



County of Orange
C a l i f o r n i a

Thomas G. Mauk
County Executive Officer

June 10, 2010

Steve Danley
Director
Performance Audit Department
333 W. Santa Ana Blvd., 2nd Floor
Santa Ana, CA 92701

Dear Steve:

Please consider this a transmittal letter of the responses of CEO/IT to the recently completed Performance Audit, phases III – V. As I have verbally expressed to you, I am pleased with the report in many respects, including the fact that it provides a roadmap for further improving the operation of CEO/IT in the federated model and in the upcoming sourcing effort which is currently underway. While we disagree with a few of the items, as has been expressed in the attachment, I believe that the recommendations and findings that are included within the report are thoughtful and hopefully are properly responded to in the attached.

As I had expressed to you some earlier frustrations, I feel it is important to now say to you and to the Board of Supervisors, that this report is positive in the sense that it recognizes some achievements and then recommends improvements beyond those. You also expressed an appreciation for the cooperation of the staff, both in the Departments and in CEO/IT. We stand ready to assist you in your future audits, as appropriate, and again, let me express my appreciation for a professional job that has been completed by you and your staff in connection with this particular audit.

If I can be of assistance in the future, please let me know.

Sincerely,

Thomas G. Mauk
County Executive Officer

Attachment

- Response to Performance Audit of CEO/IT – Task III-V Report

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Finding 1: The specific roles and responsibilities of CEO/IT (e.g., IT oversight, performance management, identification of consolidation opportunities) vis-a-vis Agency/Department IT operations continue to be vaguely defined.

Response: CEO/IT’s roles and responsibilities are articulated in its Operating Plan and through the specific service offerings that are defined in its Rate Sheet. Memoranda of Understanding with each client are updated annually and responsibility matrices are developed for each significant project (i.e., CAPS+, ATS, PTMS, ePages) so that specific roles and responsibilities are clearly delineated. Based on the fundamental premise that the County has strong, autonomous Agencies and departments, the Federated model is the organizational model by which IT services are provided in the County.

As recognized by the Performance Auditor, there have been challenges to attempts at centralization or consolidation. It was therefore prudent to create a framework for collaboration using a Countywide IT governance structure rather than taking direct control of IT in Agencies.

CEO/IT has two key roles:

- 1) **Service Provider:** The Performance Auditor recognizes that CEO/IT does quite well in terms of providing core information technology services such as server hosting at the data center, network, security and telephone support.
- 2) **Providing IT Leadership:** CEO/IT continues to make progress through governance and direct participation in major business initiatives such as CAPS+, ATS, and PTMS. CEO/IT brings the IT community together through numerous forums, a practice that was begun by the IT Working Group, a Board member chaired organization.

The resulting successes of implementing the governance framework include:

- Development of policies related to security, social media, web privacy and web content
- Creation of the Project Review Board for review and recommendation of proposed investments in Information Technology
- Completion of IT Classification study to modernize position descriptions and titles
- Development of the IT Strategic Plan
- Architecture Groups provide focus to technology priorities such as upgrade of Windows operating system, web filtering, firewall consolidation, data encryption, etc.
- Development of a Countywide IT Strategic Plan

Recommendation 1: Implement Task II audit report recommendation #5: “Working with County Agencies/Departments, define roles and responsibilities for CEO/IT and Agency/Department IT operations, seek approval of these roles from the Board of Supervisors, and clearly communicate these roles to all IT stakeholders.” It would be most efficient for CEO/IT to resolve this issue prior to the release of the IT Sourcing RFP.

Response: Concur. Continuing clarification and evolution of the federated model will be helpful to all parties.

Finding 2: CEO/IT’s knowledge of Agencies’/Departments’ IT business issues and activities continues to require improvement.

Response: The Performance Auditor’s Survey indicates that 37% of respondents rate CEO/IT’s knowledge of Agency/Department operations and business needs as being good to excellent, while 24% indicate it as being average. The report also points out that “some Agencies/Departments with major IT initiatives, who generally perceive CEO/IT as having adequate knowledge of their business needs.”

In the past four years, progress has been made with both current and new users of CEO/IT’s services through engagement in several ways including:

- Development of a Business Impact Analysis, Business Continuity Plans and Disaster Recovery Plans for all Agencies/Departments
- Completion of a Data Center co-location study to determine the feasibility of moving Agency-hosted servers to the County Data Center
- Development of the IT Strategic Plan that included over 200 participants
- A survey conducted in 2007 to seek insight into Agency needs
- Development of the IT Sourcing Strategy and Request for Proposal
- Quarterly meetings with the top 12 clients of CEO/IT to understand current and future needs. Input from these meetings is used for development and ongoing management of CEO/IT’s budget and Operating Plan
- More recent clients include:
 - Clerk-Recorder for development of the eFBN application and deployment for the multi-County eRDS system
 - Public Administrator / Public Guardian for implementation of the replacement system for the ePages application
 - Clerk of the Board for assessment of the CAMS system
 - Support of the Sheriff’s assessment of the current legacy systems

Recommendation 2: As the County’s central IT organization, CEO/IT should undertake a focused effort to (1) clarify that Agencies/Departments are CEO/IT’s primary customers throughout its organizational documents, and (2) comprehensively identify and analyze Agency/Department business needs and IT operations.

Response: Concur. This was undertaken in the development of the IT Strategic Plan and is in place for Agencies that we serve. Respecting the autonomy of Agencies, assessments and other engagements focused on their IT operations are conducted as requested. The new CEO/IT organization that will be developed as a result of a transition to a Managed Services IT Sourcing model will reflect a greater focus on client relationship management.

Finding 3: CEO/IT has improperly used the “Centers of Excellence” (CoE) concept to establish an unworkable number (14) of discrete, specialized organizational units.

Response: There needs to be a greater understanding of the complexity of running an IT organization of this size within a decentralized County organizational structure. Clearly identifiable Centers of Excellence become more critical as organizations shrink allowing for better management of scarce resources and for ensuring that appropriate skills are deployed in the County’s current staff augmentation model.

The Performance Auditor’s report cites the fact that Security and Business Continuity Planning are separate organizations from Security and Business Continuity Operations. This is by design as one area is focused on policy and business impact issues while the other provides technical and operational support. It also enforces separation of duties that are necessary.

The report also cites the fact that some Centers of Excellence are not staffed. This is reflective of budget constraints and Strategic Planning, Operational Planning and Process Quality Assurance are currently assigned to the management team.

A recent report from Gartner validated the concept of Centers of Excellence and projected greater adoption of this model.¹

Recommendation 3: (a) Streamline the existing organizational structure, and (b) identify a small number of topical (not organizational) areas that can be developed as “Centers of Excellence” (e.g., Project Management, Vendor Management).

Response: Partially concur. As a result of the change in the IT Sourcing model where the County will no longer have direct responsibility for managing contractor IT staff and will be focused on managing service levels, outcomes, contract performance and client relationship management, the CEO/IT organization will be re-designed at the appropriate time per the “retained organization design” activities that have already been defined in the IT Sourcing project plan.

Finding 4: The individual fulfilling the role of Chief Information Security Officer (CISO) reports to the CIO for security-related activities and to the Chief Technology Officer (CTO) for technical project work; this situation has the potential for conflicts of interest.

Response: The individual designated as the CISO has temporarily reported to the CTO for project oversight for the past eleven months.

¹ Ed Holub and Donna Scott, “Organizing and Measuring IT I&O: Trends and Best Practices, 2009”, [Gartner Research](#), 16 November, 2009, ID Number: G00168265

Recommendation 4: The CISO should report exclusively to the CIO.

Response: Concur. Although the current position holds dual responsibilities, the CISO function reports directly to the CIO.

Finding 5: Since the hiring of a new CIO in February 2006, the CEO/IT organization has undergone significant turnover, especially in the administrative management ranks.

Response: CEO/IT supports and promotes the principle of career growth and cross-Agency transfers. The turnover that the report cites includes promotions and transfers out of the organization as well as reductions in management staff to meet a decline in workload.

Recommendation 5: (a) Ensure formal knowledge transfer procedures are in place and followed for personnel separations/transfers, (b) Initiate a separation/transfer interview process for any future separations/transfers, to be conducted by the Human Resources Department, in order to capture any common challenges/issues, and (c) Ensure that Agency/Department customers are always formally notified of relevant staffing changes (both County and contractor) in a timely fashion.

Response: 5(a) Concur. 5(b) Concur. We will pass this recommendation to HRD. 5(c) Concur. We will formalize the current practice.

Finding 6: CEO/IT exercises minimal oversight over Agency/Department IT spending.

Response: As agreed to for Recommendation 1 in the Performance Auditor’s “Task I Report”, CEO/IT is working with the Auditor-Controller and CEO Budget to track Countywide IT costs in the County’s financial system.

With respect to approval of IT projects over \$150K, the Project Review Board does provide oversight and review of requests, prioritizes them and makes recommendations to the Budget office, which, in turn, presents the recommended items for approval during the annual budget approval process.

The report makes an incorrect assertion that the CIO’s review of IT related ASRs is more focused on contractual elements and less on operational efficiency and efficacy of ASR items. This is simply not the case as ASRs are reviewed for IT implications as well as overall soundness of the recommendation. The CEO routinely asks about operational impacts during weekly ASR reviews.

Recommendation 6: (a) Formalize and seek Board support for CEO/IT’s role in the oversight of Countywide IT activities, which includes the important task of understanding and opining on Agency/Department IT spending prior to ASRs being heard by the Board, and (b) Report IT Project Review Board scoring to the Board of Supervisors as part of the annual budget process.

Response: 6 (a). Concur. We will formalize the current process and seek Board approval for the current Federated model for IT management in the County.

6 (b). Concur. The IT Project Review Board scoring will be reported to the Board of Supervisors.

Finding 7: The County’s IT Governance structure and practices require significant improvement.

Response: Establishing and maturing a Governance Model for the County has been the cornerstone for CEO/IT and we continue making progress and adjusting it to make it practical and workable for stakeholders. In response to budget realities and feedback from Technology Council members, some of the governance groups will be consolidated. The IT Business Council meets on an “as needed” basis. The CEO has found that it is more efficient to address informational items at the Department Head meeting.

Significant IT projects have separate governance structures established to provide proper focus (technical or business).

Out of 49 respondents to the Performance Auditor’s survey, 34 (69%) found the governance model to be of some benefit which is significant and improvement from prior years. We will continue to make progress.

Recommendation 7: Revise the IT Governance structure to (1) establish a “dotted line relationship” between the CIO and the Technology Council and between the CIO and the Business Council, (2) consolidate groups with redundant participants, (3) ensure that the establishment of any separate IT governance groups for individual IT initiatives/projects are for subject matter needs and that these groups link up with the Countywide IT Governance structure, and (4) ensure that all Countywide IT funding and initiatives/projects are thoroughly vetted and agreed upon through the Governance decision-making chain.

Response: 7(1). Do not concur. The purpose of governance is not to supplant existing roles and responsibilities such as CEO and Board reviews and approvals. Furthermore, this recommendation contradicts Recommendation 1 above.

7(2). Concur. In Progress. Planning for consolidation is underway.

7(3). Concur. This is the current practice.

7(4). Concur. This is the current practice with the Project Review Board reviewing all IT projects over \$150K.

Finding 8: CEO/IT’s strategic planning responsibilities and activities are dispersed and not well coordinated within the organization. Furthermore, there are missed opportunities to provide value to Agencies/Departments as a Countywide IT leader.

Response: Due to the current fiscal climate, as an austerity measure, there are no resources available to support Strategic Planning on a full-time basis. These responsibilities are therefore shared across the top two layers of the organization. Policies and standards are not considered strategic and are rather tactical in nature and managed by the subject matter expert. For instance, the CISO handles security related policies.

Because of the decentralized nature of County business operations, policies are designed to allow for collaboration and interoperability and protecting IT assets. Within this framework of broad guidelines, Agencies have the autonomy to implement processes that suit business needs while meeting the intent of the policy. For instance, the Security Policy provides minimum standards for protecting County assets and allows Agencies and Departments to implement stricter information security policies where warranted. Agency Directors are required to maintain an updated Security Plan and provide it to the CIO for review.

Recommendation 8: Clearly identify and localize strategic planning roles within CEO/IT. Work with Agencies/Departments to ensure that CEO/IT strategic planning activities are valuable to and consistent with Agencies’/departments’ own strategic planning efforts.

Response: Concur. However, significant Strategic Planning activities are on hold pending Board approval of the County IT Strategic Plan. However, as stated above, tactical activities are being carried out by appropriate CEO/IT managers and governance teams which are the focal point for coordinating Countywide initiatives.

Finding 9: Application Portfolio Management is not performed.

Response: As the report states, CEO/IT had begun initial steps in this area in 2009, both in terms of consolidating existing Applications inventories and working with the appropriate governance teams. In April 2010, the Technology Council approved the inclusion of all applications in the portfolio.

Recommendation 9: Develop an Action Plan for managing the Countywide IT Application Portfolio within the context of the County’s Federated IT system.

Response: Concur. CEO/IT recognizes the need to do Applications Portfolio management and is working within the appropriate governance groups to chart a course and deliver an action plan.

Finding 10: CEO/IT did not adequately prepare internal management processes, documents, methods and tools prior to taking on a significant increase in the number of Enterprise IT projects/initiatives.

Response: CEO/IT had established a Project Management practice Countywide and was following standards established by the Project Management Institute and had focused on internal process improvements through a number of initiatives. It does need to be recognized that projects such as AlertOC, Disaster Recovery, and Regional Wireless study were driven by Board direction or Grand Jury recommendations.

Recommendation 10: CEO/IT should take additional steps to build a sufficient strategic framework and solid organizational foundation in order to achieve successful management of future IT projects/initiatives.

Response: Concur. The Performance Auditor acknowledges that the necessary tools and processes are in place. This will be an ongoing process.

Finding 11: Many high profile CEO/IT-driven Enterprise projects have not been implemented successfully due to a variety of project planning issues.

Response: CEO/IT has the responsibility to explore and initiate projects that meet the County's overarching mission and which bring innovation to the business. Each initiative is evaluated separately and business cases developed to justify their funding. Some have been pursued successfully and others have been set aside for a variety of reasons, including a lack of available funding or changes in business priority. We will continue to responsibly seek out opportunities for innovation.

Recommendation 11: Improve the initial stages of IT Project Management (project initiation and planning, business case analysis) to ensure that proposed solutions (1) address clear business needs for all stakeholders, and (2) include Agency/Department buy-in before proceeding with project implementation.

Response: (1) Concur. Detailed business case development has been in place since FY 2008-2009. We agree this is a very important in determining funding of project investments as we continue to mature the process. (2) Concur. Agency buy-in is critical and is the current practice.

Finding 12: The project management services offered by the PMO are viewed as having little value to many Agencies/Departments.

Response: The PMO has not offered its services broadly as there has been sufficient workload driven by a multitude of projects. As stated in the report, Agencies do have their own project management staff. Most of these Agency project managers have undergone training sponsored by the PMO and follow processes and use documents developed by the PMO. The PMO has also been actively engaging with Agency project managers through its community of practice where experiences and industry best practices are shared along with focused discussions on project management methodologies.

Recommendation 12: Reexamine PMO project management services to develop a clear service catalog that matches the needs of Agencies/Departments. Consider the use of contractors for intermittent increases in demand, as well as staff reallocation if Agency/Department demand for these services is not planned to increase in the near term.

Response: The PMO and Solutions Project Management groups have been re-aligned based on Project Demand. The Solutions Project Management group has been dissolved for FY 10-11. To date four contract Project Managers were released or re-assigned within the CTO organization due to lack of Project Demand; in addition, one County project manager was re-assigned to support Child Support Services full time.

CEO/IT continues to provide technical project management for the deployment of large-scale platforms for ATS, PTMS and CAPS+. A PMO Project Manager is assigned to manage all CEO/IT components of these projects; including infrastructure, platforms, release management and Security Assessments.

Technical Operations

The Performance Auditor's report cites the improvements made in the last 12-18 months. The acknowledgement of this effort is appreciated. Over the last four years the entire CEO/IT management team has been engaged in developing and executing CEO/IT's vision through organizational and process changes. Question 3 of the Performance Auditor's survey verifies this progress where the quality of service provided by the data center is rated "good" to "excellent" by 58% - 65% of respondents for each of the three services rated.

Finding 13: Agencies'/Departments' demand for Application Development work has decreased drastically over the last three years, such that this operation of CEO/IT is no longer financially viable as currently structured.

Response: While this is true, it should be noted that the CIO made a recommendation to move ACS staff assigned to the ATS project under direct control of the Assessor to help the project contain costs. In this instance, the Performance Auditor recognizes that a Federated model is best suited for applications development. Indeed, this is consistent with the typical practice in a Federated model, where some services (usually infrastructure services) are offered centrally to the entire organization, and some services (usually application services) are offered by dedicated IT resources distributed within individual Agencies/Departments.

The Performance Auditor's report cites the fact that under-recovery of costs is due to the volatility of Agencies'/Departments' demand for support services, which is out of the control of CEO/IT. At the same time the report attributes the under-recovery of costs to a lag in the reduction of contract resources commensurate with declining demand. The volatility in demand is a direct cause of such a lag.

It should be noted that the respective Agencies have asked for pricing for Managed services support for the following applications in the IT Sourcing RFP: PTMS, ATS, eRDS, and eFBN.

Recommendation 13: Merge BIS management into the PMO and BIS/Information Resource Management staff into Network & Platform Services. BIS/IT Process & Quality Assurance responsibilities should be assumed by the PMO.

Response: Do not concur. However, as a result of the change in the IT Sourcing model where the County will no longer have direct responsibility for managing contractor IT staff and will be focused on managing service levels, outcomes, contract performance and client relationship management, the CEO/IT organization will be re-designed at the appropriate time per the “retained organization design” activities that have already been defined in the IT Sourcing project plan.

Finding 14: The Network and Platform Services unit of CEO/IT, a core, mission critical service for Agencies/Departments, has been forced to reduce resources to problematic levels, largely due to operational and charging anomalies that have developed in other areas of CEO/IT over the last three years.

Response: CEO/IT has made judicious decisions concerning resource re-allocation and has responded appropriately to changes in demand due to budget impacts to Agencies and Departments. This is consistent with a staff augmentation model where staffing can be adjusted as necessary. However, this has been done in the context of maintaining service levels and we have ensured that there have been no impacts to our clients. This has been achieved by pursuing alternate solutions such as managed services for storage and security monitoring and by adding staffing to areas where there is a gap.

It should be noted that Retained Earnings have been appropriately used for core mission-critical services consistent with Federal and State guidelines. These have included infrastructure-related Operations and Maintenance projects including:

- Ensuring Wide Area Network Availability by adding redundancy capabilities.
- Implementation of Intrusion Detection and Prevention services to increase the ability to protect the County network.
- Replacement of the Telephone Billing system due to upgrade of the CAPS Financial system. This has allowed for more detailed billing information being made available to Agencies.
- Telephone Infrastructure refresh. This is on hold pending receipt of proposals for a VOIP solution.

Recommendation 14: Focus resources on securing adequate core, mission-critical services for Agencies/Departments, such as Network Platform Services, before pursuing other non-core activities.

Response: Concur. Support of mission critical systems and projects has always been and will continue to be our highest priority. As discussed above, this is what we are doing to accommodate project delays in ATS and PTMS.

Finding 15: The County Information Security Officer (CISO) has the ability to conduct individual investigations without the express written authorization from a Human Resources or Departmental Manager.

Response: As stated in the report, the current practice is to obtain authorization prior to an investigation.

Recommendation 15: Create a formal policy mandating that the CISO obtain HR or Departmental authority prior to initiating any investigation of County personnel.

Response: Concur. The current policy will be formalized with HRD and the CEO. If any action is required as a result of a subpoena, we will respond accordingly.

Finding 16: CEO/IT has not yet documented formal resource planning procedures and has not refreshed critical resource planning documents, such as the Operating Plan.

Response: The report recognizes that “the recently established resource planning meetings and associated resource planning screens in Clarity are a step in the right direction. However, these meetings are focused primarily on project-related activities, in large measure to ascertain and monitor the significant number of ongoing, concurrent projects that have infrastructure implications.” This forum is specifically dedicated to dealing with managing resources for projects where demand tends to fluctuate, sometimes beyond CEO/IT’s control.

Anything that affects operations (even development environments) goes through the Request for Change process. These are meetings that the CTO routinely attends. This is where the intersection of Operations & Maintenance and projects occurs.

It should be pointed out that there has been a concerted effort since April at developing buckets or tasks for tracking Operations and Maintenance activities in Clarity. This is being finalized expected to be in place for beginning of the next Fiscal Year.

The report states that “CEO/IT is still undecided as to whether to use Clarity across the CEO/IT organization or to use other tools.” Clarity is the system of record and is being used across the organization. Other tools, such as Excel, may be used to work with and report the data that is in Clarity. This is analogous to the CAPS+ system being the system of record and data from the system being extracted for other purposes.

Recommendation 16: (a) Refresh the Operating Plan at least once a year prior to the budget process. (b) Maximize the efficiency and effectiveness of resource planning meetings by discussing and documenting a set of formal procedures that drive the preparation for and execution of resource planning within CEO/IT. Examples of procedural questions that should be explicitly addressed in the documentation include:

- Who are the necessary participants in resource planning meetings?
- What information/dashboards need to be reviewed at each meeting?
- How should this group interact with the Operating Plan document and how often does the document need to be refreshed?

CEO/IT may also want to use the existing governance process or informal discussions with Agencies/Departments to collaborate on effective resource planning tools/strategies.

Response: Concur. The Operating Plan has been refreshed annually since 2007.

Finding 17: Most CEO/IT managers do not track actual staff resource hours against planned allocations, and in some instances, County staff utilization is not tracked at all.

Response: The Performance Auditor’s report recognizes that “there is a pilot effort to track actual hours for 15 operational activities (e.g., Security Operations & Maintenance, LAN/WAN Maintenance Support), and an effort is planned for FY 10/11 to add job codes to the VTI time tracking system...” CEO/IT had already recognized the need to track County time at a more detailed level in its planning process for tracking actual versus planned activity in Clarity and proceeded with a pilot to test out the process and develop integration into VTI.

The report states that “CEO/IT does not have the data necessary to inform and substantiate staffing increases or decreases.” Staffing changes are based on changes in demand for services. As such, these staffing resources are substantially provided by ACS whose staff tracks activities by Work Order number and we have been able to address these fluctuations without any negative effect to ongoing operations.

The report states that, if the County goes to the proposed Managed Services Model, “Without responsibility for managing contractor staff, CEO/IT may no longer need to use Clarity to the extent that is currently envisioned.” It should be noted that the County will still need to retain responsibility for Portfolio and Demand Management.

Recommendation 17: Immediately begin tracking actual utilization for County staff, using manual tracking mechanisms (e.g., excel spreadsheets), if needed, and establish simple reports that assist management with workload and resource analysis.

Response: Concur. Policies and processes will be formally in place July 1, 2010.

Finding 18a: For ISF 289, CEO/IT has charged Agencies/Departments for infrastructure related services, assuming a certain level of capital/infrastructure spending, but has historically under-spent this budget by a significant margin.

Response: This finding is incorrect. Budgets are established for capital and non-capital asset expenditures. Non-capital asset expenditures for FY 06/07 – 08/09 tracked to budget as follows:

	Budgeted	Actual
FY 06/07	884,687	967,940
FY 07/08	1,024,285	952,694
FY 08/09	1,064,370	1,083,542

For capital assets (over \$5,000), only 10% of the estimated expenditure is included in CEO/IT's rates. In addition, once a capital asset is purchased, its annual depreciation expense is included in the rates in subsequent years for the remaining life of the asset. The depreciation expense is determined by the Auditor-Controller's office based on capital assets already on hand and new purchases.

The Performance Auditor recognizes the efforts of CEO/IT Finance staff in developing a robust process for engaging with clients on a regular basis to review expected demand for services and for monitoring the financial health of the ISF and the development of management forecasts that are reviewed monthly.

Finding 18b: CEO/IT has funded the operations and maintenance of ongoing non-infrastructure initiatives and projects out of ISF 289 Retained Earnings without informing Agencies/Departments.

Response: CEO/IT used funding out of Retained Earnings for infrastructure-related Operations and Maintenance projects including:

- Ensuring Wide Area Network Availability by adding redundancy capabilities.
- Implementation of Intrusion Detection and Prevention services to increase the ability to protect the County network.
- Replacement of the Telephone Billing system due to upgrade of the CAPS Financial system. This has allowed for more detailed billing information being made available to Agencies.
- Telephone Infrastructure refresh. This is on hold pending receipt of proposals for a VOIP solution.

The only non-infrastructure related funding was for support of eGov. CEO/IT expressly sought funding for eGov through the budgeting process, but given budget constraints, it was agreed that it be funded through Retained Earnings.

It should be noted that, although much of the telephone infrastructure is at end-of-life, regular and ongoing maintenance is conducted, and since 2007, equipment upgrades worth \$734,000 have been completed to ensure system availability.

Recommendation 18: Establish a formal policy that requires consultation with and approval from the IT Governance structure prior to the use of ISF 289 Retained Earnings.

Response: Do not concur. The use of Retained Earnings is an operational decision and the CEO reviews and approves such uses, prior to inclusion in the budget. However, all retained earnings projects over \$150K go through the ISR process, including review by the Project Review Board and CEO/Budget.

Finding 19: The components of indirect overhead charged by CEO/IT to Agencies/Departments in ISF 289 have not been proactively and clearly disclosed to Agencies/Departments.

Response: As stated above, “CEO/IT-driven” projects are for the benefit of its clients and for ensuring service availability. The report cites the inclusion of costs related to the Clarity tool in indirect overhead. Clarity is an internal tool used to manage ISF 289’s activities. As such its costs, just like those for other tools such as CEO/IT’s billing system, are wholly appropriate for inclusion in overhead.

Regarding the proposal by CEO to move CEO/IT’s Project Management Office (PMO) from General Fund Agency 017 (Unit 3050) to ISF 289, beginning in FY 10/11, since FY 2004-05 the County Executive Office has added 13 positions without receiving additional NCC. Many of these positions provide Countywide IT support. The costs for these IT services should be included in the Information & Technology ISF (289) rate process, but it is currently supported 100% by NCC. The transfer of the 6 Administrative Management positions from the County Executive Office to Information & Technology ISF (289) as part of the FY 2010-11 budget will more accurately align the work to the cost recovery process in 289 and provide increased transparency. To the extent that these positions provide non Countywide IT services, the General Fund will be charged.

The IT Governance process was not utilized to notify departments of the IT rates for FY 2010-11 as it does not include financial managers. The Financial Managers Forum was the correct method to notify departments of the IT rates for FY 2010-11 as it is composed of the financial managers of the County.

Recommendation 19: Develop a formal, annual review session of ISF 289 Administrative Overhead costs with Agencies/Departments.

Response: Do not concur. CEO/IT develops rates based on detailed examination of unit costs, overhead and all proposed expenses using a “zero base budgeting” approach. The rates are reviewed with CEO/Budget and presented to each customer in budget review meetings.

Finding 20: CEO/IT has reallocated money between Agency 038 (Data Systems Development) projects without notifying or seeking approval from the Board of Supervisors.

Response: All budget transfers followed the current policy and are recorded with CEO/Budget and the Auditor-Controller. It should be noted that there have been no budget transfers for FY 09-10.

The report states that “In one instance, the ePages project managed by the Public Administrator/Public Guardian (PA/PG) Office, which was originally funded at \$500K in FY 07/08 and \$500K in FY 08/09 (total of \$1M), had its overall project funding cut by \$250K between the 2nd and 3rd Quarters of FY 07/08. The audit team confirmed that this action was taken by CEO/IT without discussing the project implications with PA/PG. In addition, no budget transfer document exists for this reduction.”

This project was initially estimated to cost \$1 million and a plan was in place to fund it accordingly. Subsequently, the costs for the selected vendor came in at \$445,790 and it was determined that the project would need funding in the amount of \$750,000 which would include other expenses such as hardware and CEO/IT support. This change was reflected in the Budget for FY 08/09 and was therefore not part of any budget transfer.

Recommendation 20: CEO/IT and CEO/Budget should implement a policy specific to Agency 038 which presents criteria and dollar thresholds for notifying or obtaining approval from the Board of Supervisors regarding proposed budget transfers between Agency 038 projects.

Response: Do not concur. All budget transfers within Agency 038 follow Auditor Controller and CEO/Budget guidelines consistent with the Countywide budget transfer policy for all Departments. As 038 is a CEO controlled fund, all 038 budget transfer requests from CEO/IT are reviewed by the CEO/Budget Analyst and approved by the CEO Budget Director.

Finding 21: As the central organization for Countywide IT efforts, CEO/IT should be establishing performance measurement standards, templates, and targets for Agencies/Departments and gathering data on the performance of Countywide IT; to date, CEO/IT has not made any substantive progress in this area.

Response: We agree with the principle of establishing standards and templates for IT performance measurement. Consistent with the Federated model, it is the CEO’s expectation that performance management is the ongoing responsibility of Agency Directors.

Recommendation 21: CEO/IT should use the IT Governance structure to collaboratively develop a set of Countywide IT performance metrics and a method/means for aggregating and reporting the results.

Response: Concur. CEO/IT will work to establish standard performance metrics. Consistent with the federated model measuring and reporting on those metrics will be the ongoing responsibility of Agency Directors.

Finding 22: CEO/IT does not measure IT project performance beyond schedule and budget metrics. Specifically, CEO/IT does not measure actual vs. projected benefits anticipated from project business case analyses.

Response: We agree with the finding. The focus of the PMO is on projects in progress which is appropriate given that projects are defined as being temporary with a finite lifespan. Validation of the underlying business case should be the responsibility of the business unit as any ROI or benefits typically occur after the project ends and once the system has been operational over a period of time.

Recommendation 22: Develop a more rigorous project performance measurement process that includes the tracking of actual vs. projected benefits (e.g., cost savings and process improvements) in an effort to measure the actual Return on Investment of a project.

Response: Concur. CEO/IT will enforce project post-implementation reviews for its projects. Agency managed projects should be evaluated for benefit by the business unit.

Finding 23: While CEO/IT does measure the performance of its project management staff on Agency/Department projects, there is no measurement of staff performance on Enterprise IT projects driven by CEO/IT.

Response: The report recognizes the PMO’s efforts in obtaining customer appraisals.

Recommendation 23: Expand the use of post-implementation Customer Appraisals for Enterprise IT projects.

Response: Concur. CEO/IT will expand the use of post-implementation Customer Appraisals for Enterprise IT projects.

Finding 24: CEO/IT does not have a robust performance measurement system in place in the area of Server hosting.

Recommendation 24: Review all existing performance metrics in the area of NPS SLA services, add/consolidate where appropriate, and refine the reporting mechanisms for this data. (see Appendix D for examples)

Finding 25: There is no central repository for CEO/IT Technical Operations performance data.

Recommendation 25: Migrate all performance information pertaining to CEO/IT, including Technical Operations, to a “CEO/IT Performance” webpage, consolidate the existing number of CEO/IT performance-related web pages on the County Intranet, and share all relevant CEO/IT performance data with County Agencies/Departments.

Response to Finding 24 & 25 and Recommendation 24 & 25: Service Level Requirements (SLRs) and Performance Dashboards will be the cornerstone of the Managed Services Model. Service Levels and related incentives will be clearly defined and the County will require dashboards for numerous measures including Service Levels, system availability, system performance and system capacity.

Given current staffing constraints, performance measures are currently tracked for capacity and availability across several service areas including Network, Security, Storage, email, Virtual Environments, the P595 Platform, Mainframe, Power, Data Center Space, Telephone Services. These are not reported in any dashboard, but an executive report is produced monthly.

Finding 26: CEO/IT and ACS have not conducted performance surveys as required by the contract since FY 06/07.

Response: The report states that “...the Board of Supervisors has been without a formal performance assessment of the County’s largest IT contractor for over two years.”

This statement is not correct. In 2008, a focused review of the ACS contract was conducted by CEO/IT through a third party. The Board was provided with an executive summary of the report and the confidential recommendations have been incorporated into the Request for Proposal for IT Sourcing.

Recommendation 26: (a) Conduct benchmarking surveys against other organizations (private and public), to establish a robust set of performance metrics for all major contractors, especially those with critical roles in the delivery of core IT services, and (b) Report the results of these performance measurements to the Board of Supervisors and on the “CEO/IT Performance” web page on at least an annual basis, and incorporate the results into a broader Annual CEO/IT Report.

Response: Concur. The Master Services Agreement of the proposed IT Sourcing model will include contractual requirements for benchmarking along with performance and service level measures.

The report recognizes the efforts of the CTO in benchmarking CEO/IT’s infrastructure. Additional benchmarks already conducted, include:

- A review of CEO/IT’s Rate development process by MGT Consulting.
- A comparison of CEO/IT’s rates with other Counties.
- A benchmark of IT staffing as part of the development of the IT Strategic Plan. This was done using a robust database of State and Local Government data.
- A self-assessment of all processes based on CMM.

Finding 27a: The quality of communication between CEO/IT and its internal/external customers has improved but still requires immediate management attention.

Response: Thank you for recognizing the ongoing improvement in CEO/IT’s communications with its stakeholders. We continue to improve our communications and make every effort to explain complex, technical concepts by striving to understand our audience and tailoring our presentations in a business context.

With regard to IT Quarterly Reports, the report indicates that “not all project costs are reported in IT Quarterly reports. For example, on-going operations and maintenance costs, as well as County staff-time costs, are not reported.” As stated earlier, the Quarterly Status Report is geared towards providing status on projects that are in progress, not on operational systems. As funding for operational costs is typically different from implementation costs, it would be more appropriate to track these separately. This would require some process changes and would require further analysis.

With respect to Agenda Staff Reports and Board presentations, CEO/IT recognizes the Boards desire to understand the business context of the items presented to that. To that end, we endeavor to keep Board staff informed of upcoming items at our scheduled monthly meetings.

The report cites a contract with Vignette that was continued due to “insufficient and inaccurate information.” The concerns were duly noted, researched and responded to in a subsequent meeting and approved by the Board. This is a normal part of the process.

The Performance Auditor recognizes that “In general, Agencies/Departments have noted that the frequency and tone of communications between CEO/IT and themselves has improved...” and his survey suggest that 18% of respondents saw CEO/IT’s communications “needing improvement” or “poor.” Improving communications is an ongoing effort for CEO/IT which does not have a dedicated resource that is required for an organization with such a large and diverse set of stakeholders.

Finding 27b: CEO/IT does not prepare an Annual Report.

As stated in the report, CEO/IT produces a “Key Accomplishments” report and provides input to the CEO’s Business Plan.

Recommendation 27: Improve CEO/IT communications with internal/external customers by:

- a. Taking measures to ensure that all communications to the Board and Agencies/Departments are sufficient, accurate, timely, and clearly articulated for a non-technical audience.
- b. Using this audit and the guidance of key managers, CEO/IT must first confirm and acknowledge its existing weaknesses and develop simple, concrete action plans that address the myriad of well-documented, critical communications shortcomings.
- c. Promoting an environment of open communication within CEO/IT, where staff input is both requested and utilized before decisions are made.
- d. Maintaining an up-to-date CEO/IT website. Consider the value of preparing a summary level annual report that describes CEO/IT operations, performance, and plans for the future.

Response: Concur. CEO/IT will continue to improve its communications both internally and externally. Efforts are under way to update the CEO/IT website. Finally, CEO/IT has produced a “Progress Report” that is attached to this response. This report will be produced annually and will include performance metrics and a financial report in the future. We welcome further feedback on the report.