

EXECUTIVE SUMMARY OF SUNSET STAFF REPORT

Department of Information
Resources

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The Department of Information Resources (DIR) is in a much better position today than during its last Sunset review 12 years ago, when the agency was reeling from challenges with its beleaguered, consolidated data center services contract with IBM and its relationship with customers was universally abysmal. Since then, DIR has made significant improvements in its operations, including implementing contracting best practices and working hard to improve customer satisfaction.

As the state's information technology (IT) agency, DIR coordinates technology planning, oversees the state's cybersecurity posture, provides telecommunications services, and manages the state's cooperative IT procurements, data center, and state website. However, DIR is in a unique position. As a nonregulatory agency, DIR promotes best practices and sets statewide standards for data management and cybersecurity, but it has little authority to force agencies or other government entities to comply, even if enforcement would benefit Texans and better protect the state's information. Under the state's federated model, some government entities are required to use DIR's services, but otherwise they have significant control over their own IT. The Sunset review did not attempt to change this model and found DIR's current role in IT procurement and planning is appropriate, and that its division of responsibilities with other agencies is working well. Furthermore, the review did not attempt to fix all of the state's IT issues, many of which come down to limited funding. Instead, recommendations focus on addressing problems within DIR's existing framework, including improving opportunities for customer input and support to help ensure its customers get what they need and making sure DIR and the Legislature have the visibility needed to effectively plan for the state's future IT and cybersecurity needs.

DIR faces inherent challenges serving government entities of all sizes and with conflicting opinions.

As DIR outsources many of its functions, providing good customer service is integral to its success. Although the agency has made improvements, Sunset staff found better input mechanisms could help address the inherent challenges DIR faces serving government entities of all sizes, with sometimes conflicting opinions about IT needs. Throughout the review, Sunset staff heard a wide range of opinions about DIR and its services. Most customers expressed satisfaction with DIR's cooperative contracts, some praised DIR's data center services, and many were grateful for the agency's hands-on approach. On the other hand,

several agencies wanted more autonomy from DIR on services like the public cloud and still lament the state's decision to have a consolidated data center. Other customers were frustrated by the difficulty in finding the right DIR contact to answer their questions or were confused about their eligibility for DIR's free or paid services. Recommendations to adjust DIR's advisory committees, restructure its board, and clarify communications around eligibility would help alleviate this disconnect and promote better representation across the agency's current customer base.

Moreover, as DIR has generally improved its contracting processes and has had a role in overseeing major information resources projects almost since its inception, the review found DIR could do more to assist other agencies with their own IT procurements, given the risk to the state of those high-dollar contracts. Similarly, the review found a need for DIR to provide more training for staff of other agencies on best practices in IT contracting. While DIR's contracting program is generally well-run, the review also determined the agency could improve pricing controls for its Cooperative Contracts program (COOP) and reduce barriers requiring agencies to use sometimes more expensive staff augmentation services, in addition to strengthening its internal audit function. Addressing these issues will help ensure DIR can adequately provide assistance to other agencies on IT procurement.

Finally, given the Legislature's increased attention to and investment in cybersecurity over the last decade, DIR's role in overseeing the state's cybersecurity was a significant focal point for the review. Sunset staff focused on balancing DIR's nonregulatory role with a need to ensure the Legislature has accurate information to make decisions about IT funding and to protect the state's data. DIR and the Legislature have gaps in their overall picture of the state's cybersecurity posture that could be remedied by providing clearer information on cybersecurity and legacy systems' project funding needs and by requiring more frequent third-party assessments of agencies' cybersecurity.

The following material highlights Sunset staff's key recommendations for the Department of Information Resources.

Sunset Staff Issues and Recommendations

ISSUE 1

DIR's Customer Input Mechanisms and Board Structure Could Be Improved to Better Represent Its Customers and Help Ensure Their Needs Are Met.

Though DIR has improved customer input and satisfaction, some customers continue to have concerns with certain DIR programs. However, these concerns and suggestions differ widely and sometimes conflict due to differences in customer size and needs. To help address these differences in need, DIR could benefit from changes to its board structure to better reflect its primary customer base as well as changes to its advisory committee structure and customer feedback mechanisms to better solicit customer input to improve the agency's service delivery. DIR also could improve communication with existing and potential customers to reduce confusion surrounding customer eligibility, allowing more entities to take advantage of DIR's services.

Key Recommendations

- Restructure DIR's governing board to make all customer representatives nonvoting, ex officio members and expand the board to 11 members.

- Abolish two of DIR's expired statutory advisory committees, continue the Data Management Advisory Committee, and require DIR to establish certain advisory committees in rule.
- Direct DIR to improve communication to customers regarding eligibility and cost of services and create a formal process for potential customers to request eligibility.

ISSUE 2

DIR Could Improve Statewide IT Planning by Strengthening Its Reports to the Legislature and Expanding State Agency Procurement Support.

As the state's designated technology agency, DIR coordinates statewide IT planning and reporting by collecting state agency IT information and compiling reports for the Legislature. While DIR complies with statute when crafting these reports, the agency relies on entirely self-reported information from state agencies and has no process to verify this data, meaning the Legislature could be relying on reports based on incomplete or inaccurate information when making important policy decisions. DIR has the opportunity to strengthen these reports by strategically reviewing certain self-reported information and modifying its report on cybersecurity and legacy systems projects. Furthermore, as state agencies undertake increasingly expensive and risky IT projects, DIR is uniquely positioned to use its expertise in IT contracting to better train and assist staff of other agencies with their own IT procurements. Expanding DIR's IT procurement support would help agencies better plan, procure, and manage IT projects statewide.

Key Recommendations

- Require DIR to review a sample of IRDR responses for accuracy.
- Require DIR to develop an IT procurement certification and IT procurement training.
- Require DIR to develop a procurement-as-a-service pilot program.
- Direct DIR to clearly describe the risk associated with each quadrant in the *PCLS Report*.

ISSUE 3

Adjustments to Two of DIR's Main Contracting Programs Could Better Ensure the State Gets the Best Deal on IT.

DIR procures statewide contracts for information technology goods and services through COOP, Shared Technology Services (STS) contracts connected to the state's data center, and other outsourced programs. While DIR generally does a good job managing its contracted services and programs, the agency does not consistently ensure vendors post the list price for COOP products and services, which risks customers paying too much or unnecessarily moving on to a less suitable product or service. Additionally, providing DIR customers more flexibility in using funds appropriated for Data Center Services would allow them to choose the staff augmentation service that best suits their needs and budget and potentially save taxpayer dollars.

Key Recommendations

- The House Appropriations and Senate Finance committees should consider authorizing the use of Data Center Services funds for IT staff augmentation services through ITSAC.
- Direct DIR to review COOP vendor compliance at least twice per fiscal year to ensure pricing information is correct and posted timely.

ISSUE 4

DIR Needs More Tools to Protect the State's Cybersecurity.

Since the early 2000s, DIR has served an important role overseeing the state's cybersecurity, and this role grows ever more important as cybersecurity threats continue to evolve. DIR could further secure the state's cybersecurity by improving reporting to the Legislature on the state's cybersecurity posture and requiring state agencies to obtain certain third-party information security assessments periodically. DIR could also better leverage existing tools both to inform low-performing agencies and institutions of higher education of risks and remedies and to inform the Legislature of entities with the greatest needs. Finally, some statutory reporting requirements are redundant, creating confusion for agencies and institutions of higher education, and need to be consolidated.

Key Recommendations

- Require DIR to require state agencies under its jurisdiction to obtain a DIR-selected information security assessment periodically.
- Modify the existing *Information Security Assessment* reporting requirements to reduce redundancy.
- Direct DIR to change certain processes related to entities reporting low cybersecurity maturity.

ISSUE 5

The State Has a Continuing Need for the Department of Information Resources.

DIR has helped modernize connections between government entities and the Texans they serve. The agency enables government entities to harness the state's buying power, shared resources, and centralized IT procurement expertise to acquire and deploy the goods and services they need to best serve their constituents. DIR's coordination of IT and cybersecurity provides the state a more holistic picture of the systems currently used by government entities and the risks they pose, which helps the Legislature target funding and other improvements. No significant benefit would result from transferring functions or merging DIR with the state's other procurement or cybersecurity-related agencies. Additionally, a better documented risk assessment process with more input from board members would ensure DIR appropriately identifies the highest risks to the agency.

Key Recommendations

- Continue the Department of Information Resources for 12 years and remove the Sunset date of the agency's enabling statute.

- Direct DIR to document its ranking of risks identified in the audit plan and interview the board to inform the audit plan.

Fiscal Implication Summary

Though the recommendations in this report would not have a significant fiscal impact to the state, some recommendations could result in costs and savings that will depend on implementation and cannot be determined at this time. The cost of the recommendation in Issue 1 to expand the board to include one additional voting member would depend on whether the new member attends meetings virtually or in person, but DIR could absorb any minimal cost within its current budget. As a cost-recovery agency, DIR could offset the costs of recommendations in Issue 2 to develop and provide an IT procurement certification and to provide procurement-as-a-service through fees. DIR's implementation of these recommendations could contribute to cost savings from improved IT procurement across the state. In Issue 3, the recommendation for the House Appropriations and Senate Finance committees to consider authorizing the use of Data Center Services funds for IT staff augmentation services through ITSAC would not have a cost to the state as the recommendation does not contemplate appropriating additional funds for this purpose. This recommendation would allow DIR customers to choose the service that best suits their needs and budget. Other recommendations in the report would require DIR staff time to complete but could be implemented using existing resources.

