides ITS the authority to compel agencies to produce reports and allows for inspections of IT agency operations. Currently, ITS does not utilize that authority to oversee IT project management statewide. Texas and Tennessee both utilize similar statewide project management frameworks based on accepted methodologies to promote successful IT project management.

## Procurement and Project Management Recommendations:

With regard to the ITS procurement process, ITS should evaluate its procurement assignment system to allow ITS staff to begin work on procurements earlier in the process; develop a user's guide so that agencies can better understand what information is required for a particular procurement; reform its quality assurance process to a risk-based process.

ITS should evaluate the discrepancies in security assessment and business case requirements to ensure investments in IT are based on sound reasoning. Agencies should also ensure business cases are well-developed so that agency staff can adequately present procurements to the ITS Board for approval.

Under its authority in MISS. CODE ANN. § 25-53-21(c) (1972), ITS should investigate project management frameworks used by other states to develop a statewide standard for IT project management – starting in planning, and continuing from procurement through project implementation.

## The Shift in the ITS Business Model

ITS still provides some shared services, such as housing servers in the state data center, at no cost to state agencies. However, ITS is increasing its use of managed services, which private vendors provide to state agencies at a rate decided upon in a statewide master contract between ITS and the managed service provider.

PEER found that ITS does not fully utilize its planning resources (i.e., the Business Relationship team, training opportunities) to capitalize on current shared services, which could reduce technological duplication at the agency level. Further, PEER questions whether ITS has best positioned itself to expand its use of managed service providers. As ITS plans to implement a hybrid cloud managed service for agencies to utilize, PEER found ITS has not positioned its workforce (specifically the infrastructure group) to be ready for such a change and to effectively assist agencies in utilizing the managed service. Finally, PEER found contract management issues in the oversight of the Knowledge Services master contract (a contract for procuring IT-related independent contractors). Insufficient monitoring of Knowledge Services performance metrics, overlooking a requirement for a customer service survey, a lack of initial, adequate oversight parameters, and a lack of insight into fees Knowledge Services charges to potential independent contracts indicate that ITS is not fully ready to expand its use of managed service providers to deliver IT services to state agencies.

## Performance Measures

ITS currently lacks performance measures in its Administration, Information Systems Services, Data Services, and Information Security Services budget programs. According to an IBM study, performance measures dependent on other organizational units meeting their targets (i.e., agencies submitting complete procurement requests) can prove challenging, though still necessary. Additionally, IT organizations need to carefully manage IT metrics for cost, such as the amount agencies are spending on ITS strategic priorities, for example the new hybrid cloud managed service.

## Potential Cost Savings from Reducing Independent Contractor Expenditures

Agencies currently pay high costs for skilled IT personnel by procuring independent contractors (ICs). In an analysis of private sector IT salaries compared to IC costs at the Division of Medicaid and the Department of Human Services, PEER found that if agencies could pay ICs a comparable market rate, \$2.7 million in cost savings could be realized in those two agencies alone.

## ITS Business Model, Independent Contractor Cost Savings, & Performance Measurement Recommendations:

ITS should ensure staff managing contracts and services in the managed service provider business model possess the necessary skillsets and knowledge bases to allow for effective contract management, while also ensuring agencies are aware of both shared and managed service offerings to realize a benefit from reduced duplication and increased economies of scale.

The Legislature should instruct the State Personnel Board (SPB) and ITS to perform a statewide projection of cost savings from paying skilled and high-demand IT positions at a competitive market rate rather than expending funds to procure IT-related independent contractors. Findings should be reported to the Legislature by December 1, 2020.

ITS should ensure that all budget programs have necessary performance measures, such as the time needed to complete the RFP process or the percent of total statewide IT expenditures on managed services.

In order to more accurately measure its performance, ITS should ensure that all budget programs have necessary performance measures. For example, the time needed to complete the RFP process could prove indicative of ITS procurement staff performance, or the percent of total statewide IT expenditures for newly implemented managed services could demonstrate agency use and the success of the managed service.

### Other Policy Options:

The Legislature should codify the principles of effective information management, as has been done by the federal government, to ensure that Mississippi takes full advantage of its information resources.