The Rundown podcast transcript for Performance Audit report titled *Information Technology Consolidation: Evaluating Whether Consolidating Executive Branch IT Serves is Feasible and How Much It Might Save* – Released July 2019

Brad Hoff, Host and Recruiting and Training Manager: [00:00]
From the Kansas Legislative Division of Post Audit, this is The Rundown, your source for news and updates from LPA including performance audits recently released to the Kansas Legislature. I'm Brad Hoff. In July 2019, Legislative Post Audit released a performance audit that evaluated the benefits, challenges and potential fiscal impacts of information technology consolidation in Kansas as well as other states' experiences with IT consolidation. I'm with Andy Brienzo, Principal Auditor at Legislative Post Audit who supervised the audit. Andy, welcome and thanks for taking the time to discuss the findings of this audit.

Andy Brienzo, Principal Auditor and Supervisor: [00:44]
Hey Brad, thanks for having me. Happy to be here.

Brad Hoff, Host and Recruiting and Training Manager: [00:47]
So Andy, now one of the objectives of the audit was to determine to what extent executive branch IT services can be consolidated. However, you found when you kicked the audit off that the Office of Information Technology Services, OITS, had already started to consolidate some IT services. Tell us about what efforts were already underway.

Andy Brienzo, Principal Auditor and Supervisor: [01:14]
IT consolidation in Kansas actually started as far back as 2011. Executive Order 1146 directed all executive branch IT staff to report directly to the executive branch Chief Information Technology Officer or E-CITO and that consolidated the reporting structure which then allows for the E-CITO to sort of direct how IT services are going to be delivered within the executive branch. So, when we started the audit we found that OITS' current plan will have them manage or directly provide statewide or enterprise level IT services and this includes a number of different things that were ongoing or in planning or actually already completed by the time we started. The

three that have been completed as of the time that we were doing the audit were desktop computer procurement, which is just all the computers that executive branch agency staff need to use, it's exactly what it sounds like, email services, and then mainframe services. Network services are currently in a planning stage, a very early planning stage, that's the replacement of the old KANWIN network, and then there are three other ongoing transitions. So that's transitioning to a new data center which is managed by a private vendor actually in another state; enterprise level or statewide as I said, security services; and then a service desk for all the executive branch agencies to use. Those three are currently ongoing.

Brad Hoff, Host and Recruiting and Training Manager: [02:55]
Now, even though this is a statewide consolidation plan, not every state agency is involved. So, who's excluded from the consolidation plan?

Andy Brienzo, Principal Auditor and Supervisor: [03:08]
OITS' current plan actually only includes the cabinet level agencies. So that's bigger agencies like the Department of Transportation, Department of Corrections, the Highway Patrol. There's a lot of other agencies out there though that are part of the executive branch but aren't one of those agencies, those include smaller agencies like the Kansas Corporation Commission for example. Those are not included. The non-cabinet executive branch agencies are not included. There's also offices that are led by other elected officials, like the Secretary of State's Office, for example. They're not included. And then there's also of course a number of institutions that are overseen by the Kansas Board of Regents. So that includes Kansas State University, University of Kansas, a bunch of community colleges. And they are also excluded from OITS' current consolidation plan.

Brad Hoff, Host and Recruiting and Training Manager: [04:00]
Now Andy, the report mentioned several challenges to including non-cabinet agencies in these IT consolidation plans. Talk a little bit about what some of these challenges are.

Andy Brienzo, Principal Auditor and Supervisor: [04:14]
So in order to get a handle on how officials in all these types of agencies, so cabinet, non-cabinet, elected officials agencies and Regents institutions felt about what OITS is doing, we talked to officials from 10 of them. We talked to officials from four cabinet agencies, four non-cabinet agencies and then two Regents institutions just to get their opinions. So, their opinions are not projectable, but they do represent a good cross section I think of agencies and kind of give us different perspectives. And what we heard from officials from non-cabinet agencies and Regents institutions was that they had a couple of different types of concerns. One was related to the costs. So, for example, officials from two of the non-cabinet agencies that we spoke to question whether they could afford the prices that were going to be charged for the new outsourced data center. The Regents institutions also present kind of a

unique challenge, they're large, they have thousands of IT users and they have dozens of research departments that have some really specialized needs that OITS isn't really that experienced with at the moment. So that includes things like super computing for research purposes. And so those types of challenges would be, I think, difficult for OITS to overcome.

Brad Hoff, Host and Recruiting and Training Manager: [05:44]
Now the audit estimated that the cost of consolidation could actually increase between $2.6 million and $38.4 million annually once this consolidation plan is fully implemented. Walk us through how the team calculated those amounts and what specific IT services are included in this calculation.

Andy Brienzo, Principal Auditor and Supervisor: [06:11]
So the IT services that are included in that calculation are all of the services that OITS is in the process of consolidating or into the planning stages or has already consolidated that I mentioned earlier. So, we tried to take a pretty comprehensive look at what OITS was doing and how much it might cost going forward. To get at the numbers that we include in the report, we did a few different things. First, we tried to get a handle on how much these agencies that are included in OITS' plan, so the cabinet level executive branch agencies, are spending now on both IT services and IT related labor. To estimate agencies IT service expenditures we relied heavily on IT account codes from the state's accounting system, so accounting data, because that was really the only way that we could examine the state's IT spending in a holistic way without going to each individual agency to find out what they were spending. And we think that through that we were able to identify and include the account codes that were the most relevant to IT services. To get at agencies IT labor expenditures, we created a linear model that was based on self-reported data from some of those 10 agencies that I mentioned before who we surveyed. And then to estimate how OITS' plan might affect agencies IT expenditures, both services and labor going forward, we reviewed any contracts that OITS already had with third party vendors to understand how those vendors would be charging the state. And we also used a prior analysis that had been created by a contractor that OITS had worked with a few years ago, called Excipio. We used that information as well as information provided by OITS and agency officials to estimate how the costs that we had calculated for IT services and IT labor might change going forward.

Brad Hoff, Host and Recruiting and Training Manager: [08:17]
So the report talks about this range anywhere from $2.6 million to $38.4 million annual increase. Now for the Kansas taxpayer, they might look at that number and say, well, I always thought consolidation you try to save money, it's not going to cost anything. So talk a little bit about why Legislative Post Audit thinks that costs will actually increase with the implementation of this consolidation plan.

Andy Brienzo, Principal Auditor and Supervisor: [08:49]
So the biggest reason why the costs might increase are related to the outdated IT infrastructure that Kansas currently has. The consultants who I mentioned before, whose work we relied on to some degree, reported in December of 2015, so three and a half years ago, that more than 70% of the state's IT infrastructure was beyond the end of its useful life. A lot of the state's infrastructure is outdated and in need of modernizing. And that's really regardless of consolidations. So, whether OITS was pursuing consolidation or not, the state needs to modernize its infrastructure. OITS is doing that through consolidation and through outsourcing to vendors for some of the services. And so that's why we believe the costs, that's the primary reason why we believe the costs will increase. It's not really because of consolidation. Consolidation just happens to be the vehicle through which OITS is modernizing Kansas IT infrastructure.

Brad Hoff, Host and Recruiting and Training Manager: [09:54]
Now the report also mentioned that the team had some difficulty determining the cost of OITS' consolidation plan. And one of the reasons for that that the report mentioned is because no one in this state comprehensively tracks state IT expenditures. What reasons did the team learn on why aren't these costs tracked?

Andy Brienzo, Principal Auditor and Supervisor: [10:29]
Yeah, that's right. I mentioned before that we relied on accounting data to some degree. But the problem with that is that the state's accounting system doesn't clearly capture all IT expenditures. The system has IT account codes as I mentioned before, but agencies don't always use them appropriately. And some account codes, like professional services codes, may be capturing both IT and non-IT expenditures. The state's account codes also do not capture labor costs, which is why I mentioned before that we used a linear model based on some self- reported data that we got from the agencies we surveyed rather than being able to pull that out of the accounting system. It's likely no one centrally tracks the state's IT expenditures because agencies have historically been responsible for managing their own IT services and their own IT staff rather than OITS through consolidated structures. So, agencies don't have to budget for or otherwise break out their IT expenses, including for reporting purposes, so that information isn't readily available. The other thing is that the state hasn't added new IT account codes as new services have come along, so the codes that are being used in the state's accounting system may not be informative. So we believe that our IT spending estimates are reasonably accurate, but the lack of clear and centralized and comprehensive expenditure data means that no one can really definitively determine the fiscal effects of OITS' consolidation plan.

Brad Hoff, Host and Recruiting and Training Manager: [12:13]
Now with any type of plan, there's going to be some benefits of the plan that the report highlighted, but there's also going to be challenges. So just talk maybe an

example of a few benefits, a few challenges that state agencies are likely or have already faced with OITS' consolidation plan.

Andy Brienzo, Principal Auditor and Supervisor: [12:40]
The big benefit is something that I mentioned earlier and that's just modernizing the state's IT infrastructure and bringing it up to modern standards. That'll reduce the state's IT related risks, including things like data center failures or network failures. And it may, because some of it's being outsourced to vendors, may help make the state's IT spending a little more consistent because the billing is consistent over time. OITS' plan may also help the state better understand and monitor its IT spending, staff, and assets which as I mentioned, no one is currently tracking in a centralized comprehensive way. We also heard about some challenges related to OITS' plan from the agency officials we surveyed so, the four cabinet agencies, four non-cabinet agencies and two regents' institutions. We didn't do any work to independently verify these opinions, but we did hear some similar things from the different officials we surveyed, and they mentioned that they had some concerns about a few of the specific services. So, one of them was the consolidated service desk that I mentioned before. The officials from the agencies we talked to told us this service provides slow responses, poor performance and that agency requests are often just routed from OITS back to the agency for resolution. Other agency officials told us OITS' outsourced data center services might be cost prohibitive. And then some other officials told us that OITS' network services are outdated, unreliable, and it's not competitive with market rates. That's KANWIN which I mentioned before and that's something that as I said OITS is in the process of replacing. In addition, surveyed officials had some more generalized concerns about how OITS is overseeing consolidation and the transition to consolidated services. So, agency officials generally voiced satisfaction with the current executive branch Chief Information Technology Officer, the E-CITO who I mentioned before, but they reported some wariness about consolidation because they think OITS doesn't have a particularly strong track record in this area in the past. Some officials told us OITS has made rapid changes without fully assessing their impacts or agency's needs. Maybe they've launched some new projects before completing ongoing ones, making it more difficult to get those new projects implemented that they may be moving a little bit too rapidly. Agency officials also told us they were dissatisfied with some of OITS' communication practices. Both just generally, but then also about specific consolidation projects. And then one of the bigger challenges that we heard about with regard to consolidation, came from cabinet agency officials who told us that requiring their Chief Information Officers to report directly to the E-CITO, which was part of the Executive Order 1146, which I mentioned before, effectively prevents them from advocating on their agency's behalf.

Brad Hoff, Host and Recruiting and Training Manager: [15:51]
Also part of your fieldwork was to see what other states are doing. Now the team found that all 50 states either have completed, begun or are in the planning process of some level of consolidation or shared services, but specifically you talked to officials from four states: Indiana, Nebraska, North Dakota, and Utah. So why did you pick those states and what did they tell you about their experiences with implementing their state's IT consolidation plans?

Andy Brienzo, Principal Auditor and Supervisor: [16:31]
We chose these four states because of their similarities to Kansas in terms of location, demographics, overall state expenditures and staffing levels. But they also gave us a little bit of variety in their consolidation plans, which weren't all the same. These states are also a lot further along in the process than Kansas, in terms of consolidating their IT services. So, they were able to give us a little bit of the benefit of their wisdom having gone further down the path. We heard a lot of similar things though from these states that we actually heard from, from agency officials in Kansas. Officials from these states told us that while overall, statewide, they generally achieved some savings from consolidation, individual agencies may have seen cost increases. Officials from these states also told us that agency resistance and managing the culture change as the agencies transitioned to a consolidated structure were some of the biggest challenges that they ran into. Agency officials from the states also told us that consolidated IT services were not always delivered in a timely manner and that agency staff were sometimes confused about how the new consolidated services were supposed to be working.

Brad Hoff, Host and Recruiting and Training Manager: [17:48]
So, the team did a lot of great work on this audit. What are the main takeaways of this report?

Andy Brienzo, Principal Auditor and Supervisor: [17:59]
We were asked in this audit to determine whether IT consolidation in Kansas is feasible and we found that it definitely is. It's already ongoing, as I mentioned before, in some ways it's completed. It's not likely to save the state money based on our analysis, but that's not because of consolidation, that's because of the very old infrastructure that Kansas is currently using. What we've seen from other states is that there are challenges, but that they can be overcome and that's what I expect to see in Kansas.

Brad Hoff, Host and Recruiting and Training Manager: [17:48]
Andy Brienzo is a Principal Auditor at Legislative Post Audit and he led a performance audit that evaluated the benefits, challenges and potential fiscal impacts of OITS' current plan to consolidate executive branch IT services as well as other states experiences with IT consolidation. Andy, I want to thank you for taking the time to share the findings of this audit.

Andy Brienzo, Principal Auditor and Supervisor: [18:55]
My pleasure. Thank you Brad.

Brad Hoff, Host and Recruiting and Training Manager: [18:58]
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