

# NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

## INFORMATION TECHNOLOGY COMMITTEE

Tuesday, August 5, 2003  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Larry Robinson, Chairman, called the meeting to order at 10:00 a.m.

**Members present:** Senators Larry Robinson, Randel Christmann, Tom Seymour, Rich Wardner; Representatives Eliot Glassheim, Keith Kempenich, Bob Skarphol, Ken Svedjan, Robin Weisz, Lonny Winrich; Chief Information Officer Curtis L. Wolfe

**Member absent:** Senator Randy A. Schobinger

**Others present:** Ray Holmberg, State Senator, Grand Forks

See attached appendix for additional persons present.

**It was moved by Representative Skarphol, seconded by Senator Wardner, and carried on a voice vote that the minutes of the June 17, 2003, and June 24, 2003, meetings be approved as distributed.**

### INFORMATION TECHNOLOGY ORGANIZATIONAL AND MANAGEMENT STUDIES

Mr. Scott Kost, Techwise Solutions LLC, the consultant manager for the committee's studies, commented regarding the request for proposal process, the proposals received, and the consultant finalists selected for the information technology studies. Mr. Kost said four responses to the request for proposal were received. One company, Midland Systems Integrators, Inc., was excluded because the company's proposal was too technically focused. He said the three finalists are Pacific Technologies, Inc., Coeur Business Group, and Deloitte Consulting.

Mr. Kost indicated that the presentation order was randomly selected and he introduced Mr. Dan Borgen, Cochief Executive Officer, Pacific Technologies, Inc., as the first presenter. Mr. Borgen presented Pacific Technologies, Inc.'s proposal to conduct the information technology organizational and management studies. Mr. Borgen said his firm specializes in strategic information technology organization, management, and systems planning for public sector organizations. He said the company has relevant experience, including similar planning efforts for Alaska, and the cities of Bellevue, Washington, Fresno, California, and Scottsdale, Arizona. He said the company will utilize experienced staff in

conducting these studies and will prepare its report in easy-to-understand, nontechnical language.

Mr. Borgen said the proposal anticipates conducting 30 one-on-one interviews with key state personnel and up to 15 focus groups to determine strengths, weaknesses, and potential solutions to information technology issues in North Dakota. He expressed concern regarding the requirement to complete the studies by early October. He suggested the committee consider allowing additional time to complete these comprehensive studies. A copy of Mr. Borgen's presentation is on file in the Legislative Council office.

Representative Skarphol asked for Mr. Borgen's opinion on the length of time necessary to complete the studies. Mr. Borgen said the proposal as submitted anticipates completing the studies in nine weeks. He said 12 to 16 weeks may be more appropriate.

Mr. Kost introduced Mr. Mark Peterson, Managing Partner, Coeur Group. Mr. Peterson presented the Coeur Group's proposal for conducting the information technology organizational and management studies. Mr. Peterson said Coeur Group has conducted similar projects in Connecticut, for Argonne Laboratories, the United States Department of Transportation, and the city of Kansas City. He said the company will involve experienced staff and complete the studies within the 10-week timeframe. He said 12 weeks would be an appropriate timeframe to complete the studies; however, 16 weeks may be too long.

Mr. Peterson said the company will identify immediate action plans for the state to consider implementing in order to maximize savings resulting from the consultant's recommendations. He said the study will review the state's business architecture, information architecture, and relationship architecture as it relates to information technology organization and management. He said the consultants would meet each week with the executive sponsors to review the progress of the study and throughout the process will determine North Dakota's information technology organizational impact, risk and mitigation, required roles and skills, process responsibilities, the organizational structure, and the cultural impacts of the consultant's recommendations. A copy of the report is on file in the Legislative Council office.

Mr. Kost introduced Mr. Seth Montgomery and Mr. Alan Hartwig, Deloitte Consulting. Mr. Montgomery and Mr. Hartwig presented Deloitte Consulting's proposal to conduct North Dakota's information technology organizational and management studies.

Mr. Montgomery said Deloitte Consulting has numerous public sector clients that have conducted similar studies. Mr. Montgomery cited Deloitte Consulting's experience in other similar projects in Pennsylvania and Michigan. Mr. Hartwig said the most relevant project was Deloitte's development of Kentucky's information technology strategic plan for the executive branch. He said the consulting team that would conduct North Dakota's project would consist of individuals who have had experience in both public and private sector information technology management and organizational structures. Mr. Montgomery said the consulting team has the flexibility to involve other experts within the company, as needed.

Mr. Hartwig reviewed the study methodology. He said Deloitte Consulting will gather data, interview key personnel, gather best practices data, develop its recommendations, and prepare its final report within the timeframe outlined in the request for proposal. A copy of the report is on file in the Legislative Council office.

Chairman Robinson announced each consultant on a rotating basis will address committee members' questions.

Representative Svedjan asked how the consultants will analyze input from state employees. Mr. Borgen said Pacific Technologies, Inc., will analyze information gathered through interviews and focus groups to determine issues and concerns of state employees as well as strengths of the current information technology structure. Mr. Peterson said the Coeur Group, during the first week of the study, through interviews with state employees, will determine the information needs of the state. Mr. Montgomery said Deloitte Consulting will analyze the perspectives of state employees as it develops its findings and recommendations. He said knowing areas where resistance to change exists assists in developing the implementation plan for the recommendations.

Representative Svedjan stressed the importance of the consultants being objective and unbiased in conducting the studies. He said opinions of the Information Technology Department and other state agency personnel need to be considered but should not be the only factors considered in developing recommendations.

Senator Wardner said the state information technology network involves schools, counties, state agencies, and higher education. He asked how the consultants will organize a large project involving these entities and what the consultant believes will be the greatest challenge of the study. Mr. Borgen said Pacific Technologies, Inc., believes that developing a

governance structure for information technology will be a challenge of the study. He said the current trend in information technology organization and management is regionalization which involves various organizations cooperating to provide their information technology services. Mr. Peterson said the Coeur Group would discuss the possibilities of collaboration across entities for providing information technology services. Mr. Hartwig said Deloitte Consulting has experiences in all levels of government. He said most government entities have common concerns. He said the challenge is to identify common solutions to enhance the information technology services for all entities.

Representative Glassheim asked for the outcomes of similar studies in other states, and Representative Winrich asked for the length of time to complete those projects. Mr. Peterson said the Coeur Group's study involving Argonne Laboratories was conducted over 12 weeks and resulted in Argonne Laboratories saving \$36 million as the result of Coeur Group's recommendations.

Mr. Hartwig said the Deloitte Consulting study in Kentucky was conducted over four months and involved the development of a strategic plan and information architecture. He said the recommendations were implemented in Kentucky. Mr. Borgen said Pacific Technologies, Inc., assisted Alaska in developing a statewide information technology plan and benchmarking approximately one year ago. He said some of the recommendations were implemented, but because of political changes in Alaska, a number have not yet been implemented.

Representative Winrich asked how the consultants would allocate additional time if it was allowed for the studies. Mr. Montgomery said Deloitte Consulting would use the additional time for conducting interviews and to communicate proposed recommendations for consideration by state personnel. Mr. Borgen said Pacific Technologies, Inc., would use the additional time for conducting interviews, conducting its external analysis, and allowing for additional time for state personnel to consider proposed recommendations. Mr. Peterson said the Coeur Group would use the additional time for conducting cost analysis, for agency personnel interviews, and for consideration of proposed recommendations by state personnel.

In response to a question from Senator Christmann regarding the plan for communicating information during the studies, each company identified the need for an executive or steering committee to be in close communication with the consultants as the studies progress.

Representative Skarphol asked how specific the consultants' recommendations will be. Mr. Peterson said the Coeur Group's recommendations will be very specific and provide the overall transformation efforts that must occur to implement the recommendations. Mr. Hartwig said Deloitte Consulting will review each

agency and determine whether the agency is achieving its mission and will base its recommendations on those analyses. Mr. Borgen said Pacific Technologies, Inc., will analyze information at a detailed level, but he anticipates the report will be written at a higher level which generally will not include specific recommendations for each agency.

The committee recessed for lunch at 12:45 p.m. and reconvened at 1:30 p.m.

Mr. Kost asked the consultants to respond to the following questions:

1. The source of their benchmarking data.
2. The availability of the identified personnel to complete the project.
3. Whether any cost assumptions may have changed as a result of the committee's discussion.

Mr. Montgomery said Deloitte Consulting uses multiple data sources that are available publicly and from its internal data base for its benchmarking data. He said the organization is committed to utilizing the five personnel identified in its proposal to complete the project. He said the proposed cost of the project would increase only if the state chooses to extend the studies substantially.

Mr. Borgen said Pacific Technologies, Inc., utilizes internal, external, and direct peer contacts for its benchmarking data. He said the organization is committed to utilizing the individuals identified in the proposal to conduct the studies and that the committee discussion has not changed the cost estimate.

Mr. Peterson said the Coeur Group utilizes internal benchmarking data and buys research data from the Forester Group. He said the organization will use the individuals identified in the proposal to conduct the studies and the cost estimate has not changed.

Representative Skarphol asked whether additional costs would be charged for requested presentations after the studies are complete. Mr. Borgen said Pacific Technologies, Inc., would provide additional presentations; however, he was unable to identify the specific costs for additional presentations. Mr. Peterson said the Coeur Group will be available for additional presentations but was unable to identify the specific costs for additional presentations. Mr. Montgomery said Deloitte Consulting would be available for additional presentations and would not charge an additional fee, only expenses.

In response to a question from Representative Skarphol, all three organizations said there would be no additional charges related to responding to questions from state personnel after the studies are completed.

The following chart, prepared by Mr. Kost, provides a comparison of the three consultant finalists:

Evaluation Item	Deloitte Consulting	Coeur Group	Pacific Technologies, Inc.
Company profile	Strong organization history and reputation serving 119,000 clients in over 140 countries Public sector focus	Privately held and in business since 1992 Public sector focus	Privately held and in business since 1993 Public sector focus
Expertise and experience	Relevant experience with Kentucky and private sector Resumes include Empower Kentucky and private sector experience Recognized leader in information technology consulting services	Relevant experience with DOT, DOE, and Connecticut Strong engagement team with human capital management experience and public sector experience Also includes references to project management and organizational development	Relevant experience with Alaska References work with more than 40 governmental agencies Several information technology organizational engagements Resumes include personnel with relevant experience
Project plan and schedule	Reasonable project plan	Reasonable project plan	Reasonable project plan
Cost proposal	Total cost of \$298,500	Total cost of \$276,850	Total cost of \$207,110

Chairman Robinson called on Mr. Kost to comment regarding the consultants' proposals. Mr. Kost said that all three firms are capable to complete the studies and that he could work with any of the firms.

Representative Winrich asked whether Mr. Kost's evaluation of the consultants has changed based on the presentations. Mr. Kost said that while all three finalists are very comparable, he was most impressed with the presentation given by Pacific Technologies, Inc.

Chairman Robinson asked committee members to comment on the prospective consultants.

Representative Winrich suggested the committee contract with Pacific Technologies, Inc. He said Pacific Technologies, Inc., had the clearest concept on how information would be gathered for the studies.

Senator Wardner suggested contracting with Pacific Technologies, Inc. He believes Pacific Technologies, Inc., will develop a comprehensive report that is easily understood.

Representative Skarphol suggested the committee contract with the Coeur Group. He said the Coeur Group was the only consultant that discussed the importance of intangible assets when analyzing information technology issues.

Representative Svedjan suggested the committee contract with the Coeur Group. He said responses to questions, the experience of the consulting team, and the size of projects that the organization has been involved in are reasons why he suggests the Coeur Group.

Representative Kempenich said he likes the direct approach of Pacific Technologies, Inc., but believes the Coeur Group seems more innovative and willing to look at more options as part of the studies.

Representative Glassheim suggested the committee contract with Pacific Technologies, Inc. He believes Pacific Technologies, Inc., will be easy to communicate with and will generate easily understood solutions and recommendations. He said he appreciated the direct approach of Mr. Borgen when he indicated to the committee that the timeframe outlined in the request for proposal may be too aggressive.

Senator Christmann suggested the committee contract with Pacific Technologies, Inc. He said Pacific Technologies, Inc.'s proposal was clearly understood and specific. In addition, he said the proposed cost is approximately \$70,000 less than the other organizations.

Representative Weisz suggested the committee contract with Pacific Technologies, Inc. He believes Pacific Technologies, Inc., will develop a report that is very concise and easily understood, which he believes is important when explaining the report to the remainder of the Legislative Assembly.

Senator Seymour suggested the committee contract with Pacific Technologies, Inc. He believes Pacific Technologies, Inc., will generate a very practical and clear report.

Mr. Wolfe said he prioritized the consultants in the following order--Pacific Technologies, Inc., Coeur Group, and Deloitte Consulting.

Chairman Robinson said that while all three finalists would be capable of conducting this study, the majority of the committee supports Pacific Technologies, Inc.

Representative Skarphol expressed concern that Pacific Technologies, Inc., planned on conducting only 30 interviews. He said the committee may wish to discuss with Pacific Technologies, Inc., the possibility of increasing the number of interviews.

**It was moved by Representative Winrich, seconded by Senator Wardner, and carried on a roll call vote that the committee recommend the Legislative Council chairman contract with Pacific Technologies, Inc., to conduct the information technology organizational and management studies.** Senators Robinson, Christmann, Seymour, and Wardner and Representatives Glassheim, Kempenich, Skarphol, Weisz, and Winrich voted "aye." Representative Svedjan voted "nay."

**It was moved by Representative Winrich, seconded by Representative Skarphol, and carried on a roll call vote that the study schedule be extended by three weeks, from 9 to 12 weeks.** Senators Robinson, Christmann, Seymour, and Wardner and Representatives Glassheim, Kempenich, Skarphol, Svedjan, Weisz, and Winrich voted "aye." No negative votes were cast.

**It was moved by Representative Skarphol, seconded by Representative Kempenich, and carried on a roll call vote that the Information Technology Committee be the steering committee for the studies and that the State Information Technology Advisory Committee be invited to**

**provide input for the studies.** Senators Robinson, Christmann, Seymour, and Wardner and Representatives Glassheim, Kempenich, Skarphol, Svedjan, Weisz, and Winrich voted "aye." No negative votes were cast.

Representative Glassheim suggested the committee consider asking the consultant to conduct additional one-on-one interviews as part of the study.

**It was moved by Representative Kempenich, seconded by Senator Wardner, and carried on a roll call vote that the committee authorize up to \$15,000 of additional funding for additional consulting services, including an increased number of interviews, as determined necessary by Techwise Solutions LLC, the consultant manager.** Senators Robinson, Christmann, Seymour, and Wardner and Representatives Glassheim, Kempenich, Skarphol, Svedjan, Weisz, and Winrich voted "aye." No negative votes were cast.

## OTHER COMMITTEE RESPONSIBILITIES

Ms. Jennifer Kunz, Information Technology Department, reported on the status of the transfer of state agency information technology employee positions and the delivery of consolidated information technology services required by 2003 House Bill No. 1505.

Ms. Kunz said the department distributed the draft preliminary recommendations report and implementation project plan to the initial 15 agencies on July 18, 2003. Ms. Kunz said the report and plan are being reviewed by the steering committee and executive committees and will be submitted to the Governor on August 7, 2003. When finalized, the report and plan will be issued in September 2003.

Ms. Kunz said for the other 29 agencies, technical and financial information has been submitted and further discussions and analyses are being conducted. She said recommendations for these agencies will be added to the recommendations report and implementation plan and submitted to the agencies by August 15, 2003.

Ms. Kunz said specific recommendations have not yet been finalized. A copy of the report is on file in the Legislative Council office.

In response to a question from Representative Skarphol, Ms. Pam Sharp, Director, Office of Management and Budget (OMB), said that as part of the process, OMB is involved in analyzing the purpose and duties of the positions being considered for transfer.

Representative Skarphol asked that OMB provide information to the committee at a future meeting regarding how it will be gathering information technology costs during the 2003-05 biennium.

Ms. Nancy Walz, Director, Policy and Planning Division, Information Technology Department, presented a status report on major information technology projects.

Ms. Walz said eight projects have business cases due; however, none are being submitted this quarter. She said eight projects have postproject reviews due and six are being submitted this quarter, including three from the Department of Transportation, one from the Highway Patrol, one from the Information Technology Department, and one from Job Service North Dakota.

Ms. Walz reviewed the large project summary report. She said 12 projects are either on or ahead of schedule and on or under budget. She said six projects are reported as completed, including one from the Bank of North Dakota, three from the Department of Transportation, one from the Information Technology Department, and one from the Supreme Court.

Ms. Walz said four new projects are being reported this period, two of which are criminal justice information sharing projects, one is an Information Technology Department work system, and the other is a continuity of government project by OMB and the Division of Emergency Management.

Ms. Walz said the department is closely monitoring the following four projects:

1. The Bank of North Dakota guarantor project.
2. The Department of Public Instruction student data warehouse project.
3. Job Service North Dakota claims center II project.
4. Office of Management and Budget living disaster recovery planning system.

A copy of the report is on file in the Legislative Council office.

Mr. Eric Hardmeyer, President, Bank of North Dakota, reported on the status of the Bank's e-commerce project, including information on the history of the project, original and current project timelines, project costs incurred to date, and total estimated project costs.

Mr. Hardmeyer said the project is anticipated to cost a total of \$7,877,870, which is \$388,646 more than the budgeted total of \$7,489,224. A copy of the report is on file in the Legislative Council office.

Ms. Julie Kubisiak, Bank of North Dakota, provided a demonstration of the e-commerce project.

Mr. Dale Gehring, Minot State University, commented on the value of the e-commerce project to higher education institutions for improving access to student loan information.

Senator Robinson asked how much of the project is now complete. Mr. Hardmeyer said the guarantor software rewrite is 75 to 80 percent complete and should be operational by February 2004.

Mr. Jim W. Smith, Legislative Budget Analyst and Auditor, Legislative Council, presented a memorandum entitled *Job Service North Dakota and Workforce Safety and Insurance - Electronic Reporting* regarding the electronic reporting of payroll information to Job Service North Dakota and Workforce Safety and Insurance. He said 1995 House Bill

No. 1019 required Job Service North Dakota and Workforce Safety and Insurance to develop an employer wage-reporting system that would allow for the electronic submission of employer wage information. In addition, he said 1999 Senate Bill No. 2024 required Workforce Safety and Insurance to develop an Internet web application with electronic commerce capability, including the ability for employers to file payroll reports for workers' compensation coverage electronically through the Internet.

Mr. Smith said currently Job Service North Dakota accepts electronic reporting of payroll information for the unemployment insurance program through secure file transfer protocol, CD-ROM, diskette, and magnetic tape. He said the agency receives approximately 25 to 30 percent of its payroll information through one of these electronic methods.

Mr. Smith said currently Workforce Safety and Insurance accepts electronic reporting of payroll information through an on-line payroll reporting application and through secure file transfer protocol, CD-ROM, diskette, and magnetic tape. For the period May 2002 through April 2003, he said Workforce Safety and Insurance received 15 percent of its payroll information through the on-line payroll reporting application and 9 percent through one of the other electronic methods.

Regarding consolidated reporting, Mr. Smith said Job Service North Dakota, Workforce Safety and Insurance, and the state Tax Department developed a consolidated reporting plan in 1998. Due to differences in definitions of reportable wages, employment, liable employer, and other items, it was determined not possible to have complete consolidated reporting, but the plan detailed the means by which employers could report to all three agencies using the same electronic application. The plan was presented to the 1999 Legislative Assembly; however, the Legislative Assembly chose not to fund the initiative.

## OTHER INFORMATION

Mr. Wolfe presented the following suggestions for information to be presented to the committee at future meetings:

1. An update on the information technology functional consolidation project.
2. A report on the status of the information technology centralization study.
3. A report on the status of the Information Technology Department's plan to address the \$1 million general fund reduction made to the department's appropriation by the 2003 Legislative Assembly.
4. A report on the ConnectND project.
5. A report on the future vision of the statewide network.
6. A review of potential initiatives to reduce information technology spending.

Representative Skarphol suggested the Governor be invited to future meetings to be involved with the

information technology organizational and management studies.

Representative Skarphol expressed concern regarding certain agencies buying information technology equipment without adequate information on the compatibility of the equipment with other state systems and agencies buying software applications that are available through the Information Technology Department.

Chairman Robinson announced the tentative dates for future meetings as Thursday, August 28, 2003, 10:00 a.m.; Friday, September 26; and Wednesday, October 22.

The committee adjourned subject to the call of the chair at 4:30 p.m.

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Allen H. Knudson  
Assistant Legislative Budget Analyst and Auditor

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Jim W. Smith  
Legislative Budget Analyst and Auditor

ATTACH:1