



SOCIAL SERVICES AGENCIES SPENDING ON DEPARTMENT OF TECHNOLOGY SERVICES

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Of the \$55.5 million total funds Social Services agencies spent in FY 2014 on services provided by the Department of Technology Services, \$15.0 million or 27% was for services whose FY 2015 rates are higher than the average cost of comparable organizations as per the annual rate analysis study. The other \$40.5 million or 73% was for services where the cost was below the average cost of comparable organizations. This brief includes an update from the Department of Technology on how it is addressing four concerns raised by agencies in a 2013 study.

DISCUSSION AND ANALYSIS

Why the Department of Technology Services?

The Department of Technology Services (DTS), as authorized in [UCA 63F-1](#), acts as Utah's central service provider for information technology (IT) related activities, having consolidated all agency IT functions and employees to provide more efficient and effective use of IT resources statewide. DTS provides over 45 information-related services through rates in 11 categories ranging from enterprise desktop services to hosting and mainframe computing.

[UCA 63F-1-302](#) creates the DTS rate committee, composed of user agencies and appointed state officials, to review and approve the DTS budget and rates for submission to the Governor's Office of Management and Budget (GOMB) and the Legislature. The DTS rate committee may approve, increase, or decrease DTS's proposed rates and fees before recommending them to GOMB and the Legislature. The rate committee also reviews and approves interim rates for new services introduced between annual legislative sessions. The Department of Health currently has a representative on the DTS rate setting committee. These positions are periodically rotated. Both the departments of Human Services and Workforce Services have had representatives on this committee in the past.

Spending on Department of Technology Services

Agencies in the Social Services Appropriations Subcommittee (Health, Human Services, Workforce Services, and the Utah State Office of Rehabilitation) spent \$79.9 million total fund in FY 2014 on technology services. The spending took place in two buckets: (1) \$55.5 million total fund (\$20.5 million General/Education Fund) for services provided by the Department of Technology Services and (2) \$24.4 million total fund for services provided by outside contracts. The spending by Social Services agencies is 43% of all \$129.1 million in services provided statewide by the Department of Technology Services and 44% of all \$55.0 million spent statewide for services provided by outside contracts. Agency spending by service category from the Department of Technology Services is included here below:

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DTS Service Categories	General/ Education Fund	Total Fund	% Grand Total
6300 Dept of Technology Services Telecommunication Charges	\$ 2,421,097	\$ 6,155,287	11%
6301 DTS LOCAL PHONE SERVICE	\$ 30,840	\$ 85,449	0%
6323 DTS 80211 SERVICE	\$ 78	\$ 249	0%
6343 DTS UNIVERSAL RATE	\$ 1,406,856	\$ 3,446,765	6%
6344 DTS AUDIX VOICE MAIL	\$ 83,356	\$ 206,423	0%
6345 DTS LONG DISTANCE INTRASTATE	\$ 140,653	\$ 341,545	1%
6347 DTS INTERNATNAL LONG DISTANCE	\$ 776	\$ 1,612	0%
6348 DTS DIRECTORY ASSISTANCE	\$ 380	\$ 725	0%
6350 DTS CONFERENCE CALL	\$ 13,186	\$ 37,725	0%
6352 DTS AUTO ATTENDANT	\$ 875	\$ 3,275	0%
6353 DTS CALL MANAGEMENT SYSTEMS	\$ 110,718	\$ 395,416	1%
6357 DTS DSL-DIGITAL SUBSCRIBER LIN	\$ 38,442	\$ 98,874	0%
6358 DTS 800-MO SERVICE CHARGE	\$ 1,326	\$ 5,545	0%
6359 DTS 800-USAGE	\$ 225,110	\$ 589,188	1%
6360 DTS TELEPHONE TECH LABOR	\$ 66,015	\$ 135,428	0%
6363 DTS VENDOR TIME & MATERIALS	\$ 219,091	\$ 593,363	1%
6364 DTS WIRING VENDOR LABOR	\$ 10,372	\$ 25,515	0%
6368 DTS FX OPX	\$ 9,236	\$ 25,331	0%
6369 DTS DATA CIRCUITS	\$ 8,357	\$ 39,193	0%
6372 DTS RADIO SHOP LABOR	\$ 5,855	\$ 7,437	0%
6374 DTS NETWORK PARTS	\$ 49,576	\$ 116,228	0%
6500 Dept of Technology Services-Data Processing Charges	\$ 18,120,703	\$ 49,388,751	89%
6502 DTS MAINFRAME TRANSACTIONS	\$ 1,397,147	\$ 3,763,942	7%
6508 DTS BACKUP & RESTORE SVCS (OS)	\$ 23,806	\$ 59,694	0%
6509 DTS DISK STORAGE	\$ 19,560	\$ 49,968	0%
6511 DTS ORACLE SHARED STORAGE	\$ 240,083	\$ 855,747	2%
6517 DTS OPEN SYS DISK STORAGE	\$ 1,284,626	\$ 3,546,392	6%
6522 DTS NETWORK SECURITY	\$ 554,983	\$ 1,289,344	2%
6530 DTS DESKTOP SUPPORT	\$ 2,772,184	\$ 6,543,012	12%
6534 DTS AGENCY DIRECT COST	\$ 4,672	\$ 7,977	0%
6540 DTS EQUIP MAINTENANCE - HRDWRE	\$ 24,608	\$ 45,125	0%
6541 DTS SOFTWARE & SOFTWARE MAINT.	\$ 632,725	\$ 1,773,852	3%
6544 DTS NETWORK SERVICES	\$ 1,839,997	\$ 4,632,428	8%
6545 DTS CONSULTING SERVICES	\$ 97,236	\$ 327,500	1%
6546 DTS HOSTING SERVICES	\$ 12,314	\$ 38,921	0%
6549 DTS SHARED WEB HOSTING-MANAGED	\$ 6,320	\$ 16,564	0%
6550 DTS LASER PRINT	\$ 268,781	\$ 742,719	1%
6552 DTS SERVER ADMINISTRATION	\$ 1,674,775	\$ 4,450,079	8%
6582 DTS CHECK STOCK	\$ 29,494	\$ 74,047	0%
6593 DTS APP MAINT/DEVELOPMENT	\$ 7,123,434	\$ 21,006,718	38%
6594 DTS MSSQL CONSULTING	\$ 113,958	\$ 164,725	0%
Grand Total	\$ 20,541,800	\$ 55,544,038	100%

Spending on Five Services by the Department of Technology Services That Are Higher Than the Average of Other Providers

There are five services where the rate charged by DTS is higher than the average rate charged by comparable organizations. This comparison information comes from DTS' annual rate analysis study (available at <http://le.utah.gov/interim/2015/pdf/00002646.pdf>) that compares its rates with other states, commercial internal information technology rates, and commercial service provider rates. These five services and the spending by all Social Services agencies are listed below along with an explanation by DTS as to why they might be higher.

<u>DTS Services - FY 2014</u>	<u>Spending by Agencies (Total Fund)</u>	<u>DTS FY 2015 Rates</u>	<u>Average Rates Others</u>	<u>% Higher</u>	<u>DTS Explanation as to Why Higher</u>
Network and Desktop Computing; Desktop Management	\$ 6,543,000	\$ 63.50	\$ 60.63	5%	DTS: "DTS recently had an independent outside consultant study DTS rates compared to private sector entities that could support 20,000 desktops in the state. The study concluded that DTS could provide the service at a much lower cost than a private provider. In addition, there are security concerns with moving the desktop support to a private provider."
Network and Desktop Computing; Enterprise Network Services	\$ 4,632,400	\$ 44.00	\$ 42.81	3%	DTS: "The State Network is provided through outside vendors such as Century Link. It is necessary for DTS to manage the network for security reasons. Network is 'reasonable' when compared other states, and is 'best value' when compared to private sector. Network services is 'very reasonable' in the overall assessment."
Telephony; Basic Phone (per line)	\$ 3,557,500	\$ 28.00	\$ 22.54	24%	DTS: "DTS provides phone service for both urban and rural areas of the state. It is much more expensive to provide this service in the rural areas than in the urban areas, which is why the rate appears to be higher than other states. DTS has discussed phone service with some states with a lower rate, including Indiana, Kansas, and Montana. These states do not include the rural areas in their telephony service rate. They provide the service at a pass through rate to the customers."
Hosting; Shared SQL (GB month)	\$ 164,700	\$ 32.00	\$ 31.95	0.2%	DTS: "This service is very small when looking at total DTS revenue. DTS provides two services with the enterprise SQL service: shared for small customers; and Core for large customers. In FY 2016, the rate for core services dropped which is where most of the revenue and customers are located."
Storage; Mainframe Disk (MB/month)	\$ 109,700	\$ 0.0060	\$ 0.0013	362%	DTS: "DTS hired a consultant to study the possibility of moving the mainframe to a private provider. Results from the consultant's study indicated that DTS could provide the mainframe at a lower cost than a private provider. There are only two primary systems left on the mainframe - MMIS and ORSIS."
Total Fund	\$ 15,007,300				
General/Education Fund	\$ 6,216,400				

With regard to operating a mainframe, the Department of Human Services estimates the cost of creating a replacement system for the Office of Recovery Services Information System (ORSIS) in a non-mainframe environment in excess of \$140 million based upon similar systems implemented in other states. The state share of such a system would be \$47.6 million at the normal 34 percent matching rate used for legitimate child support collection costs. No cost benefit analysis has yet been done between maintaining a mainframe system compared to building a parallel system in a non-mainframe environment.

Customer Dissatisfaction with Department of Technology Services

There were four concerns raised regarding DTS in the 2013 report from the Legislative Fiscal Analyst available at <http://le.utah.gov/interim/2013/pdf/00004074.pdf>. Each of those concerns and DTS' response to them are listed below:

1. Dissatisfied with DTS' invoices – “In 2014, DTS upgraded the billing system. A steering committee, made up of several agency representatives, provided the user requirements for an optimal billing and invoice solution. Feedback from agencies has been very positive. Improvements include:
 - a. Every Agency is now able to view billing/invoice information from DTS in a dashboard type environment.
 - b. Agencies are able to view a 12 month history for billing comparisons
 - c. Easy to use interface
 - d. Different views for unit or appropriation unit and three levels of drill down capability on each product”
2. Dissatisfied with rate-setting process – “DTS holds an annual meeting every summer for agency finance personnel to provide input and address concerns related to rates. Additionally, the DTS finance director meets with agency finance directors twice annually to discuss the rate-setting process and address any concerns. DTS is working with Public Utilities and Technology committee members during the interim to expand rate committee membership. In addition, Health is currently a member of the DTS rate committee. Human Services and Workforce Services were members in the past.”
3. Agency is not better off in terms of saving money – “An independent audit firm provided a report indicating that DTS has saved \$73.6 million dollars cumulative from 2007-2011. The Legislative Auditors have confirmed the numbers in the recent audit of DTS. Furthermore, DTS received an additional independent audit report since the conclusion of the Legislative Audit, indicating another \$71.4 million savings from 2011-2014. This totals \$145 million cost savings to the state since the formation of DTS. DTS continually works to create efficiencies for the customer agencies.”
4. Not receiving quality services – “DTS continually receives high marks related to customer satisfaction, averaging a 4.5 out of 5 on surveys sent to customers who receive DTS services. DTS and the agencies sign annual Service Level Agreements for DTS services based on the agency's needs. DTS continually monitors these service levels, which are available to the customer agencies online through a dashboard. The CIO is in close contact with all cabinet members to resolve any issues related DTS service. The Legislative survey provided to agencies in 2013 was only sent to agency finance personnel, which is not a total representation of agency feedback.”