State of Alaska

January 30, 2020

ALVAREZ & MARSAL

Alaska Administrative Productivity and Excellence Project

Shared Services and IT Current State Assessment

State of Alaska Legislature

House Administration (Finance Subcommittee)

PEX

A&M

Introductions

Executive Sponsor

Kelly Tshibaka
Commissioner of Administration

Project Executive

Mark Howard

Office of Information Technology (OIT)

Bill Smith
Chief Information Officer

Information Technology

Ian Smith
Bob Leto

Shared Services of Alaska (SSOA)

Cheri Lowenstein
Division Director

Shared Services

Nancy Zielke

Key:

- State of Alaska
- Alvarez & Marsal

Purpose: AAPEX Current State Assessment

Objectives

- Evaluate efficiency and effectiveness of Information Technology (IT) and Back-Office Shared Services using a capability maturity assessment framework
  - Compare current service delivery model with leading practices
  - Measure current shared services on capability maturity assessment framework
  - Benchmark key financial and performance metrics against governments and shared service organizations
- Provide a balanced, qualitative perspective through Voice of the Customer focus groups, interviews and surveys
- Develop gaps, observations, and opportunities for improvement

Project Approach – Where We Are Now

The AAPEX project has completed the first of three phases to improve IT and Shared Services operations

Current State Assessment

- Review current state of SSoA and IT capability and maturity
- Compare current state capabilities with relevant leading practices
- Obtain Voice of the Customer feedback
- Identify observations, gaps and supporting data

Nov – Dec, 2019

Future State Design and Plan Development

- Develop future state design for SSoA and IT
- Define implementation approach
- Socialize preliminary SSoA and IT Operating Model designs
- Develop business case for SSoA and IT improvements and reorganizations
- Develop recommendations and prioritized roadmap for SSoA and IT improvements and reorganizations

Jan – Mar, 2020

Implement

- Manage the plan execution for SSoA and IT improvements and reorganizations
- Align resources with the improvements and reorganizations plans
- Manage the transition of SSoA and IT services
- Manage risks and issues associated with SSoA and IT improvements and reorganizations
- Transition project ownership to DOA resources

Mar – TBD, 2020

Shared Services by Customer Department

The State has partially implemented Back-Office Shared Services as of Jan. 7, 2020

Department	Procurement	Accounts Payable	Travel and Expense	Collections	Lease Admin	Print Services (Juneau only)
Administration	Fully Using	Fully Using	Fully Using	Fully Using	Fully Using	Fully Using
Commerce, Community, and Economic Development	Not Using	Fully Using	Fully Using	Not Using	Fully Using	Fully Using
Corrections	Not Using	Fully Using	Fully Using	Not Using	Fully Using	Fully Using
Education and Early Development	Not Using	Fully Using	Fully Using	Not Using	Fully Using	Fully Using
Environmental Conservation	Not Using	Fully Using	Fully Using	Not Using	Fully Using	Fully Using
Health and Social Services	Not Using	Partially Using	Fully Using	Not Using	Fully Using	Fully Using
Labor and Workforce Development	Not Using	Fully Using	Fully Using	Partially Using	Fully Using	Fully Using
Law	Not Using	Planned	Fully Using	Not Using	Fully Using	Fully Using
Natural Resources	Not Using	Fully Using	Fully Using	Not Using	Fully Using	Fully Using
Revenue	Not Using	Planned	Fully Using	Partially Using	Fully Using	Fully Using
Public Safety	Not Using	Planned	Fully Using	Not Using	Not Using	Fully Using
Transportation/Public Facilities	Not Using	Planned	Fully Using	Planned	Fully Using	Fully Using
Fish and Game	Not Using	Planned	Planned	Not Using	Fully Using	Fully Using
Military and Veterans Affairs	Not Using	Not Using	Not Using	Not Using	Fully Using	Fully Using
Office of the Governor	Not Using	Not Using	Not Using	Not Using	Fully Using	Fully Using

Fully Using   Partially Using   Planned   Not Using

ALVAREZ & MARSAL

Benchmarking Shared Services Performance

Shared Services has opportunity for efficiency gains based on industry comparison

Benchmark	Shared Services of Alaska			Peer Median
	Prior Period	Current	Target SLA	
Cycle time to approve an invoice and schedule payment	9.5 days May 2019	4.6 days Dec. 2019	3 to 5 days	3 to 6 days[2]
Cycle time to approve and schedule Travel & Expense reimbursements	33.3 days Dec. 2018	4.2 days Dec. 2019	15 days	2 to 3 days[2]
Number of invoices processed per Accounts Payable FTE	6,732 May 2019[1]	10,540 Dec. 2019[1]	None	9,002[3]
Number of Travel and Expense disbursements processed per Travel & Expense FTE	3,604 Dec. 2018[1]	4,649 Dec. 2019[1]	None	5,813[3]
Number of Statewide Contracting FTEs per $1 billion purchases	36 FY2018	34 FY2019	None	33[3]

[1] SSoA benchmark reflects one month of data which has been annualized. It does not account for seasonality in workload. Peer benchmark reflects full year.
[2] SSON Analytics - North America Shared Services 2020 Benchmarking Report
[3] American Productivity & Quality Center Benchmarking

Maturity Assessment Scorecard

Existing Shared Services organization structure, process and uses of technology are not aligned with leading practices

		Procurement	Accounts Payable	Travel and Expense	Collections	Lease Admin	Print Services
People	Organizational Structure	🔴	🔴	🟢	🔴	🟡	🟡
People	Personnel Development	🟢	🟡	🟡	🟡	🟡	🟢
People	Roles and Responsibilities	🟡	🟢	🟢	🟡	🟡	🟡
People	Policies and Procedures	🟡	🟡	🟡	🟡	🟡	🟡
Process	Subprocesses[1]	🔴 🔴 🟡 🟡	🔴 🔴	🟡 🟡	🔴	🟡	🟡
Process	Customer Service	🟡	🟡	🟡	🔴	🟢	🟢
Technology	Systems and Integrations	🔴	🔴	🔴	🔴	🔴	🟢
Technology	Automation	🔴	🟡	🔴	🔴	🟡	🟡
Technology	Reporting	🔴	🔴	🟡	🔴	🔴	🟢

Legend: 🔴 *Large Gap* 🟡 *Moderate Gap* 🟢 *No / Minor Gap*

[1] Procurement: Strategic Sourcing, Purchasing Process, Risk Management, Contract Management
Accounts Payable: Payables Submission, Payables Processing
Travel and Expense: Travel Submission, Reimbursement Processing

Shared Services Gaps and Observations Summary

Business processes, technology, and organizational improvements are needed in order for the State to optimize its Shared Services model

Gaps and Observations

Shared Services has achieved efficiencies but ***faces challenges with service delivery:***

- No processes are standardized across Departments, but some processes are defined
- Roles and responsibilities for Shared Services and Departments are not clearly communicated
- Spend management strategies are not being leveraged
- Technology systems are not meeting Shared Services and Department needs
- Shared Services key performance indicators are reported but are not benchmarked to industry best practices
- Reporting is not timely and cannot easily be customized by the user
- Rates are not consistently estimated and do not cover all operating costs

Opportunities for Improvement

Alaska has many opportunities *to become a Best-In-Class Shared Services organization:*

- Leverage change management principles to communicate the vision for a Shared Services model and drive continued adoption
- **Invest in enabling technologies** that will allow Shared Services to leverage process automation and advanced data analytics
- **Assess the IRIS financial system**'s ability to address the needs of the current and future Shared Services model
- **Optimize procure-to-pay processes** to leverage savings opportunities such as **strategic sourcing and prompt payment discounts**
- Centralize cost recovery and rate execution for consistency
- Create **customer-centric governance model** for accountability and transparency

IT Consolidation Progress

Percent Consolidated				
○ = 0%	◔ = 25%	◑ = 50%	◕ = 75%	● = 100%

Adoption of IT consolidation services has been inconsistent across Departments and a significant backlog of work exists to complete implementation of OIT services

Department	Desktop Support	Network Services	OIT Data Center	Standard Service Mgmt	Security Standards
Administration	●	●	◕	●	●
Commerce, Community, and Economic Development	◑	◑	○	◔	●
Corrections	◑	◑	○	◔	◑
Education and Early Development	◑	●	◔	◔	◕
Environmental Conservation	●	◑	◕	●	●
Health and Social Services	◔	●	○	◔	○
Labor and Workforce Development	◑	◑	○	◔	◑
Law	●	◑	○	●	◑
Natural Resources	●	●	◕	●	●
Revenue	●	●	●	●	●
Public Safety	●	◑	◕	◑	◑
Transportation/Public Facilities	●	●	○	●	●
Fish and Game	●	●	○	●	●
Military and Veterans Affairs	●	◑	○	◑	◑

Chart based on interview results and estimates for percent complete. Chart is not a measure for customer satisfaction.
Effort required to complete implementation has not been estimated.

PEX

ALVAREZ & MARSAL

IT Gaps and Observations Summary

The current Statewide IT operating model does not reflect the intent of Order 284, nor does it represent an effective IT capability for the State of Alaska

Operating Model	▪ Despite consolidation efforts current IT operating model is a diversification or decentralized model with low process standardization and integration across the State ▪ Statewide IT is understaffed to budget by ~20%[1], while demand for services have not decreased ▪ Standard process for routine IT activities were not defined resulting in the elimination of efficiencies from consolidation ▪ Organizational complexity contributes factor to underperformance across all IT groups
Governance	▪ Overall governance practices that align OIT and Department IT priorities (demand) with available IT capacity do not exist ▪ There is no evidence of a Statewide multi-year Strategic Technology Plan and annual IT Operating Plan to enable effective governance of IT investments ▪ Departments have no role in the current OIT governance practices ▪ Departmental governance of IT resources and spend is inconsistent and not aligned with a Statewide technology plan

[1] Statewide IT positions: 700 budgeted, 548 excluding vacancies. Data per IT Family Survey dated November 11, 2019.
Note: OMB requires Departments to maintain a vacancy rate between 3% and 7%.

IT Gaps and Observations Summary (continued)

Business processes and methods necessary to deliver IT projects and services are not well defined. Workflow tools needed to deliver IT services (e.g., Helpdesk) require improvement

Service Delivery

- Program and project management processes and resources are in early stages of development
- No Statewide project intake process or formal project lifecycle methodology
- Lack of standardized service management processes that support all Departments and no common helpdesk platform
- Applications siloed across Departments increases operational complexity and costs
- Lack of a standard process for managing Business and IT platform architecture
- Lack of a Statewide process for selection, procurement, and implementation of IT solutions

Financial Transparency

- Detailed tracking of Statewide IT spending is not performed
- Departments do not understand the chargeback model for the OIT core rate
- Rate calculation timing leaves Departments without visibility as they go through their budgeting process
- OIT is under-billing for services, drawing the difference from the Internal Services Fund

Factors that Impact Statewide IT Performance

Identify the factors that contribute to substandard IT performance to set priorities for the next phase, developing a plan for improvement

Organizational Realities

- 700 Statewide positions budgeted
  - 280 (42%) in OIT
  - 420 (58%) in Departments
- 8-10 Reporting variations between OIT and the 15 Departments
- 68 Job Titles are not uniformly skilled across IT
- 153 people moved to OIT in wave 1 and 2; Most still taking direction from their home Department

Technical Complexities

- 1,713 Business Applications
- 894 Custom Applications (known)
- 3,464 Databases
- 77 Development Platforms (37%) on premises
- 2,526 Infrastructure Assets

Resource and Skill Gaps

- 20% of budgeted positions are unfilled Statewide, while demand for services is unchanged
- Ticket resolution delayed by random skill assignment
- IT Architecture roles are unfilled for OIT
- No formal training programs in place

Governance and Controls

- Unclear responsibilities across Agencies and OIT; no RACI or charter documents found
- No Statewide IT Strategic Planning processes, policies or procedure documents
- No common Statewide IT project investment and control process
- No understanding of Statewide Total IT spend

Process Deficiencies

- 37 IT processes evaluated; 100% rated below average
- Most IT processes require ad-hoc skills handling to compensate for process shortcomings
- No formal architecture guidelines
- No project lifecycle processes
- No portfolio management standards