

## **AUDIT PROPOSAL**

### **Information Technology Consolidation: Evaluating Whether Consolidating Executive Branch IT Services is Feasible and How Much It Might Save**

#### **SOURCE**

This audit proposal was requested by Representative Jeff Pittman.

#### **BACKGROUND**

In October 2015, the Legislature contracted with the consulting firm Alvarez and Marsal (A&M) to perform an efficiency study of state government. The contract required A&M to develop recommendations for ways in which state government could become more efficient. Among other things, A&M identified an opportunity for the state to reduce duplication in executive branch information technology (IT) service provision, which A&M estimated would save about \$9 million annually.

A&M identified duplication in information technology across the Office of Information Technology Services (OITS) and executive branch agencies in five areas: data centers, network services, service desk and end user services, application development and maintenance, and project and security management. A&M suggested consolidating each of these functions into a central IT services office for the entire executive branch of government. A&M suggested that doing so would achieve savings by reducing duplication in staff and equipment, avoiding replacement costs for many old servers and other equipment, and by enhancing the state's IT purchasing power. Further, A&M suggested that consolidation would improve the services received by IT end users, would allow for better strategic planning, and would increase transparency in the total amount the state spends on IT services.

House Substitute for House Bill 2331 includes provision that would establish the Kansas Information Technology Enterprise (KITE). If established, KITE would replace OITS with a consolidated IT agency. Under the bill, KITE would include all cabinet level agencies for the first two years. After that, it would be expanded to include all other executive branch agencies except those led by elected officials, the Regents Institutions, and KPERS. During the 2017 legislative session, the House passed the bill, which was then referred to the Senate Ways and Means Committee. As of April 2017, no further action had been taken on the bill.

Legislators have expressed concern that A&M analysis did not provide sufficient detail for policy makers and agency officials to make fully informed decisions about whether to proceed with IT service consolidation. They also expressed interest in a more detailed analysis that would include Board of Regents institutions and agencies led by elected officials, because it would provide a more comprehensive estimate of potential savings.

#### **AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY**

*The audit objectives listed below represent the questions that we would answer through our audit work. The proposed steps for each objective are intended to convey the type of work we would do, but are subject to change as we learn more about the audit issues and are able to refine our methodology.*

**Objective 1: To what extent can executive branch information technology services be consolidated, and what types of challenges would have to be addressed?** Our tentative methodology would include the following:

- Interview officials from OITS to understand any IT consolidation efforts which are currently underway or being considered, what those efforts involve, when they are anticipated to be completed, and how they compare to A&M's recommended or other potentially viable consolidation approaches.
- Interview OITS officials and other stakeholders to identify which areas of IT would could or should be consolidated in light of A&M's recommendations as well as any current or proposed consolidation efforts.
- Interview officials from OITS, a sample of state agencies, Board of Regents institutions, and agencies led by elected officials to identify the challenges or obstacles that would have to be addressed to successfully consolidate IT functions across the executive branch.
- Interview officials from states that have consolidated IT services within a single agency and review professional literature to determine whether and how these challenges or obstacles might be addressed.
- Follow up with OITS and other agency officials as necessary to collect their opinions on how well any solutions we identified address their concerns regarding the consolidation of the IT service functions identified by A&M.

**Objective 2: What resources would be required to consolidate executive branch information technology services, how would they be paid for, and how much would consolidation save the state?** Our tentative methodology would include the following:

- Interview officials from OITS, selected state agencies, and other states that have consolidated IT services within a single agency to determine the resources and infrastructure needed to consolidate the IT service functions identified by A&M.
- Work with officials from OITS and selected state agencies to estimate how much needed resources would cost and how long it would take to put them in place.

- Work with officials from OITS and selected state agencies to determine how much consolidated IT service functions might save the state through increased operational economies of scale, increased purchasing power, and the elimination of duplicative or overlapping IT staff positions or services. In conducting this work, identify and interview state agency officials who have recently consolidated IT functions with another state agency to collect their opinions on the benefits and challenges of this process.
- Work with officials from OITS and Division of Budget officials to determine how the state would pay for the transition to a consolidated IT service agency, and how it would be funded in the years following its creation.
- Interview OITS officials and selected state agencies to collect their opinions on whether outsourcing any of the consolidated IT service functions would provide additional opportunities for savings.

#### **ESTIMATED RESOURCES**

We estimate this audit would require a team of **three (3) auditors** for a total of **five (5) months** (from the time the audit starts to our best estimate of when it would be ready for the committee).