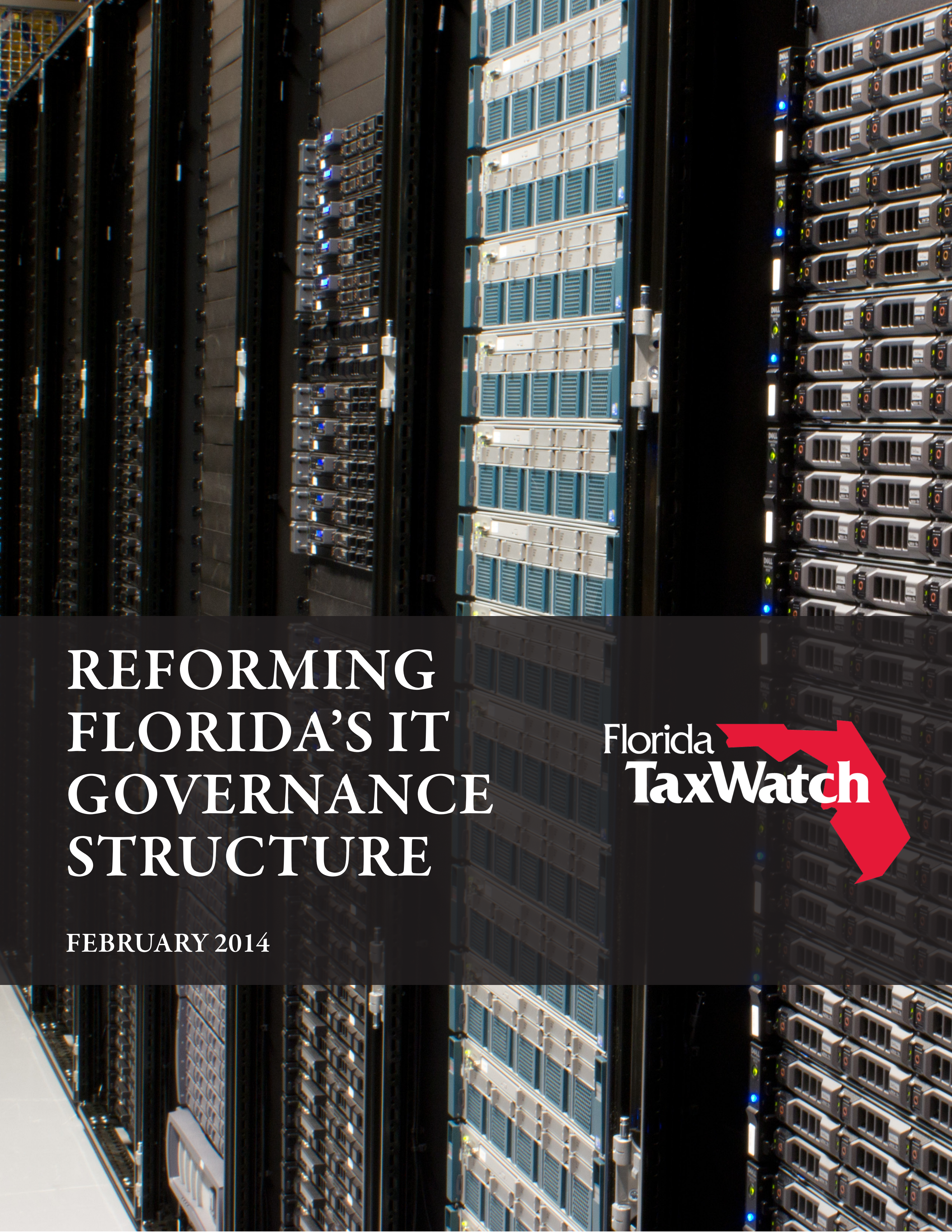

REFORMING FLORIDA'S IT GOVERNANCE STRUCTURE

Florida TaxWatch

FEBRUARY 2014

Introduction

Florida currently lacks a coherent and organized governance structure for the state's Information Technology (IT) management, a problem that the TaxWatch Center for Government Efficiency addressed in its recent cost-savings report, *Modern Management & Sensible Savings*.[1] The state has had six different governance structures for IT in the past 17 years,[2] and received the lowest grade among states (a "D") in 2012 for "best practices, policies and progress made by state governments in their use of digital technologies to better serve their citizens and streamline operations" by the Center for Digital Government.[3]

Florida's current governance structure for IT is completely decentralized, meaning that there is no single governing authority, inflexible statutes manage select IT functions, and individual agencies are left to provide even the most basic IT services and solutions independently of each other. There are no formal structures or processes in place to identify when projects exceed their planned scope, schedule, or budget, and the state does not have any formal procedures or oversight mechanisms to plan, manage, or control IT projects that cross agency, jurisdictional, or constitutional boundaries between the branches of government.[4] This decentralized structure has produced uncoordinated efforts that have resulted in duplicative IT infrastructure and investments, and inefficient allocations of resources.

In 2007, IT spend in Florida was estimated at $2.14 billion,[5] but the true costs are largely unknown and likely significantly higher. Taxpayers have spent over $440 million in the last 10 years on IT projects that have either been terminated, restarted, or been delayed and revised. These additional costs are largely attributed to the ineffective governance structure for IT, which lacks clear project management standards, enterprise integration strategies, and oversight functions with repercussions for failure.[6]

The lack of cohesion and oversight inherently leads to duplicative and often unnecessary purchases, and the lack of a single governing entity has resulted in a

1 Available at: www.floridataxwatch.org/resources/pdf/2013CGEReportFINAL.pdf

2 Florida House Appropriations Committee presentation, "Information Technology Governance." November 7, 2013.

3 The Center for Digital Government. Digital States Survey 2012. October 12, 2012. Retrieved from: http://www.govtech.com/cdg/digital-states/Digital-States-Survey-2012.html

4 Enterprise Information Technology Senate Review and Study, 2007. Senate Committee on Governmental Operations.

5 Ibid.

6 Florida House Appropriations Committee presentation, "Information Technology Governance." November 7, 2013.

substantial deficiency in communication between the state's largest IT systems, such as the state's accounting software (Florida Accounting Information Resource - FLAIR) and payroll (PeopleFirst) system. All of these inefficiencies and duplicative services increase the amount of tax dollars that are necessary to run the state's government.

Fortunately, as we begin the 2014 Regular Session, the need and urgency for reform has been recognized, and actions are being taken by the Legislature to improve the situation. The question that remains is what type of governance model would be most appropriate for a state with three large agencies led by independently elected cabinet officials, several agencies reporting to the entire Cabinet and the Governor, and the remainder reporting to the Governor. Florida's organizational structure requires a cohesive, interconnected system that can manage the diverse needs of such a large state, balancing the individual needs of each agency with those functions and services which apply to them all.

Developing an IT Governance Structure

The development of a successful governance structure for IT begins with the decision of which governance model is best for Florida. The Legislature has the responsibility in the developmental phase to provide a governance framework that defines responsibilities and intergovernmental functions, and allocates sufficient authority to ensure the successful and sustainable implementation of such a governance structure.

It is crucial to develop a governance model that enables the state to function effectively and efficiently, and provide the best-value services with taxpayer dollars. The direction from the Legislature should provide the governing entity with the flexibility to develop a sustainable governance structure and business model for enterprise IT functions in the state without being prohibitively prescriptive.

Understanding different governance models is the first step in determining the appropriate solution for Florida. Two main models could be considered for most states: centralized and federated.

Centralized Governance

A centralized governance model places authority for all IT functions of the state within a single entity. In Maine, for instance, there are several governing committees that review and recommend policy, but most IT personnel are housed within Maine's Office of Information Technology, and individual agencies craft their IT budgets with extensive overview from the State CIO.

While this structure is suited for overseeing business application and IT infrastructure coordination, this broad-based decision making authority is placed into the hands of a single governing body, and likely neglects the individualized needs of diverse agencies, potentially creating an "IT King" scenario.

This scenario presents a problem for Florida. Our Constitution prescribes a very specific delineation of power to the Governor, the individual Cabinet members, and a variety of agencies that operate within one or all of their authorities. One overarching entity with exclusive authority for the state's IT needs would inevitably run into multiple Constitutional barriers, and would be destined to fail.

Federated Governance

A federated governance model for IT has a central authority that manages common enterprise IT functions, coordinates intergovernmental operations, and allows individual agencies to provide integrated IT operations. It is the middle ground between highly centralized and completely decentralized governance structures. A federated governance model coordinates enterprise management with strategic enterprise standards that encourage best practices, and allows agencies the flexibility to develop uniquely innovative solutions.

A federated governance model assigns responsibilities in a pyramidal structure. For example: IT policy is determined and set by a high-level governing body; IT investments and business applications are coordinated by a governing agency; and individual agencies work together to deliver IT services. These efforts are overseen by a system of governing boards and councils that report and enforce enterprise IT policy.

California, which has consistently received an "A" ranking for IT governance from the Center for Digital Government,[7] reevaluated their organizational structure for IT several years ago, and maintained a federated governance model as the best recommendation for the state.[8]

A federated IT governance structure is ideal for Florida's technology

7 The Center for Digital Government. Digital States Survey 2012. October 12, 2012. Retrieved from: http://www.govtech.com/cdg/digital-states/Digital-States-Survey-2012.html
8 Organizing for Success: IT Governance for California State Government. Governors Reorganization Plan #1. February 2009.

management. Given the current decentralized structure, a federated governance structure will allow individual agencies to continue providing the specialized IT services where appropriate, but in a coordinated effort that maximizes resource allocation. Florida can implement a successful and sustainable federated IT governance structure by creating an agency to standardize and coordinate technology management, with a decisive communications strategy that clearly assigns roles and responsibilities and facilitates intergovernmental operability.

REFERENCE CHARTS

IT Governance flow charts for Michigan and California, two states known throughout the country for leadership in IT governance, and a proposed structure for Florida (from the Senate study referenced in footnote 3) can be found in Appendix A

Developing the Federated Model

Developing a federated governance structure for IT is not simply about creating an agency; rather, it requires the design of an intricate operations structure that incorporates a complex communications and implementation strategy that clearly articulates roles and responsibilities, organizes interconnectivity and lines of business, and provides for meaningful oversight capabilities. Properly investing in the thoughtful development and implementation of a federated IT governance structure will ensure the long-term sustainability of a system that taxpayers will depend on each and every day.

Standardized, enterprise-wide policies and best practices should be incorporated into the foundation of the IT governance structure and articulated with a business management and implementation strategy. This will lead to a streamlined implementation process, coordinated intergovernmental functions, and increased efficiencies across Florida's government.

Shared Services

A shared services strategy, for instance, organizes and provides information on common IT functions of individual agencies, increasing intergovernmental communication and improving resource allocation. This integral component of the implementation of a federated governance structure has the potential to save millions of dollars if applied to state and local government management and organization.

This strategy maps out existing IT practices and shares successful experiences within the enterprise, and is intended to increase return on investment, close productivity gaps, increase communication with stakeholders, improve efficiency of IT solutions, and essentially "provide more with less."[9]

Utilizing "Big Data"

Data analytics has the ability to maximize efficiency in government, offer solutions otherwise overlooked, and even facilitate predictive modeling for more effective planning. However, the ability to analyze data is dependent on the organization and management of that data.

Michigan's award-winning Department of Technology, Management and Budget developed a services management and monitoring system, which has the capacity to analyze and efficiently allocate government resources, saving the state over $45.3 million in the two-year period after initiation. [10] As a result, Michigan was able to create its Information Technology Infrastructure Library, an organized database of best practices that facilitates service availability, measures IT service operations, and improves communication with clients.

Similarly, Colorado's Office of Information Technology developed the Business Analysis Center of Excellence, a set of standards and processes used for every IT project that identifies the business needs of customers to provide the appropriate technology solution.[11]

Additional Aspects

There are many additional issues that will naturally be addressed in the development of a new IT governance structure, including: identification of common functions; procedural standardization; resource allocation; data security; data center management; and incorporation of best practices, among others.

To ensure the successful and sustainable implementation of the federated structure, it must include: a communications strategy which clearly defines responsibilities and facilitates intergovernmental operability; change-management initiatives; key business management strategies such as shared services and enterprise-wide data management capabilities; and must be provided the time and flexibility needed to succeed.

9 "Federal IT Shared Services Strategy." May 2, 2012. Retrieved from: http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/shared_services_strategy.pdf

10 NASCIO. "2011 Best Practices In the Use of Information Technology in State Government." Retrieved from: http://www.nascio.org/publications/

11 NASCIO. 2011 Awards: Enterprise IT Management Initiatives. Retrieved from: http://www.nascio.org/awards/2011awards/enterpriseIT.cfm

Managing Technology Procurements

The development of a new governance structure for IT brings with it the necessity to reevaluate the management of technology purchases. With no formal structures or processes in place to identify when projects exceed their planned scope, schedule, or budget, no formal process to ensure that necessary corrective actions are taken, and a lack of oversight for both cross-agency projects and standard applications (email, websites, etc.), significant changes will likely be required. One of the major issues that will need to be addressed by the Legislature is the method by which IT contracts are managed, specifically the role and function of State Term Contracts in this arena.

The rapidly changing landscape of the technology industry offers nearly limitless opportunities for the state to better serve its citizens, but the practice of unplanned and uncoordinated purchasing must be curtailed if the new governance structure is to succeed.

Lessons can be learned from California, where the California Technology Agency holds some responsibility over all IT procurement. California's Task Force on Reengineering IT Procurement for Success published recommendations in August 2013, which included defining governance roles and acquisition strategies, standardizing procurement processes, and examining alternative contracting methods.[12]

The staffing of an entity responsible for IT procurement is a necessary piece of any reforms of this kind. The Task Force recommended a project-by-project formal assessment of human-resources capacity, a plan to address any gaps in capacity, and a commitment to staff the project appropriately throughout the procurement. Additionally, the report recognized "the value of a more central approach to develop a core strength in complex IT procurement management in order to capitalize on economies of scale, boost institutional knowledge, and lend support to small or inexperienced agencies."

Managing large IT procurements is a crucial piece of the development of the new governance structure. Florida can avoid significant costs by ensuring effective procurement strategies, focusing on systems integration, and ensuring the necessary staffing levels and knowledge to succeed.

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12 California Task Force on Reengineering IT Procurement for Success. "Recommendations to Improve Large Information Technology Procurements: A Road Map for Success in California." August 2013. Retrieved from: http://www.sco.ca.gov/Files-EO/0813_IT_Task_Force_Recommendations.pdf

Conclusion

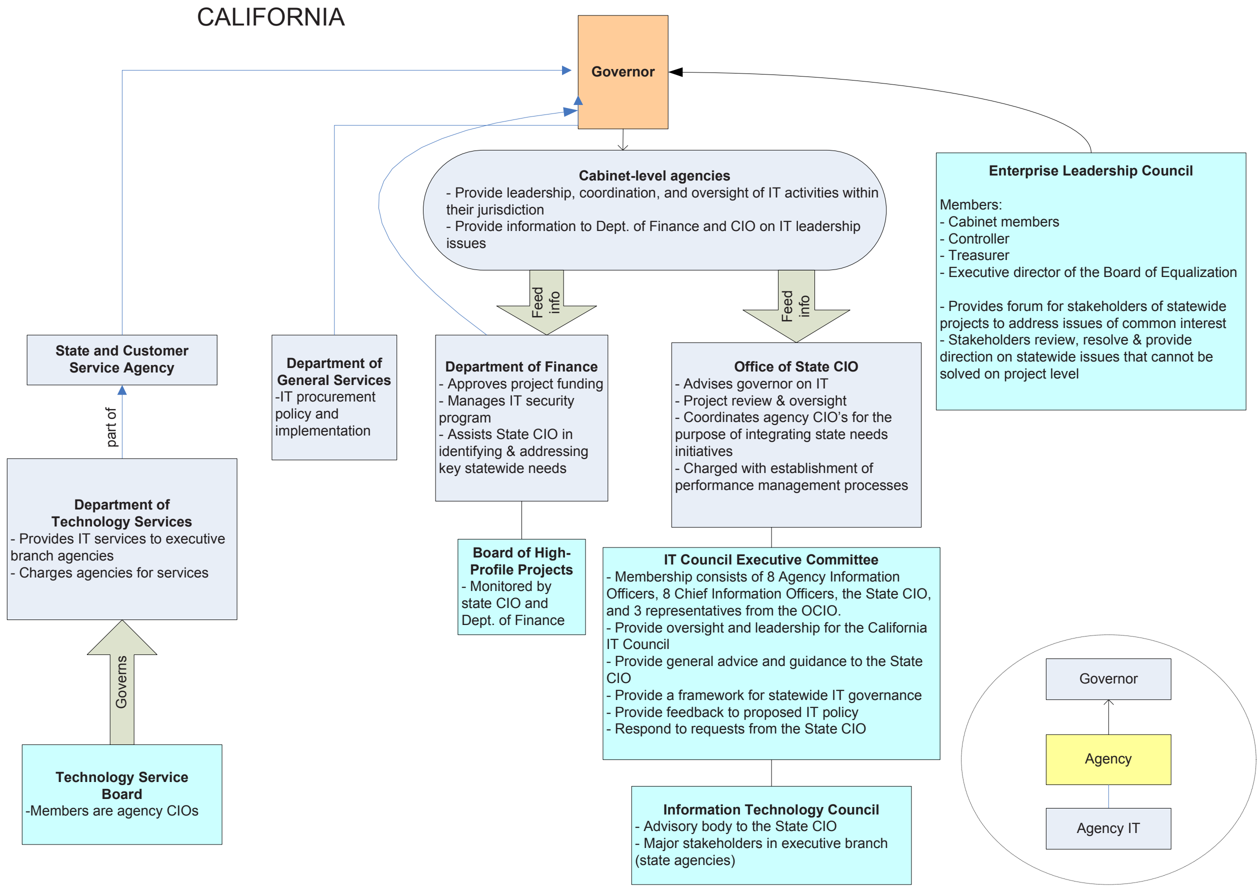
Florida has an opportunity to implement a successful and sustainable IT governance structure. Both the Florida House of Representatives and the Florida Senate have proposed bills coming into the 2014 Regular Session that address many of these issues. Both bills have similar language and content, suggesting cooperative efforts between both chambers, exactly what Florida needs to resolve this issue.

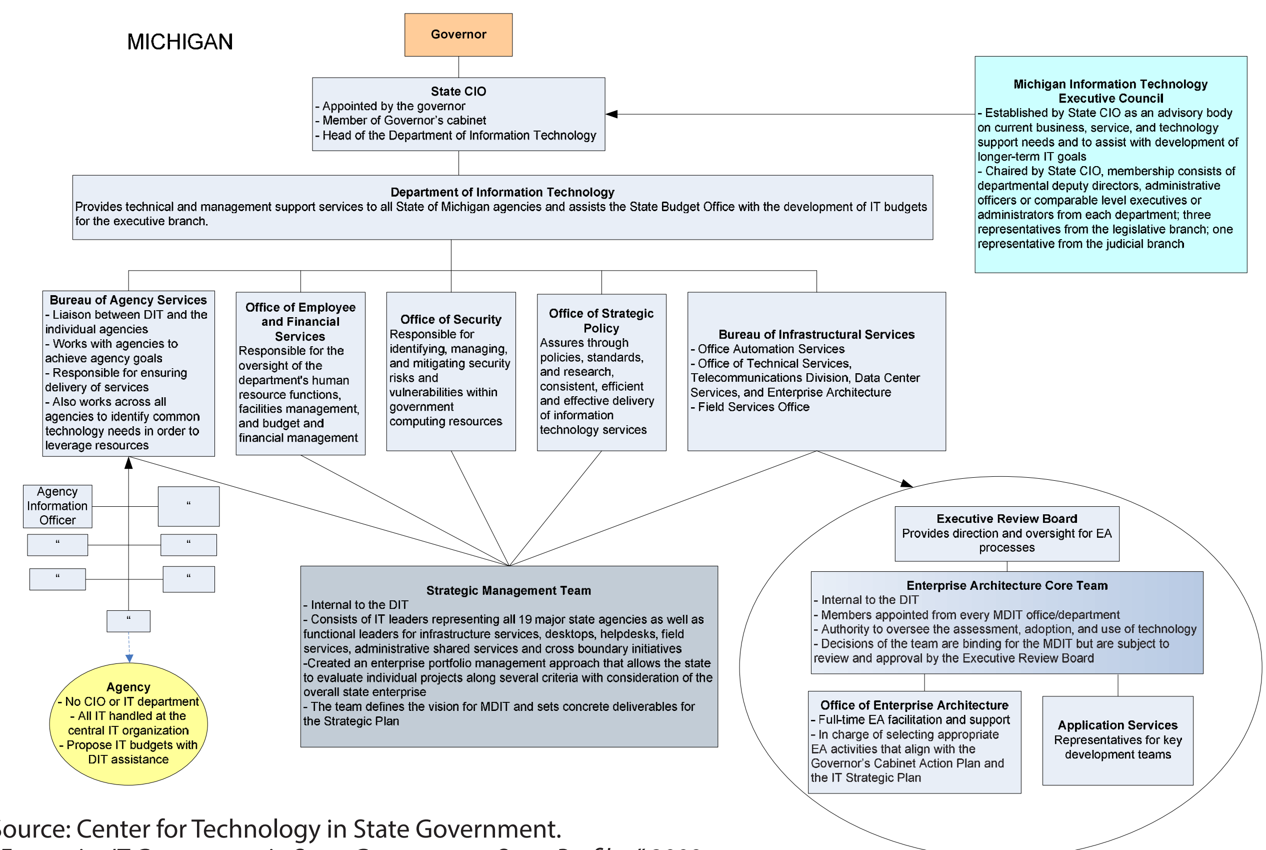
Now that the urgency of the problem has been recognized by Florida's leaders, the difficulty lies with development and implementation decisions.

Florida TaxWatch research shows that Florida should develop an integrated, federated IT governance structure which articulates a clear and decisive communication strategy for implementation, and incorporate shared services and data management along with other business management initiatives.

Additionally, the management and oversight of IT contracts should be reevaluated with the development of a new governance structure, ensuring that the new procurement model includes adequate staffing levels and a strong focus on systems integration.

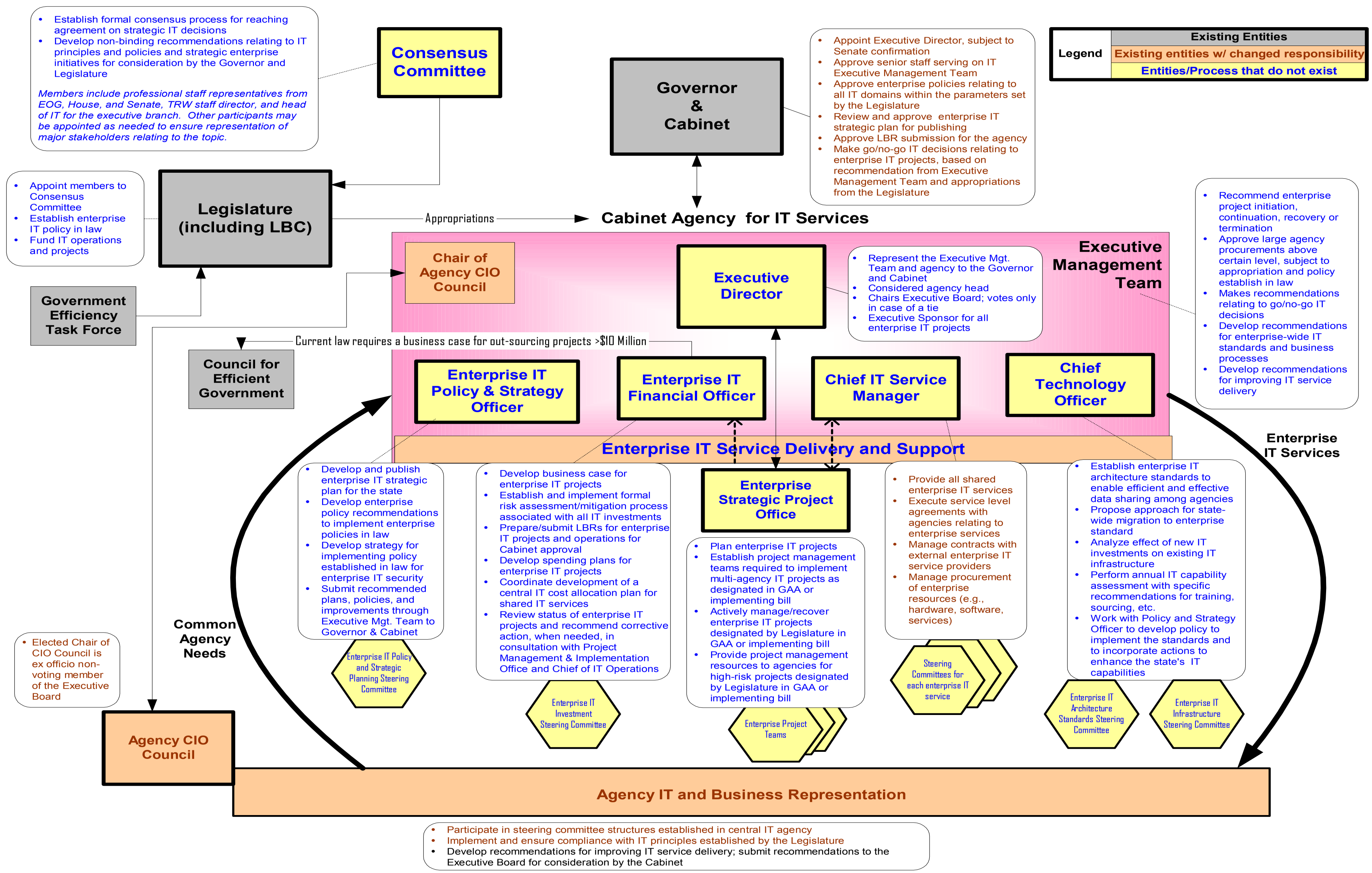
Appendix A





Source: Center for Technology in State Government.
"Enterprise IT Governance in State Government. State Profiles." 2009.

Figure 11 – Example of Recommended Model of Enterprise IT Governance



Source: *Enterprise Information Technology: Senate Review and Study.* Florida Senate Committee on Governmental Operations

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

Florida TaxWatch is supported by voluntary, tax-deductible memberships and private grants, and does not accept government funding. Memberships provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves for the last 34 years.

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