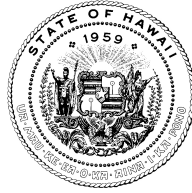


DAVID Y. IGE
GOVERNOR



TODD NACAPUY
CHIEF INFORMATION
OFFICER

OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

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INFORMATION AND COMMUNICATION
SERVICES DIVISION

OFFICE OF INFORMATION MANAGEMENT
AND TECHNOLOGY

December 31, 2015

The Honorable Ronald D. Kouchi,
President, and
Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,
Speaker, and Members of the House of
Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

Pursuant to Section 41 of Act 119, SLH 2015, the Office of Enterprise Technology Services, under the authority of the Chief Information Officer of the State of Hawai'i, respectfully submits the attached report on expenditures for projects identified under Section 41, as well as the discussion of the operational and financial feasibility of sustaining an information technology governance process as a means of increasing oversight and transparency and better managing the State's information systems.

In accordance with HRS §93-16, this report may be viewed electronically at <http://ets.hawaii.gov>.

Sincerely,

A handwritten signature in black ink that reads "Todd Nacapuy".

TODD NACAPUY
Chief Information Officer
State of Hawai'i

(1) Attachment

**OFFICE OF ENTERPRISE TECHNOLOGY SERVICES
STATE OF HAWAI‘I**

**Report on Act 119, Section 41, Expenditures and the Operational and Financial Feasibility
of Sustaining IT Governance**

Pursuant to Section 41 of Act 119, Session Laws of Hawai‘i (SLH) 2015, the Office of Enterprise Technology Services (ETS), under the authority of the Chief Information Officer (CIO) of the State of Hawai‘i, submits this report on expenditures for projects identified under Section 41, as well as the discussion of the operational and financial feasibility of sustaining an information technology (IT) governance process as a means of increasing oversight and transparency and better managing the State’s information systems.

Background

In addition to appropriating the operating budgets for the Office of Information Management and Technology* (AGS130) for fiscal years (FY) 2016 and 2017, the General Appropriations Act of 2015 (Act 119, SLH 2015) appropriated \$16.3 million for FY 2016 and \$22.38 million for FY 2017 in multiple means of financing for departmental IT projects that were submitted to the Legislature as departmental budget requests. These specific appropriations and projects were identified in Section 41 for technology initiatives over the two fiscal years.

Section 41 directs the CIO to strive for “commonality and efficiency of information technology systems” in the use of the funds, which consist of a combination of general, special, federal and revolving funds. In doing so, lawmakers seem to be addressing the historically decentralized nature of State budget requests, while acknowledging the value of prioritizing available funding and identifying economies of scale and other efficiencies.

Under Section 41, the funds may be expended (or delegated to the respective lead department/agency) by the CIO for any of the following IT projects and for no other purpose:

- (A) Information technology system upgrades and repair and maintenance for rabies quarantine (AGR131)
- (B) Datamart upgrades for information processing and communication services (AGS131)
- (C) Statewide voter registration system for the office of elections (AGS879)
- (D) Child support enforcement (keiki) system modernization feasibility study for child support enforcement services (ATG500)
- (E) Computer hardware and software compliance upgrade for the Hawai‘i housing finance and development corporation (BED160)
- (F) ALIAS project completion for professional and vocational licensing (CCA105)
- (G) Complaints management system replacement for regulated industries complaints office (CCA112)
- (H) Student information system for state administration (EDN300)
- (I) Security management and compliance plan administration and monitoring for general support for health care payments (HMS902)
- (J) Kauhale on-line eligibility assistance (KOLEA) system maintenance and operation for general support for health care payments (HMS902)
- (K) Information technology system conversion for general administration (TRN995)

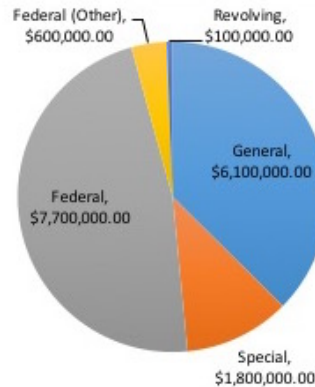
*operating as the Office of Enterprise Technology Services, pending the consolidation of the Office of Information Management and Technology and the Information and Communication Services Division of the Department of Accounting and General Services

The following is a breakdown of the sources of funding for Section 41 projects by FY:

FY 2016

\$6,100,000 in general funds
\$1,800,000 in special funds
\$7,700,000 in federal funds
\$600,000 in other federal funds
\$100,000 in revolving funds

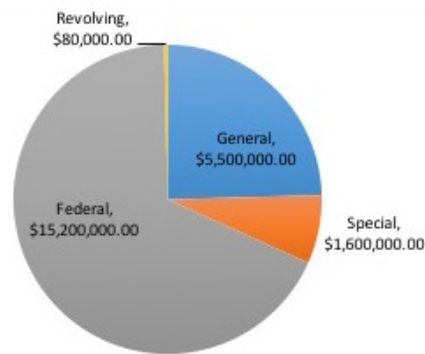
Total: \$16,300,000



FY 2017

\$5,500,000 in general funds
\$1,600,000 in special funds
\$15,200,000 in federal funds
\$80,000 in revolving funds

Total: \$22,380,000



IT Governance Process

On December 10, 2015, Governor David Ige and CIO Todd Nacapuy announced a new, mandatory governance process administered by ETS to ensure success for Executive Branch IT programs and projects. These governance requirements are intended to ensure that tax-payer funds for IT development and modernization programs will be subject to an efficient planning review and approval process. The goal is to provide the essential State oversight necessary so that intended objectives are achieved and positive return on investment is realized for the people of Hawai‘i.

Under the IT governance process, projects must pass several review “gates” during four key phases:

- pre-initiation (concept);
- initiating;
- planning; and
- contract execution and implementation.

At each gate, prerequisite documentation will be required for an investment or project to be approved, denied or deferred by a reviewing body before proceeding to the next phase. This graduated approach provides multiple review points for IT investments and projects, from inception through completion.

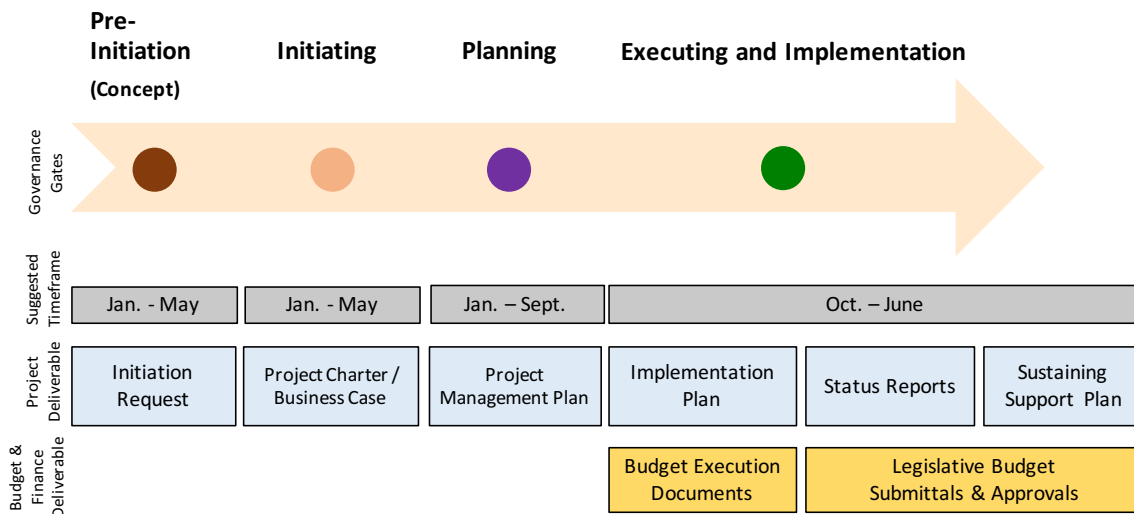
The process will also require that State-executed contracts include all necessary functional and technical requirements, including measurable performance delivery metrics in order to approve and remit contract payments. For example, should the contract delivery metrics not be met as determined by the designated state contract administrator, the State will reserve the right to withhold payment delivery due to insufficient performance.

Initially, projects subject to the new governance requirements will include:

- IT development and modernization projects identified under Section 41 or any future related legislation or budget bills;
- IT projects that require technology resources estimated at \$1 million or greater; and
- enterprise modernization projects identified by the CIO, typically those that will leverage business and operational efficiencies and benefits for multiple departments or agencies.

The following is an illustration of the IT governance process’ project request timeline that departments must follow, effective immediately. The process allows for any underway projects to enter the review gate most appropriate to its status along the project lifecycle, while ensuring prerequisite documentation is completed to the extent possible.

IT Governance Process: Project Request Timeline



Overseeing implementation of the IT governance requirements will be IT Governance Officer Todd Omura, who will report to the CIO. Having joined the ETS team in November 2015, Mr. Omura brings extensive experience, knowledge and expertise gained as an enterprise asset management consultant, researcher and economist.

(See Exhibit A: Administrative Directive No. 15-2 “Program Governance Requirements for Act 119 and Enterprise Information Technology Projects”)

Status of Act 119, Section 41, Projects

The following is a status of projects identified under Section 41 (as of December 21, 2015):

HB 500 EXECUTIVE BUDGET ACT 119 SLH2015

OTHER AGENCY APPROPRIATIONS

Program ID	Agency	Description	Amount	MOF	Amount Approved	Funds Transferred or Delegated to Agency
AGR131	AGR	Funds for IT Upgrades Animal Quarantine System	218,712.00	B		
AGS131	DAGS	Funds for FAMIS Datamart Upgrades (Archive System)	339,943.50	A		
AGS879	DAGS	Funds for New Statewide Voter Registration System	84,987.00	A	84,987.00	
ATG500	ATG	Funds for a Child Support Enforcement system modernization feasibility study	231,161.00	A		
ATG500	ATG	Funds for a Child Support Enforcement system modernization feasibility study	600,000.00	P		
BED160	DBEDT	Funds for computer hardware and software compliance upgrades for HHFDC	100,000.00	W	100,000.00	
CCA105	DCCA	Funds for the ALIAS Project Completion and annual maintenance costs	585,000.00	B	585,000.00	585,000.00
CCA112	DCCA	Funds for complaints management system CMS replacement	540,000.00	B	540,000.00	540,000.00
HMS902	DHS	Funds for the HIPAA Security Management and Compliance plan administration	67,988.00	A	67,988.00	67,988.00
HMS902	DHS	Funds for the HIPAA Security Management and Compliance plan administration	298,394.00	N	298,394.00	298,394.00
HMS902	DHS	Funds for the Kauhale On Line Eligibility Assistance KOLEA System Operations & Maintenance	1,686,444.00	A	1,686,444.00	1,686,444.00
HMS902	DHS	Funds for the Kauhale On Line Eligibility Assistance KOLEA System Operations & Maintenance	7,401,606.00	N	7,401,606.00	7,401,606.00
TRN995	DOT	Funds for legacy Back Office IBM Domino Application modernization	351,033.00	B		
EDN300	DOE	New Statewide Student Information System (SSIS)	3,079,476.00	A	3,079,476.00	

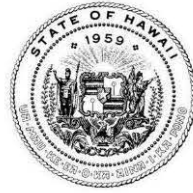
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Recommendations to the Legislature

ETS recommends the following actions to improve operational and financial feasibility of IT governance with the goal of sustaining this process as a means of increasing oversight and transparency and managing information systems:

1. While provisions in Section 41 are specified to delegate special, federal and/or revolving appropriations to the user agencies, there currently is no clear mechanism for ETS to transfer *general* funds to another agency. This represents an obstacle in the release of general funds once projects for which they are intended have been appropriately reviewed and approved to proceed. As written, ETS remains the expending agency and cannot transfer the general funds to another agency. ETS would either need to initiate the contract itself, which would be inefficient toward meeting the operational needs of the user agency, or ETS would need to be a third party in any contract issued by the user agency, which also poses some operational challenges.
 - Should the Legislature include similar provisions that seek CIO/ETS oversight in future appropriation measures, it is recommended that, instead of appropriating funds directly to AGS130, funds be appropriated in the user agency but require coordination with ETS to ensure IT governance is applied as part of the annual budget execution process. As such, said requests will need to meet the governance requirements before agencies may 1) request budget funds, 2) encumber funds, and, if applicable, 3) pay vendors.
 - Should the Legislature continue the IT appropriation to AGS130, provisions need to be included that will allow transfer of general funds (similar to current provisions provided in Sections 111, 112 and 113 of Act 119, SLH 2015) and/or to delete language that specifies delegation to non-general funds. ETS defers to the Office of Attorney General and Department of Budget and Finance for appropriate language that would effectively allow for the expenditure of the funds in the appropriate user agency.
2. Lack of qualified State personnel has in some instances resulted in projects' failure to deliver on intended objectives and an overreliance on third-party consultants. It is recommended that the Legislature consider ETS' request for additional technical positions in this year's supplemental budget submitted by the Governor. The technical positions being requested include program and contract management roles to build the State's "in-house" capacity to provide appropriate governance and management.
3. As this is the first year of the new IT governance process' implementation, sufficient flexibility must be provided to allow the process to adapt as needed to ensure efficiency and effectiveness in equal parts. It is recommended that the Legislature consider adopting legislation in the *next* fiscal biennium beginning FY 2018 to support IT governance requirements described in this report. Observing a full, one-year cycle of the new IT governance process in action will allow the Administration to make any necessary adjustments before considering statutory proposals heading into the 2017-2019 fiscal biennium.

Exhibit A



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

December 10, 2015

ADMINISTRATIVE DIRECTIVE

NO. 15-02

TO: All Executive Branch Department Heads

SUBJECT: Program Governance Requirements for Act 119 and Enterprise Information Technology Projects

The purpose of this Administrative Directive is to institute a mandatory governance process for Executive Branch information technology (IT) programs and projects ensuring they achieve intended objectives and provide return on investment for the people of Hawai'i. Through this new IT governance, we have an opportunity to restore the public's trust in government by making reforms that increase efficiency, reduce waste, and improve transparency and accountability.

Under my authority, the Office of Enterprise Technology Services (ETS) has the responsibility for statewide oversight and program governance for all Executive Branch enterprise-wide information technology (IT) and modernization projects, as well as IT modernization projects identified under the General Appropriations Act of 2015 (Act 119, 28th Hawai'i State Legislative Session). As such, all IT modernization projects that meet any of the following criteria must adhere to the program governance process described in this memorandum, effective immediately:

- all IT development and modernization projects under Act 119 or any future related legislation or budget bills;
- all IT projects that require technology resources estimated at \$1,000,000 or greater; or
- enterprise projects identified by the Chief Information Officer, typically those that will leverage business and operational efficiencies and benefits for multiple departments or agencies.

In order to verify that IT and modernization projects are properly initiated, evaluated for return on investment (ROI), planned, funded and executed, this governance process must be followed as administered by ETS. Proper governance will ensure that State funds appropriated for IT development and modernization projects will be subject to an efficient review and approval process along with the essential State oversight to

maximize project success. Improvements and enhancements to business operations and workflow processes gained through various modernization initiatives will improve government services and overall service delivery.

All Act 119 or enterprise projects must satisfy the specific project phase review gates to ensure project execution and associated expenditures are sufficiently evaluated and receive approval by the appropriate governing body as referenced below. Proper governance will ensure that State resources are well managed, and will result in an increase in successfully completed State projects. Therefore, ETS will institute the following approval gates for all enterprise and Act 119 projects.

Project Review Board: Pre-Initiation

↳ **Project Advisory Council:** Initiating

↳ **Program Governance Committee:** Planning

↳ **Operations, Contract & Vendor Review:** Contract Execution & Implementation

New Project Initiation Requests referenced under this directive will be submitted and reviewed by the State's Project Review Board (PRB) before Initiating.

Completed Project Charters will be reviewed by the Project Advisory Council (PAC) for approval to proceed to Planning.

Completed Project Management Plans will be reviewed by the Program Governance Committee (PGC) for Execution and approval to receive and expend funds based on a sufficient identification of project requirements, deliverables, business justification and contract review. Additionally, the PGC will make recommendations on project selection, prioritization and resource management.

Contracts and implementation plans will be reviewed by the Operations, Contract & Vendor Review Board to ensure sufficient project oversight and production readiness.

Once all phase gates are met, State contracts executed must include all necessary functional and technical requirements and measurable performance delivery metrics in order to approve and remit contract payments. Should the contract delivery metrics not be met, as determined by the designated State contract administrator, the State reserves the right to withhold payment delivery due to insufficient performance.

ETS will provide facilitation, support and guidance for all review boards and committees in the governance process. Additional program governance sub-committees may be formed to provide sufficient review of Act 119 or enterprise projects whereby membership will be determined by a project's complexity.

Administrative Directive 15-02

December 10, 2015

Page 3

The State CIO and ETS will direct and coordinate this process with each of your departments on my behalf. Your support is greatly appreciated.

Note: This process does not negate but rather is intended to complement departments/agencies' continued compliance with Annual Budget Execution policy (see Executive Memorandum 15-03 and Administrative Directive 11-02), which remains in effect for all new or operational maintenance type IT / information resource management investments.

A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large, sweeping flourish at the end.

David Y. Ige
Governor, State of Hawai'i