

South Carolina Department of Administration

# South Carolina's IT Cost Transparency Initiative



## NASCIO STATE IT RECOGNITION AWARDS INFORMATION

- ▶ **Category:** Data Management Analytics and Visualization
- ▶ **State:** South Carolina
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# NASCIO State IT Recognition Award Submission

## South Carolina's IT Cost Transparency Initiative

### EXECUTIVE SUMMARY

Over the last two years, the state of South Carolina has embarked on a journey to improve its information technology (IT) cost transparency by refining the quality of its spending and staffing data. The end goal of this initiative is to deliver predictable, repeatable transparency into fundamental, core IT processes.

As part of this effort, several legislative and gubernatorial mandates were enacted that required state agencies to utilize new information technology-related general ledger (GL) codes when entering expenditures in the South Carolina Enterprise Information System (SCEIS), the state's enterprise accounting system. The use of these new codes was designed to provide a wide-range of benefits, including the:

- ▶ Ability to gain a more accurate understanding of the state's IT expenses.
- ▶ Ability to assist in a variety of benchmarking efforts.
- ▶ Ability to help identify possible shared service opportunities, providing agencies with greater efficiencies and potential cost savings.

Since the commencement of this initiative in FY15, South Carolina has made substantial progress in terms of its IT cost transparency. During this time, transparency and confidence in the data collected has increased, while the level of effort required to gather and interpret the data have decreased.

The information gathered in this study illustrates the advancements made in the quality of the expense data in a variety of areas. Highlights include:

- ▶ Overall data quality has been upgraded from "low" in FY15 to "medium/high" in FY17.
- ▶ Questionable amount of IT-related spending decreased from \$34m in FY15 to \$0 in FY 17.
- ▶ Level of confidence in the data increased from 40 percent in FY15 to 80 percent in FY 17.
- ▶ Level of effort to analyze the data provided by the state has been upgraded from "very high/highly manual effort" to "low-medium/some manual effort."

Thanks to the efforts of agencies throughout the state, South Carolina has made significant advancements in its cost transparency journey. With continued discipline and attention toward capturing IT spending, South Carolina can continue to mature cost transparency practices that will enable additional benefits, and utilize this information to support its decisions regarding the ongoing IT Shared Services initiative.

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## South Carolina's IT Cost Transparency Initiative

### PROJECT NARRATIVE

Over the last two years, South Carolina has embarked on a journey to improve its information technology (IT) cost transparency by refining the quality of its spending and staffing data. The end goal of this initiative is to deliver predictable, repeatable transparency into fundamental, core IT processes.

#### Gubernatorial and Legislative Directives

As part of this effort, several legislative and gubernatorial mandates ([Executive Order 2016-07](#), FY17 General Appropriations Act – [Proviso 117.133](#) and FY18 General Appropriations Act – [Proviso 117.121](#)) were enacted that required state agencies to utilize new information technology-related general ledger (GL) codes when entering expenditures in the South Carolina Enterprise Information System (SCEIS), the state's enterprise accounting system.

In total, 48 new GL codes were implemented, utilized by agencies, and validated by the SCEIS team throughout FY17. Questions related to the use of these codes were answered, communicated and documented by the IT GL Support Group throughout the year. In addition, 2016 IT-related GL codes were turned off in SCEIS, and all spending captured by these codes were transferred to the new codes via journal-entry.

#### Benefits of IT Cost Transparency Effort

The use of these new codes was designed to provide a wide-range of benefits, including the:

- ▶ Ability to gain a more accurate understanding of the state's IT expenses.
- ▶ Ability to assist in a variety of benchmarking efforts.
- ▶ Ability to help identify possible shared service opportunities, providing agencies with greater efficiencies and potential cost savings.

#### Cost Transparency Analysis

The South Carolina Department of Administration (Admin), in conjunction with Gartner Consulting, conducted an analysis of the state's FY17 spending and staffing data. As part of this analysis, the complete FY17 general ledger for the state was examined including numerous artifacts containing detail on IT expenses. These source artifacts were consolidated and categorized to identify IT spending as defined by the Gartner Consensus Models.

The analysis found that in FY17, the provided data was more refined and targeted toward IT spending than in previous years; however, validation and further categorization was required, especially for Asset files to capture depreciation.

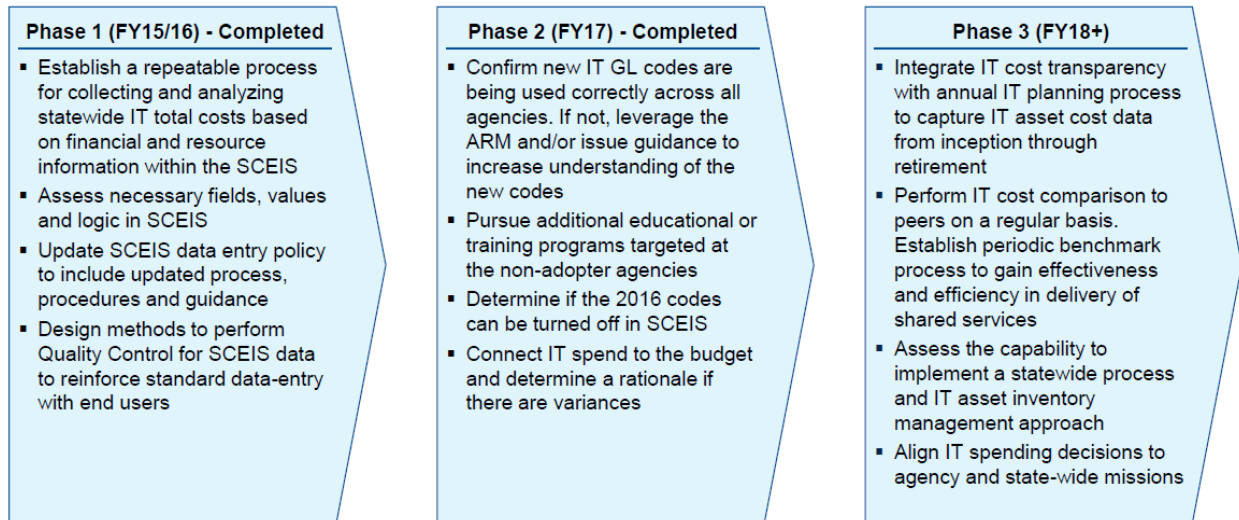
Like the approach taken in FY15 and FY16, GL codes, vendors, and line item descriptions were utilized to categorize the IT spend data. For IT staffing, the proviso data reports were used, as this contained greater detail on job functions and time allocation.

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### IT Cost Transparency Progress and Key Actions

South Carolina has made significant progress in terms of its IT cost transparency from Phase 1 (FY15) to Phase 2 (FY17). During this time, transparency and confidence in the data collected has increased, while the level of effort required to gather and interpret the data have decreased. These advancements have been made, thanks in large part, to the hard work, and assistance provided by agencies throughout the state. A summary of the progress and key actions taken are illustrated below.



### Phase 1 Accomplishments

Admin and Gartner worked in conjunction in the Phase 1 activities to continue enhancing transparency into IT spending across the state. Practices were put into place in FY16 and results can be seen in FY17 spending data. Accomplishments include:

- ▶ A repeatable process was established by changing the IT spending-related GL codes. This enables Admin to more easily pull, report on and understand IT spending statewide.
- ▶ Users received in person training on the use and meaning of the new IT GL codes in June 2016.
- ▶ Quality control and enforcing the consistent and accurate use of the new IT GL codes is ongoing.

### Phase 2 Accomplishments

In FY17, Admin established a consistent and centralized manner to identify IT spending, better understand IT spend, and more successfully enable the effective management and optimization of IT spending. Accomplishments include:

- ▶ The 48 new GL codes were implemented, utilized by agencies, and validated by the SCEIS team.
- ▶ Previously used IT-related GL codes were turned off in SCEIS, and all spending captured by these codes were transferred to the new codes via journal-entry.
- ▶ IT Spending was connected to the budget via the IT Spending Transparency refresh and compared against FY15 and FY16 spending to find and analyze variances within the budget.

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## Phase 3 Next Steps

With continued discipline and attention toward capturing IT spending, Admin can continue to mature cost transparency practices that will enable additional benefits, and utilize this information to support shared services decisions. Next steps include:

- ▶ Continue to confirm new IT GL codes are being used correctly across all agencies.
- ▶ Provide further training for end-users specifically on GL codes that have caused confusion.
- ▶ Communicate the progress and successes of the Cost Transparency journey to SC stakeholders.
- ▶ Show agencies how the analysis made possible by the new IT-related GL codes is being used.
- ▶ Utilize IT spending data to support shared service benefits realization analysis.
- ▶ Conduct annual updates of IT spending data and comparative analysis.
- ▶ Integrate IT cost transparency with annual IT planning processes to capture IT asset cost data.
- ▶ Integrate inventory and staffing data collection into SCEIS as the system of record.

## Results: Advances in Data Quality

A total of \$510 million of IT related spending was identified in FY17 across the 74 state agencies in South Carolina. The actual cost of information technology is likely not appreciably higher in FY17 compared to previous years. The chart below reflects an increase in overall IT spend however Gartner attributed this increase to improved data quality, which has provided a more holistic view of the state's overall IT spend.

Cost Category	FY 15		FY 16		FY 17	
	\$	% of Total	\$	% of Total	\$	% of Total
Personnel	\$96,254,666	28%	\$149,317,765	30%	\$161,633,102	32%
Services	\$66,007,985	19%	\$96,106,000	20%	\$186,235,530	37%
Equipment & Supplies	\$51,388,903	15%	\$85,180,398	17%	\$51,866,420	10%
Programs, Licenses & Maintenance	\$56,668,560	16%	\$77,527,152	16%	\$58,573,080	11%
Network, Circuit & Voice	\$40,461,189	12%	\$53,494,324	11%	\$51,728,334	10%
Questionable	\$34,222,360	10%	\$28,645,078	6%	\$0	0%
<b>Grand Total</b>	<b>\$345,003,663</b>	<b>100%</b>	<b>\$490,270,717</b>	<b>100%</b>	<b>\$510,036,466</b>	<b>100%</b>

Throughout this multi-year effort, numerous positive trends were identified by Gartner, which is illustrated in the table below. The information gathered demonstrates the advancements made in the quality of IT-related expense data provided to Gartner by the state. Such advances reinforce the ongoing emphasis of improving IT cost transparency, and include the following notable improvements:

- ▶ Rows Provided: The number of data rows provided to Gartner decreased from 8,000 in FY15 to 7,500 in FY16 and 3,100 in FY17.
- ▶ Data Quality: The quality of data, considered by Gartner to be "low" in FY15 and FY16, improved to a level of "medium/high" in FY17.
- ▶ Amount of Spend in the Provided Data Files: The reported amount of IT spend was reduced significantly, dropping from \$12B in FY15 to 1.3B in FY16 and \$539M in FY17. This reduction is attributed to the state's effort to ensure higher quality data.

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- ▶ Degree of Transparency Achievable: The degree a transparency, enhanced due to the statewide use of improved GL codes, the visibility of IT spend was increased significantly. An audit process to ensure the correct use of IT GL codes has been implemented to continuously improve the quality of data collected.
- ▶ Questionable Amount: One of the highlights of the study conducted by Gartner was the drastic reduction in the amount of questionable IT spend. This amount was reduced from \$34M in FY15 to \$27M in FY16 before dropping to \$0 in FY17. This is attributed to the audit of GL code use by agencies and improvements in the data collection process.
- ▶ Level of Confidence: Gartner also noted that the level of confidence in the data provided by the state improved significantly, rising from 40 percent in FY15 to 60 percent in FY16 and 80 percent in FY17. This is due to ongoing efforts by the state of South Carolina to increase transparency.

	FY15	FY16	FY17 Assumptions
Amount of Spend in the provided data files	\$12 B	\$1.3 B	\$539 M
Number of Rows of data provided	8,000 K	750 K	310 K
Data quality	Low	Low	Medium / High*
Level of effort to complete exercise (Gartner + SC)	Very High Highly manual effort	High Mostly manual effort	Low/Medium* Some manual effort
Degree of transparency achievable	Cost category	Cost Category IT Functional Area, with many assumptions	Cost Category IT Functional Area
Questionable amount	\$34M	\$27M	\$0
Level of confidence	~40%	~60%	~80%

Additional findings include the following:

- ▶ IT-related spending was quickly identified and provided, largely due to the implementation of the new IT-related GL codes. Validation efforts this year centered around ensuring cost category/functional areas were captured correctly, as opposed to having to search for in scope and out of scope IT costs.
- ▶ Spending could be classified at both the cost category and functional area levels with medium-high levels of confidence. There were no “Questionable” costs this year.
- ▶ IT employee reports have improved to better capture the actual amount of time spent conducting IT-related work on a statewide basis.
- ▶ It was also noted that agency data entry processes are improving because of an increased awareness of the importance of data accuracy and cost transparency.

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### CONCLUSION

Thanks to the efforts of agencies throughout the state, South Carolina has made significant progress in its cost transparency journey. However, there are still opportunities to make additional improvements. With continued discipline and attention toward capturing IT spending, South Carolina can continue to mature cost transparency practices that will enable additional benefits, and utilize this information to support its decisions regarding the ongoing IT Shared Services initiative.