North Carolina's massive IT restructuring plan could impact vendors

Posted At : January 5, 2015 2:28 PM | Posted By : Ashley Graham
Related Categories: IT Reform, State & Local, Procurement, Government Reform

In December, the North Carolina State Chief Information Officer (SCIO) issued a **recommendation plan** to restructure the state's IT operations, consolidate resources and increase efficiency over the next four years. The report is a culmination of a year-long review of the state's IT infrastructure and seeks to address various issues North Carolina currently experiences in the provision of IT services. If the restructuring plan is approved by the North Carolina General Assembly, it could impact IT vendors that do business with the state.

The plan in a nutshell

One of the key issues identified in the report is that the SCIO does not currently have direct authority over IT staff and funding of state agencies, which limits the SCIO's ability to make enterprise-wide decisions and maximize state resources. This resulted in the duplication of numerous applications and IT contracts, as well as excess spending on IT projects. The plan recommends a shift from a decentralized structure – where agencies maintain control over things such as IT governance, funding, security, operations, and resources – to a unified model where these decisions are made at the enterprise level. The SCIO believes that this move toward centralized authority and accountability would allow for greater efficiency and cost savings while allowing agencies to focus on their core missions.

The plan further recommends the establishment of a new Department of Information Technology as an agency within the Governor's Cabinet, which would require a statutory change by the General Assembly. The DIT will be responsible for tasks such as personnel management, risk management, contract management, supplier performance management, and supplier relationship management. In addition, the DIT will be in charge of making technology investment decisions such as "build versus buy and in-house or externally-sourced."

The plan recommends a phased approach to the implementation of the unified model, which would take place over four-and-a-half years and complete by the end of fiscal year 2019. The "pre-structuring" phase would not require any additional funding or approval by the General Assembly and would mainly consist of the shift of IT personnel from state agencies to the SCIO. The "restructuring" phases, which constitute the bulk of the process and will take four years, would require the General Assembly to establish the DIT and some more funding before additional phases could begin.
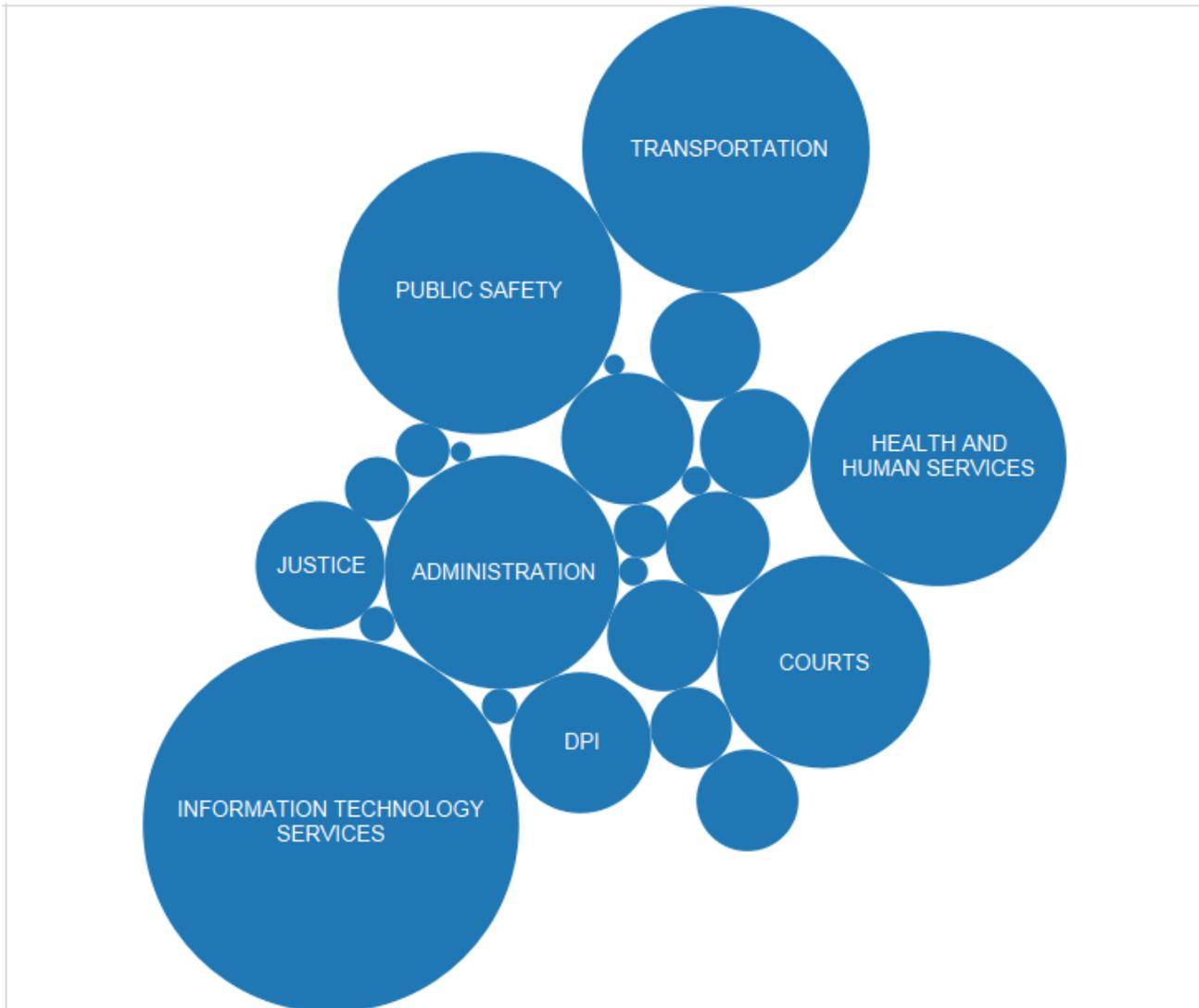
Implications for vendors

Currently, the statewide IT procurement team is only responsible for the development and issuance of enterprise contracts, such as enterprise license agreements, statewide term contracts, and short-term staffing. Agencies use internal procurement staff to run and manage their IT procurements, but because these procurements do not occur frequently, agency staff does not have the knowledge necessary to develop and implement the contracts in the best and most comprehensive manner.

The early emphasis of the restructuring process will be placed on enhancing efficiency in places such as procurement, staffing, and operations. This includes a push to establish enterprise contracts, which pairs well with the SCIO's current modernization of contracting vehicles to better address the state's business needs, such as the **IT supplemental staffing contract**, which is already underway. The SCIO intends to establish a consistent set of standards for IT procurement to streamline the process and lead to more advantageous contracts that leverage actual spend and reduce the risks to the state. In addition, the plan states that in order to reap the benefits of a centralized and standardized IT procurement system, a dedicated contract management staff will be needed, and that these employees will be the only people officially authorized to speak with vendors on behalf of the state.

These changes have both positive and negative implications for the vendor community. On the plus side, vendors will be dealing with knowledgeable professionals during the procurement process and will be responding to detailed solicitations. The establishment of procurement standards will facilitate continual business with the state as vendors become familiar with these standards and know what to expect.

North Carolina IT bids, FY 2011-2014

However, the image above represents the IT bids released by North Carolina during fiscal years 2011-2014. Of the more than 1,440 bids, only 339 came out of the Office of Information Technology Services, with the remainder coming from other agencies, namely Transportation, Public Safety, Health and Human Services, and Administration. The state's drive to increase efficiency will likely result in the elimination of some of these agency-specific contracts, which will be replaced by statewide/enterprise contracts. This coupled with the SCIO's push to leverage actual state usage and spending during the procurement process means that vendors will need to be more competitive in their pricing if they want to win these contracts. Further, it may become more difficult to obtain key information about projects as established points of contact are no longer available to discuss upcoming projects. Deltek will continue to monitor the progress of North Carolina's IT restructuring plan and how it may impact vendors that do business with the state.

You can learn more about current procurement opportunities in Texas in the GovWin IQ State and Local Opportunities database. Not a Deltek subscriber? Click**here** to learn more about Deltek's GovWin IQ service and gain access to a **free trial**.