



COLORADO

Governor's Office of
Information Technology

Financial Transformation through Real-time Billing

CATEGORY

Business Process Innovations

START DATE

April 2020

END DATE

July 2021

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Executive Summary

Imagine a world in which you consume a service but don't receive a bill until two years later. Do you recall what you purchased? Do you recall what it cost at the time? Until July 2021, that was the accepted and standard Common Policy billing methodology for Colorado's state agencies.

Information technology was consolidated under the Governor's Office of Information Technology (OIT) in 2008. That means that nearly all executive branch agencies are OIT's customers, relying on OIT for their information technology support and services needs. As a full-service IT shop, services and support run the full gamut - whether it is an employee needing help in changing a password or fixing a computer problem, an agency experiencing a network problem or needing a new legislatively-mandated application and the attendant project management support. Trying to understand a bill received two years after the IT service was consumed was not only frustrating but it made it very difficult for agencies to plan their annual information technology budgets. Exacerbating the problem was the inability to view their past and current technology consumption. While past attempts had been made to reduce the confusion, no real progress was made. Something had to be done.

In 2020, OIT embarked on a multi-year, multi-project IT Transformation Program to look at all aspects of the business and think differently about how we work and how we serve. Financial transformation was a clear priority, and a Real-time Billing (Rtb) project was initiated. The primary goals were to replace the Common Policy billing methodology, provide customers more visibility and transparency into their IT consumption and enable customers to have input into OIT's rates and services. Each of these goals was met. Through the [RtB project](#) OIT successfully eliminated the two-year billing lag time, making IT planning and budgeting easier for customers. OIT can now:

- Provide more detailed and transparent invoices that reflect actual usage;
- Set annual fixed rates, enabling better planning by agencies and technical staff; and
- Increase agency cost control and ownership of IT costs to support their programs.



Project Narrative

Idea

Imagine a world in which you consume a service but don't receive a bill until two years later. Do you recall what you purchased? Do you recall what it cost at the time? Until July 2021, that was the accepted and standard Common Policy billing methodology for Colorado's state agencies. Adding to our customers' confusion was that while they were charged at the then-current rate, the rates were not fixed and would change at the end of the year as needed to cover costs, and any billing disputes could only be addressed during the annual budget process.

The cumbersome process made it extremely challenging for customers to link the services they received with the dollars spent and nearly impossible to understand or estimate costs associated with new IT business needs. It also meant that the finance team within the Governor's Office of Information Technology (OIT) spent a great deal of time researching answers to any questions or billing disputes. A radical change was required.

More than five years of feedback from agencies and independent assessments indicate that a transition to Real-time Billing would improve many customer challenges. RtB is a key [IT Transformation project](#) that has epitomized the need for agency partnership and collaboration to create a billing mechanism that will ultimately give agencies more control and transparency into their IT spending through a website with interactive dashboards and increased utilization detail. A transition to Real-time Billing will address several of the reported challenges:

Challenge	Solution
Confusing Billing Model Many variables in the total bill make it confusing and difficult to understand.	New interactive dashboards with additional detail will help specify what technology and IT services agencies use.
True up Lag time Utilization changes take several years to fully annualize into OIT Common Policy billing via the delayed true up.	Real-time Billing will eliminate the lag time, allowing agencies to pay for services received as they are consumed - not two years later.
Planning Vagueness	New service rates established and published by the inter-agency Rates and Services Board furthers



Any planning based on current or upcoming rates is subject to change.	transparency and will allow agencies to more accurately plan for existing and new IT services and projects.
Lack of Ownership Agencies lose sense of ownership of IT service utilization and cost containment when current bills are not connected to current consumption.	New monthly bills and interactive dashboards will connect costs to current consumption, giving agencies more ownership and control over usage. They will immediately see the financial outcomes of decisions to increase or decrease services in their real-time bill.

Implementation

Even positive change can be hard and so customer engagement was crucial. OIT’s Common Policy billing represents nearly \$200 million per year, and a billing change for a portfolio of this magnitude required extensive collaboration among all stakeholders, including agency customers and internal OIT teams.

The OIT budget team took an agile approach to develop the new billing method, by preparing preliminary data and reporting as a starting point so customers could understand the overall vision. The team then workshopped the reporting, processes and timelines with multiple groups, including IT directors, budget/accounting groups, customer user groups, and a dedicated working group of several dozen agency and OIT staff that met monthly for two years throughout the development and roll out. Challenges were identified and solutions were vetted as a group. Feedback was documented each month, with regular updates provided to the various stakeholder groups. Improvements were drafted, demonstrated and made available for customers to test and provide additional feedback throughout fiscal years¹ 2020 (FY20) and FY21, with significant lead time before agencies were officially transitioned to RtB.

During the first year of preparation, customers were polled regarding the current state of the project and how prepared they felt their agency was to transition to RtB at the start of FY21. This feedback helped OIT identify additional areas needing focus and improvement and ultimately was used to determine the official Real-time Billing go-live date, extending the process to accommodate the budget cycle and ensuring agencies could plan for their service use after having a full year of practice reviewing shadow bills (practice billing using the new method) to further prepare their agencies from a technical, financial and programmatic perspective.

This “shadow bill” period throughout FY21 was an essential element to making the entire RtB initiative successful. With a transition this large, it was immensely helpful for customers to have an entire year to view the dashboards and reporting for what their bill would look like

¹ In Colorado state government, the fiscal year begins on July 1.



side-by-side with the old billing method. Customers worked extensively with IT Directors and OIT staff throughout this shadow billing year to develop a consistent cadence for meeting and review. They could practice all of the elements of RtB, including service dispute and resolution, as well as sample budget and forecast tracking, to ensure they were comfortable and could hit the ground running upon go-live in FY22.

Impact

This initiative required numerous internal changes to align invoicing, reporting, rate setting, utilization reporting and revenue management processes with the new RtB format. The following changes were realized through the project:

Formalized Utilization Planning Process. Established timeframes and detailed service order forms for agencies to review current usage and submit requested usage for the upcoming budget cycle. Also developed utilization planning guidance documents, including outlining roles and responsibilities for customers, service owners, IT directors and finance staff.

Invoicing. A new system was implemented to streamline the invoicing process and serve as the central database for service utilization information.

Reporting. Improved reporting through collaboration with service owners and gathering more service detail; mocking up service reports and reviewing with customer working groups; developed dashboards to highlight important information.

Rate development. Collaborate with IT financial analysts and service owners to forecast service costs based on recent expenditures rather than historical budgets, and develop set rates for each budget cycle to enable better planning by agencies and technical staff.

Revenue management. A new system was implemented to streamline the invoicing process and serve as the central database for service utilization information.

Overall, this effort has provided our customers with transparent insight into their IT consumption, accurate and timely bills, and fixed rates upon which they could rely as they established their annual budgets through these three tangible outputs:

- **Real-time Billing** has changed how agencies receive their bills. Instead of a two-year lag, they receive a clear and detailed invoice the month after in which the IT services were consumed. As a result, customers have fewer questions and can focus on the services being delivered to support their program needs. It also means there are fewer disputes, which can be resolved at any time during the fiscal year, and this, in turn, means OIT is receiving payments in near real-time. For July to current, on-time payments from agencies increased from 56% to 95%, showing agencies understand the new invoices.
- The [OIT Billing website](#) has revolutionized OIT's budget and billing interface. This



one-stop shop provides budget/forecast, invoice and utilization information as well as other background information related to the project, tutorials and guidance, and rate composition. Through interactive, user-friendly, dynamic and secure dashboards, agencies can quickly and easily see what IT services they are consuming and what they are being charged. They can look at historical data, filter, sort, search, download, model, forecast, and plan all from one interface. With this, customers have a sense of ownership over their IT spend like they never have before. By sharing and presenting their utilization and billing information in a user-friendly and dynamic way, customers can make conscious business decisions and understand the costs associated with budget accordingly. Internally, the website enables OIT's financial team to quickly find answers to customer questions and they no longer have to prepare and email static reports (PDF or spreadsheets) with usage information.

- The [Rates & Services Board](#), composed of internal and customer stakeholders, was established to guide the portfolio of IT shared services, associated service levels and the development and dissemination of transparent chargeback rates. This gives agencies a stake in governance of OIT's service metrics and rate development process. This board provides accountability for OIT's service rates, which is key to sustaining success. Collaborating with IT financial analysts and service owners to forecast service costs based on recent expenditures is a complete process change from the previous method, which had relied on historical budgets as the basis for service cost pools.

