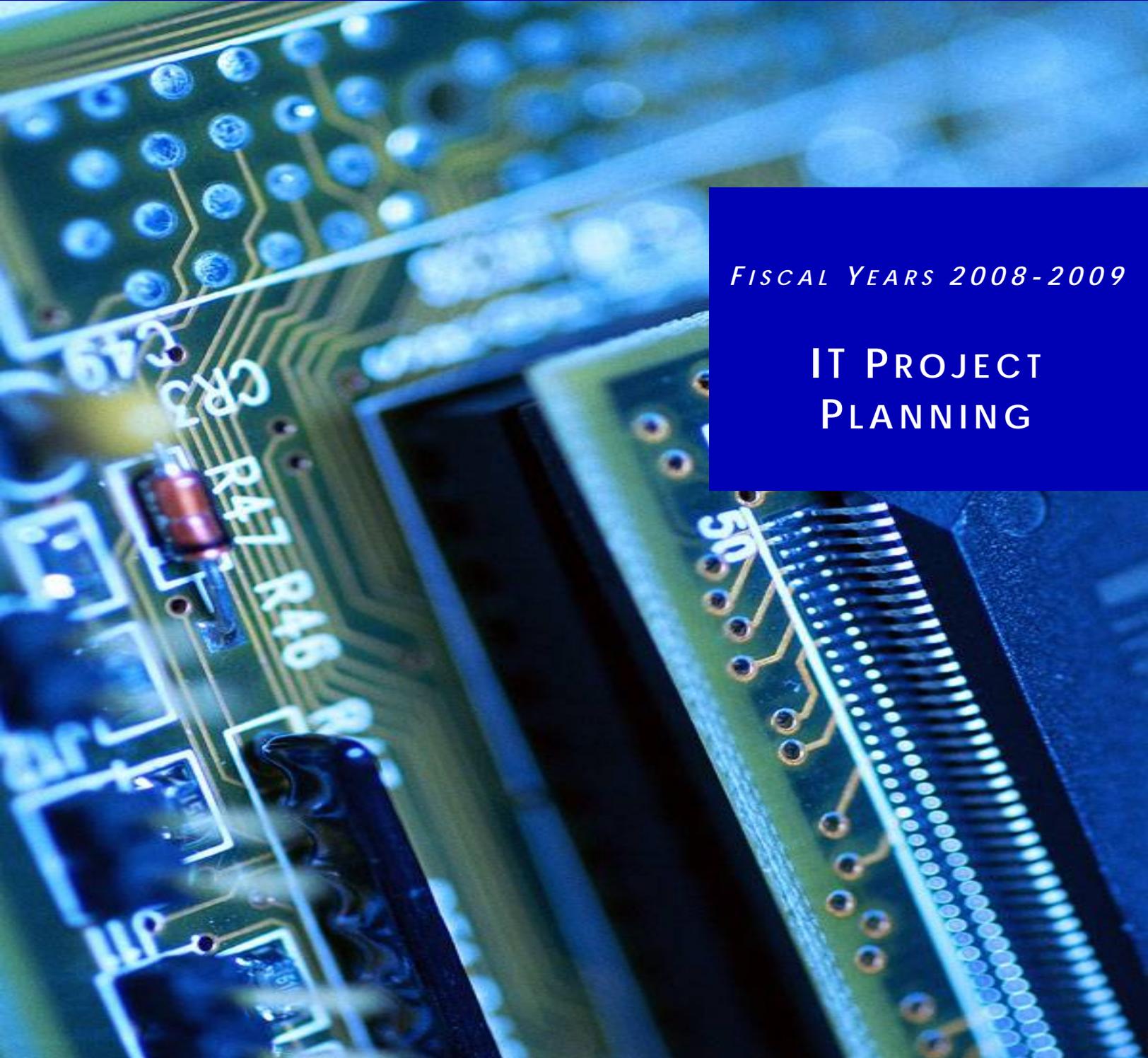




Statewide IT Investment Summary and Analysis

FISCAL YEARS 2008-2009

IT PROJECT PLANNING



Acknowledgements

The data and observations contained in this report were made through the analysis of agency IT plans. We wish to express our thanks to the Accountancy Board of Ohio, Board of Examiners of Architects, Bureau of Workers' Compensation, Industrial Commission of Ohio, Office of Information Technology, Ohio Arts Council, Ohio Arts and Sports Facilities Commission, Ohio Board of Dietetics, Ohio Board of Motor Vehicle Collision Repair Registration, Ohio Board of Nursing, Ohio Board of Regents, Ohio Board of Tax Appeals, Ohio Commission on Dispute Resolution and Conflict Management, Ohio Commission on Minority Health, Ohio Consumers Counsel, Ohio Counselor and Social Worker Marriage and Family Therapist Board, Ohio Department of Administrative Services, Ohio Department of Alcohol and Drug Addiction Services, Ohio Department of Aging, Ohio Department of Agriculture, Ohio Department of Commerce, Ohio Department of Development, Ohio Department of Education, Ohio Department of Health, Ohio Department of Insurance, Ohio Department of Job and Family Services, Ohio Department of Mental Health, Ohio Department of Mental Retardation and Developmental Disabilities, Ohio Department of Natural Resources, Ohio Department of Public Safety, Ohio Department of Rehabilitation and Correction, Ohio Department of Taxation, Ohio Department of Transportation, Ohio Department of Youth Services, Ohio Environmental Protection Agency, Ohio Ethics Commission, Ohio Legal Rights Services, Ohio Library Board, Ohio Liquor Control Commission, Ohio Lottery Commission, Ohio Occupational Therapy, Physical Therapy and Athletic Trainers Board, Ohio Office of Budget and Management, Ohio Office of Inspector General, Ohio Optical Dispensers Board, Ohio Personnel Board of Review, Ohio Public Defender, Ohio Public Works Commission, Ohio Rehabilitation Services Commission, Ohio Respiratory Care Board, Ohio School Facilities Commission, Ohio State Barber Board, Ohio State Board of Cosmetology, Ohio State Board of Embalmers and Funeral Directors, Ohio State Board of Optometry, Ohio State Board of Pharmacy, Ohio State Board of Proprietary School Registration, Ohio State Board of Psychology, Ohio State Board of Sanitarian Registration, Ohio State Chiropractic Board, Ohio State Dental Board, Ohio State Employment Relations Board, Ohio State Racing Commission, Ohio Tuition Trust Authority, Ohio Veterans' Home, Ohio Veterinary Medical Licensing Board, Public Utilities Commission of Ohio, State Board of Orthotics, Prosthetics and Pedorthics, State Board of Registration for Professional Engineers and Surveyors, and the State Medical Board of Ohio. Without their participation, this report would not have been possible.

Organization of the Statewide IT Investment Summary and Analysis Report

The biennial Statewide IT Investment Summary and Analysis Report for the planning period for fiscal years 2008-2009 consists of five sub-reports. These are:

- **Executive Summary**
- **Enterprise IT Planning**
- **Strategic IT Planning**
- **Tactical IT Planning**
- **IT Project Planning**

A series of appendices details supporting data and analysis. Appendices are listed under “Contents” for a particular sub-report.

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Appendix P-A Risk Assessment Approach

Overview

This sub-report of the Statewide IT Investment Summary and Analysis Report presents the analysis of information from the IT project plan sections of agency IT plans. These sections contain planning information for each IT project that requires funding and is expected to be active during the 2008-2009 fiscal years.

The trends, themes and other relevant commonalities among the 358 IT projects documented in the agency plans are presented in this sub-report, as follows:

- **IT Project Overview: Duration & Status.** Analysis of IT project duration data.
- **Project Mandates and Procurement Methods.** Reasons for projects and the procurement methods to be used.
- **Budget Cost Estimates.** Estimates and breakdowns of costs, along with levels of confidence in the accuracy of these estimates.
- **IT Project Commonalities.** Major types of projects and dominant project purposes.
- **Project Risk Analysis.** Analysis of risk factors for IT projects.
- **Consolidated Observations.** The more critical issues from an IT project perspective of agency plans.

1 IT Project Overview: Duration & Status

This report section analyzes the anticipated duration of the IT project portfolio for all of the submitted agency plans. This analysis will indicate whether agencies are planning shorter or longer duration projects. If more shorter duration IT projects are planned, then planning practices will require adjustment to compensate. If more longer duration IT projects are planned, then monitoring and oversight of these projects becomes more critical.

1.1 Project Duration

Project duration is calculated by establishing the difference between the planned start date (or actual start date if the project has been started) and the planned end date of the project. The average project duration for the 358 IT projects planned for the biennium was 826.4 days, or 2.26 years.

More than one-third of all projects end on the last day of the fiscal year (139 of the 358 projects, or 38.8%). Many of these projects will

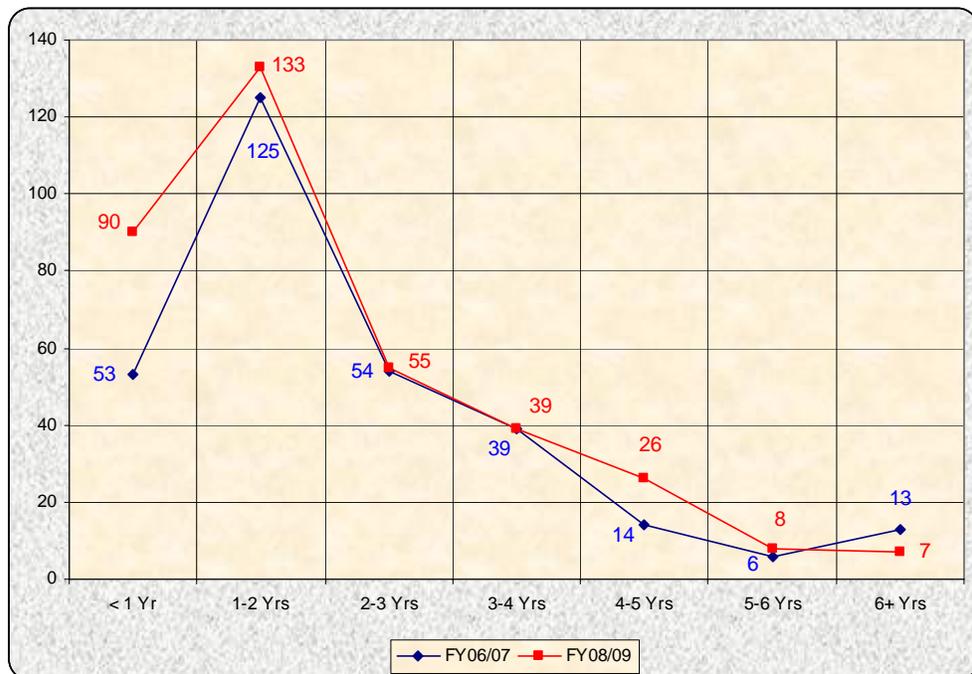


Figure P-1. Distribution of Project Duration

be continued as “new” projects in the next fiscal period, but because of budget/funding timelines, will show a shorter duration than will actually be expected to occur.

Since the total number of IT projects increased by almost 20% for this fiscal period, the percentage of IT projects in each duration period was compared for fiscal years 2006-2007 versus 2008-2009 and is shown in Figure P-2.

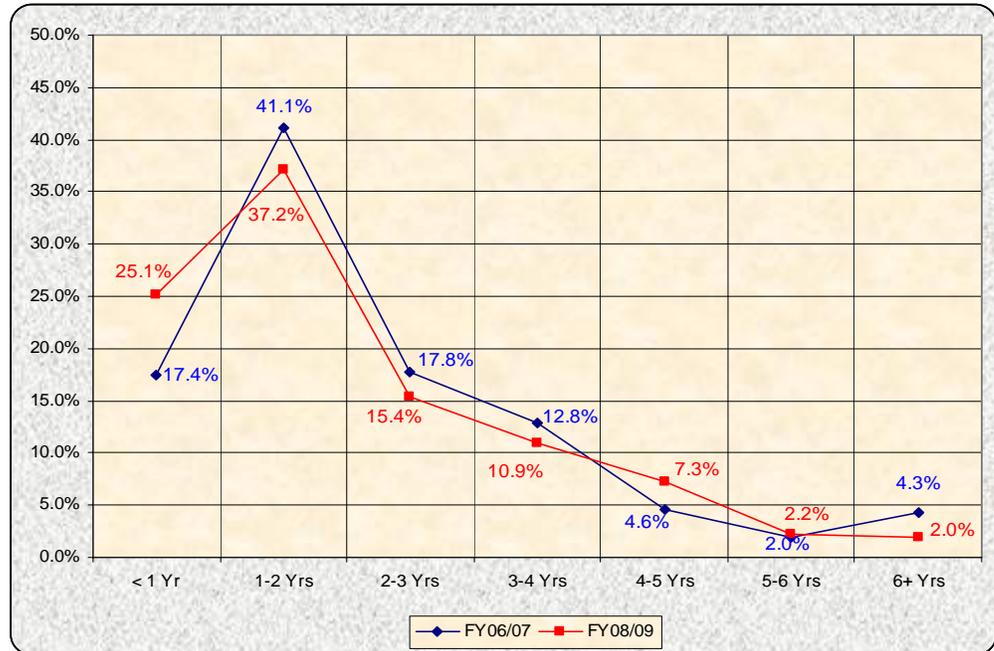


Figure P-2. Percent of Distribution of Project Duration

Figures P-1 and P-2 indicate the following:

- The share of projects with a duration of less than one year rose 8%, from 53 to 90.
- The proportion of projects with a duration between one and two years declined by 4%, although the raw number of projects in this slot increased, from 125 to 133.
- Although the percentage difference in the four to five year period is only 2.7%, it represents an increase from 14 to 26 IT projects for this duration period. This duration boundary marks projects that last across three or more planning periods.

Web services can be developed and fielded in a much shorter time span than “traditional” applications. At a time when agencies are engaged in moving legacy applications to a Web services environment,

more projects are expected to last a shorter period of time. However, the increase in projects with a 4-5 year duration indicates that projects with significant technology changes have not shown a decline parallel to the increased presence of government services on the Web.

1.2 Project Timeline Analysis

A timeline analysis shows when the portfolio of IT projects is anticipated to be active during the fiscal period. A project is considered active if it started or remained active during that time.

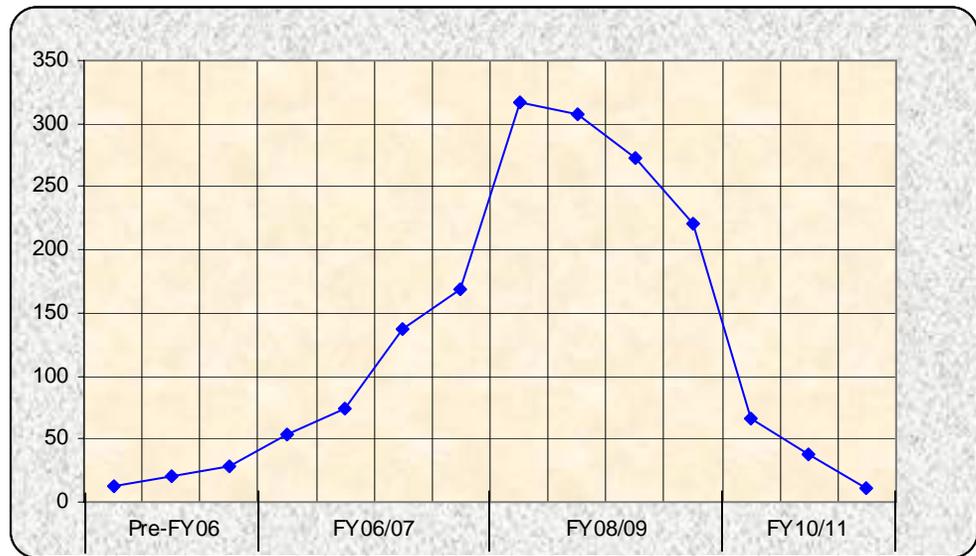


Figure P-3. Active Projects by Time Period

As indicated by Figure P-3, more than 150 of the total of 358 IT projects were active before the biennium, and more than 50 will still be active after the biennium.

1.3 Comparison to Previous Biennium

Some comparisons can be drawn between the current biennium and the previous biennium. As shown in Figure P-4, the peak period for active projects in fiscal years 2006-2007 occurred prior to the beginning of the biennium. For the 2008-2009 biennium, the peak active period occurs early in the planning period.

However, the biggest difference between the two bienniums is when the greatest drop in active projects is expected to occur. For the 2006-2007 biennium, the biggest drop in active projects occurs during the planning period. For the 2008-2009 biennium, the biggest drop in active projects occurs at the end of the planning period. Since many projects are scheduled to close at the end of the biennium, it is

unclear how many of these projects will continue into the 2010-2011 biennium.

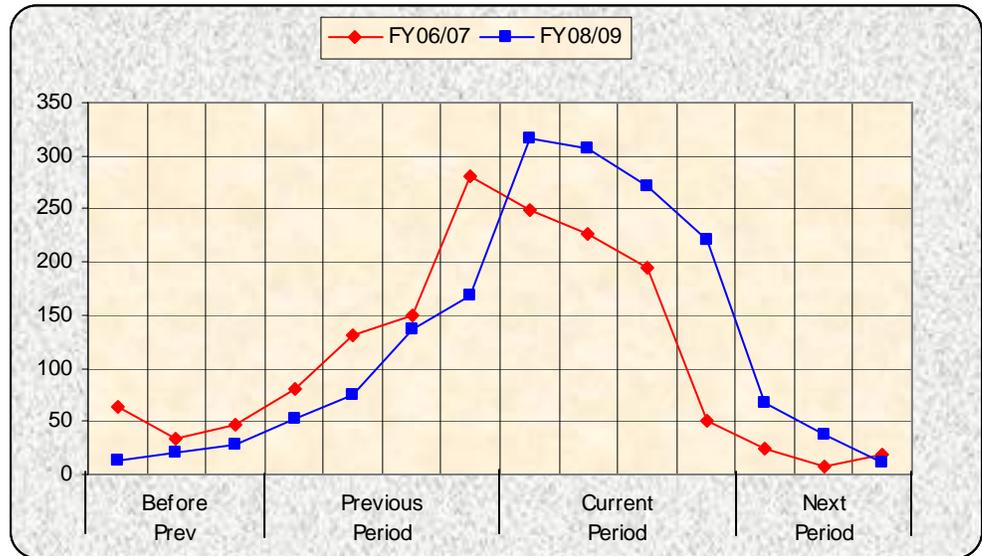


Figure P-4. Active Projects by Time Period

2 IT Project Mandates & Procurement Methods

IT projects may or may not be mandated by state or federal legislation or by other circumstances. Agency planners were asked to specify this situation for each project. In addition, planners were asked to describe the procurement methods that would be employed to implement each project.

2.1 Mandated Projects

Planners were asked to choose whether a project was required by legislation, required for non-legislative purposes, or had no such mandate. Figure P-5 below displays the breakdown of the responses for the 358 IT projects. The overwhelming majority of IT projects are responses to needs other than mandatory compliance, legally or otherwise.

Project Requirement	Number of Projects
Legislation	32
Non-Legislative	50
No Mandate	276

Figure P-5. IT Project Requirement Type

2.2 Project Procurement/Funding Method Analysis

Planners were asked to specify the procurement/funding method for each project. They could choose one or more of the following methods, as applicable: Agency-issued RFP, Controlling Board approval, DAS-issued RFP, direct purchase, and State Term Schedule. If the procurement method had not been determined or none of the methods was applicable to the project, planners marked Unknown/Not Applicable.

In most cases, more than one of the funding methods was chosen. As Figure P-6 shows, the State Term Schedule was specified for nearly

three-fourths (72%) of the projects. Seeking the approval of the Controlling Board was anticipated for nearly one-fourth (23%) of the projects. Although some direct purchasing was expected for many of the projects, an RFP would be sought for a significant number of projects.

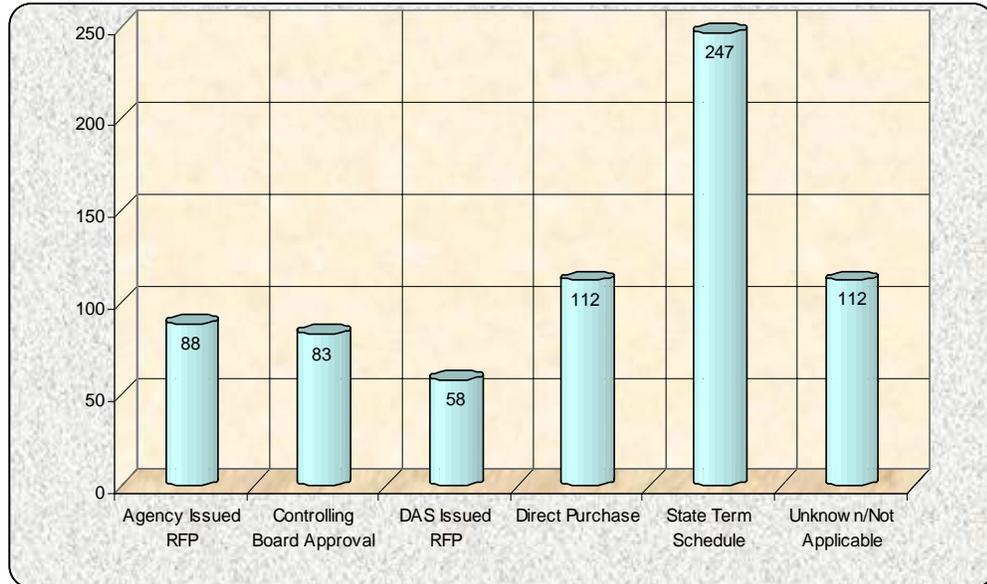


Figure P-6. IT Project Procurement Methods

2.3 Comparison to Previous Biennium: Procurement Method

Since information from the planning period for fiscal years 2006-2007 is available for this plan section, some comparisons can be made against the current planning period. It should be noted that there are about 20% more projects in the 2008-2009 biennium, which should be factored into any analysis of these figures. This should also be considered when reviewing Figure P-7, which compares the two planning periods.

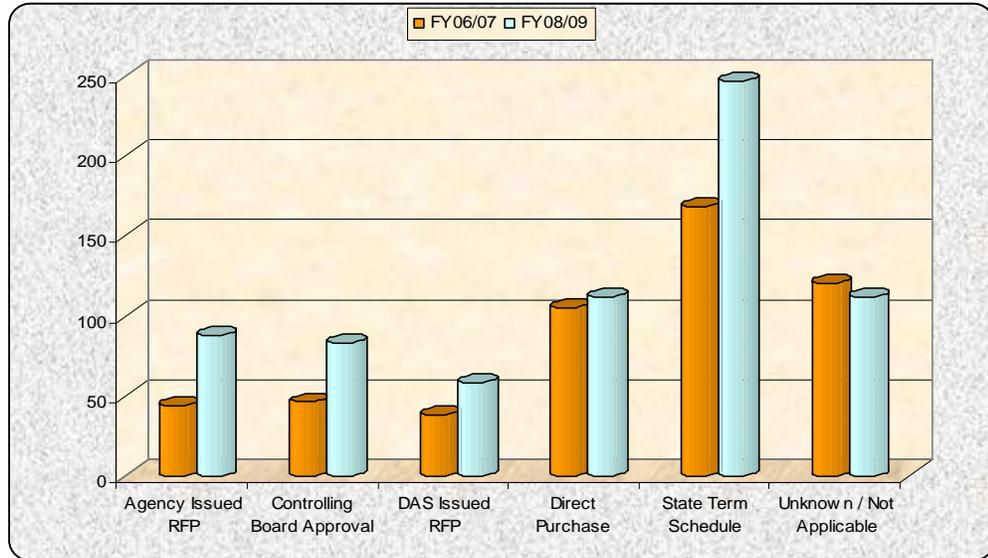


Figure P-7. IT Project Procurement Methods in FY 06/07 and FY 08/09

3 IT Project Cost Estimates

The planner for each IT project provided an estimate for project costs. The Enterprise Planning sub-report provides a breakdown of the budget categories for those estimates. That information will not be repeated here. Levels of confidence in budget estimates and potential variations in budget amounts are examined in this section.

3.1 Levels of Confidence

Each planner identified a level of confidence for the project budget estimate as high, middle, or low. For each level of confidence, an error range with high and low variations existed as follows:

- High – an error range between +10% and -5%.
- Middle – an error range between +25% and -10%.
- Low – an error range between +75% and -25%.¹

3.2 Potential Variations

Using the potential cost variations suggested by the levels of confidence in the budget estimate of each project, a range of probable budget totals was created. For example, if the estimated budget for the project was \$1.3M and had a middle confidence level, the following budget variations were calculated:

- Planned Budget Estimate \$1.3M
- Lowest Budget Estimate \$1.17M (-10% of the original)
- Highest Budget Estimate \$1.625M (+25% of the original)

Using this method to determine the potential range of budget estimates, the chart shown in Figure P-8 was created.

3.3 Composite Budget Variations

As confidence in the budget estimate improves, the difference between the estimate and the high and low end variations should decrease. The following can be observed in Figure P-8:

¹ Note that the level of confidence assignment does not distinguish between FY08/09 costs and lifecycle costs.

- Across the three fiscal periods, the percent difference of the lowest budget estimate variation improved from 82.2% to 88.8% to 89.2%.
- Across the three fiscal periods, the percent difference of the highest budget estimate improved from 150.9% to 129.4% to 128.5%.

In both cases, the variation calculations show that project planners are gaining confidence in their estimates.²

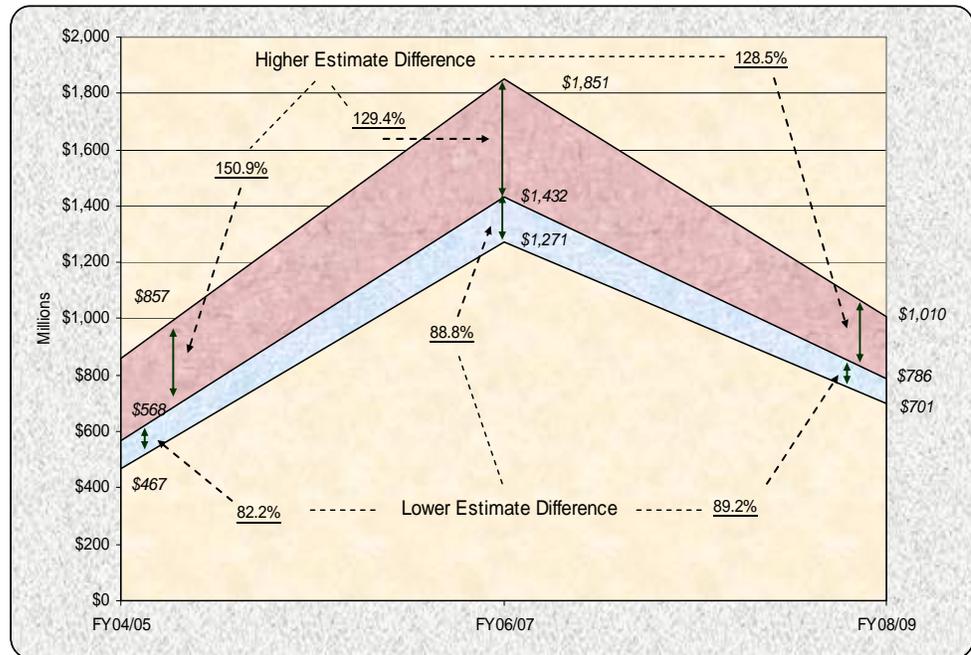


Figure P-8. IT Project Budget Estimate Variations

² Note that the dollar values for the planned budget estimate do not reflect the spending for the three planning periods. They represent the total project budget as estimated during those time periods.

4 IT Project Commonalities

The portfolio of IT projects displays a wide variation in project size, estimated budget, effort, purpose, technical approach and issues. However, when comparing agencies of similar size, the variations are less notable. To further explore commonalities among projects, they were classified as to type of project and project theme. The type of project was identified by project planners from three types provided by the ePlanningIT application, while the themes emerged from extended analysis of the project planning information.

4.1 IT Project Types

Each project was classified by type, as a Development, Enhancement or Utility project. Figure P-9 below shows the number of projects in each classification and the percentage of all IT projects represented. As illustrated, 85% of projects split almost evenly between Development (45%) and Enhancement (40%). Utility was selected 15% of the time.

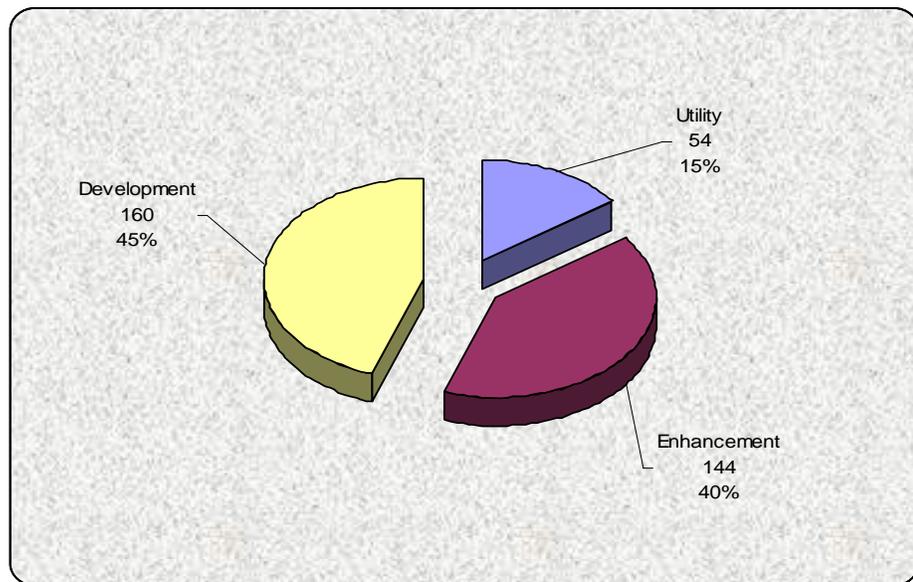


Figure P-9. Type of IT Projects by Number of Projects and Percentage

4.2 Comparison to Previous Biennium: IT Project Types

Comparing IT projects by type for the current fiscal period against 2006-2007 shows that for 2008-2009 Development projects have

increased noticeably both in raw terms and as a percentage of the total: from 113 projects (37%) to 160 projects (45%). Utility projects also have increased, from 40 projects (13%) to 54 projects (15%). In the meantime, Enhancement projects have dropped from 152 projects (50%) to 144 projects (40%).

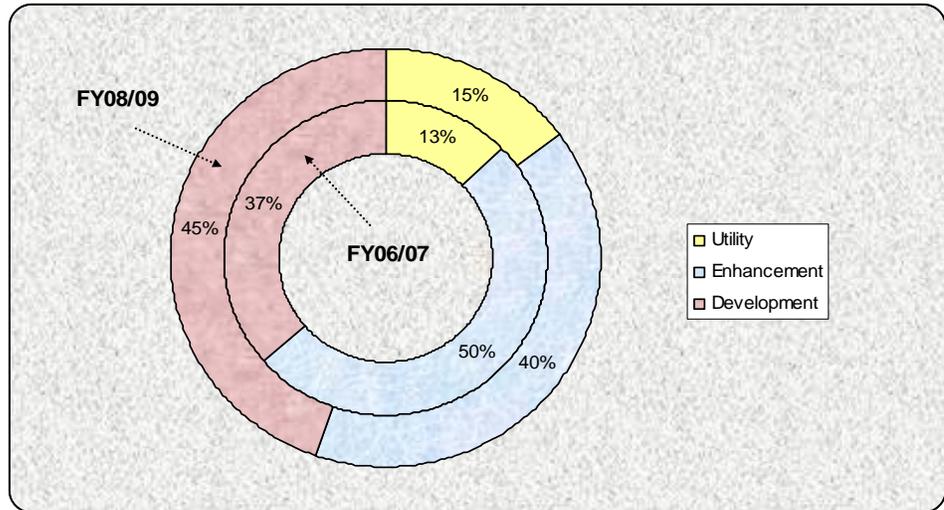


Figure P-10. Type of IT Projects by Percentage

4.3 IT Project Themes

The Purpose, Scope, Technical Approach, Assumptions, Project Goal, and Success Criteria were reviewed for each of the 358 IT projects. From this information, common themes emerged. These are described below, in sections 4.3.1, 4.3.2, and 4.3.3. The number of IT projects involved is displayed in parenthesis.

4.3.1 MOST FREQUENT THEMES

Two themes stood out and, together, accounted for more than one-fourth of all projects. These themes were:

- **Upgrade Existing Applications.** Projects that aim to upgrade or expand the capabilities of current applications (13.7%). (49)
- **Upgrade Infrastructure.** Projects to upgrade the existing hardware, communications or software infrastructure (12.8%). (46)

4.3.2 MODERATELY FREQUENT THEMES

In addition to the two very frequent themes above, four themes occurred in 20 or more projects (5% or more). These were:

- **Implement New Technology Service Capability.** Projects that will implement new services enabled by technology (e.g., content management, document management, and business intelligence). (27)
- **Replace Legacy Systems.** Projects to replace one or more legacy applications or systems. (23)
- **Implement New Application.** Projects expected to implement a new application (not specifically a new on-line capability). (21)
- **Improve Data/Information Environment.** Projects to improve the data exchange between applications, establish a better information reporting foundation, or improve data standards. (20)

4.3.3 OTHER EMERGING THEMES

Nine other themes emerged often enough – in five to sixteen projects – to be noteworthy. These were:

- **Expand Web Capabilities.** Projects that expand the capabilities of existing Web/on-line services. (16)
- **Establish New On-line Service.** Projects to establish a new on-line service for an agency. (15)
- **Improve Business Continuity.** Projects that will address business continuity issues (e.g., disaster recovery or pandemic preparedness). (14)
- **Migrate Platform.** Projects to migrate applications and data from one hardware, communication, or software platform to another, without significant changes in existing capabilities. (14)
- **Improve Security Architecture.** Projects that aim to improve the security architecture for an agency. (13)
- **Augment Staff.** Projects that provide additional staff to the existing agency environment. (10)
- **Support Statewide ERP Solution.** Projects to accommodate the OAKS implementation. (9)
- **Perform Requirements Analysis.** Projects that gather and define the requirements for anticipated IT efforts. (8)
- **Expand Business Services.** Projects that will implement new business services through the implementation of new technology (not the same service faster, but a new service). (5)

4.3.4 OBSERVATIONS

The two most prevalent themes, *Upgrade Existing Applications* and *Upgrade Infrastructure*, may actually duplicate activities that should be documented in the maintenance planning categories (i.e., Application Maintenance and Infrastructure Maintenance). Until this apparent confusion can be addressed, accurate tracking of the IT budget by categories will continue to be difficult.

The fourth most prevalent theme, *Replace Legacy Systems*, highlights a potential planning issue. The *Replace Legacy Systems* theme was assigned if the compelling purpose for the project was to replace one or more existing applications. If the compelling purpose was to move to the Web (i.e., the *Expand Web Capabilities* theme) or migrate platforms (i.e., the *Migrate Platform* theme), then those assignments were made. The planning question is: how many interim steps are desired or necessary between existing architectures and Web-based architectures?

4.4 Comparison to Previous Biennium: IT Project Themes

In fiscal years 2006-2007, the most dominant themes were:

- Browser-Based Solutions
- Continuous Operations
- Federal Approval, Funding, and Validation
- Infrastructure Upgrades
- Pilot Projects
- Platform Consolidation
- Shared Data Requirements

Comparing these with themes in fiscal years 2008-2009, the following observations can be made:

- The two most common themes, *Upgrade Existing Applications* and *Upgrade Infrastructure*, may actually duplicate activities that should be documented in the maintenance planning categories (i.e., Application Maintenance and Infrastructure Maintenance). Until this apparent confusion can be addressed, accurate tracking of the IT budget by categories will continue to be difficult.
- The fourth most prevalent theme, *Replace Legacy Systems*, highlights a potential planning issue. The *Replace Legacy Systems* theme was assigned if the compelling purpose for the project was

to replace one or more existing applications. If the compelling purpose was to move to the Web (i.e., the *Expand Web Capabilities* theme) or migrate platforms (i.e., the *Migrate Platform* theme), then those assignments were made. The planning question is how many interim steps are desired or necessary between existing architectures and Web-based architectures?

- Migration to a browser-based Web environment continues at a good pace.
- The drop in the *Continuous Operations* theme may signal that agencies made significant progress in the transition to an on-line presence.
- IT projects significantly influenced by federal requirements appeared to decrease. This is consistent with the current administration cycle at the federal level.

5 Risk Analysis

High-level self-assessments of vulnerability and risk were required for major IT projects and optional for other IT projects; however, every agency completed the self-assessment for all projects. The information gathered was used to develop a preliminary risk analysis for each IT project.

5.1 High Risk Factors

Of the 358 IT projects catalogued for fiscal years 2008-2009, 89 were classified as major IT projects. Although major projects numbered only 24.9% of all IT projects, their combined budget estimate total was 93.3% of the total for all IT projects. An examination of the vulnerability and impact factors that put major IT projects at risk indicates where to concentrate efforts to reduce risk.

5.1.1 VULNERABILITY & IMPACT FACTORS

Ten vulnerability and four impact factors can indicate potential risk. Vulnerability factors are:

- **Business Objective Alignment** – the alignment of the IT project with the success of one or more business objectives.
- **Project Clarity** – the clarity of the scope and business objectives for the IT project.
- **Business Impact** – the amount of change required in the business processes of the agency.
- **Resource Requirements** – the number and amount of existing resources (e.g., staff and budget) and timeline.
- **Project Interdependencies** – the interdependencies between the success of the IT project and other IT initiatives.
- **Infrastructure Impact** – the existing and/or planned technology infrastructure.
- **Technology Standards** – technology alignment with existing IT governance.
- **Project Experience** – the historical success of implementing projects of similar size and complexity within the agency.

- **Project Management Maturity** – the agency alignment with standard project management methodologies.
- **Project Manager Maturity** – the project management experience and skills of the assigned project manager.

Impact factors are:

- **Citizen/Constituency** – the direct/indirect impact on citizens, business partners and/or state employees.
- **Visibility** – ranging from public visibility, to legislative visibility, to agency visibility only.
- **State Operations** – the project scope across single or several offices within an agency, to multiple agencies across the state.
- **Not Completion of Project** – the result of failure to complete the project.

Five vulnerability factors were added for this planning period and should be considered in interpreting the results of any data presented in this report section. The risk factors added were:

- Business Objective Alignment
- Project Clarity
- Project Interdependencies
- Project Management Maturity
- Project Manager Maturity

5.1.2 SELF-ASSESSMENT OF RISK AND RISK CLASSIFICATIONS

The project planner for each major IT project answered questions regarding each risk factor. The answers determined the projects' risk classifications, which were based on the method and risk table in Appendix P-A.

Figure P-11 shows the distribution of high risk IT projects according to the number of risk factors. The horizontal axis shows the number of high risk factors and the vertical axis indicates the number of projects. The left-hand (blue) column represents all IT projects, while the right-hand (yellow) column represents major IT projects.

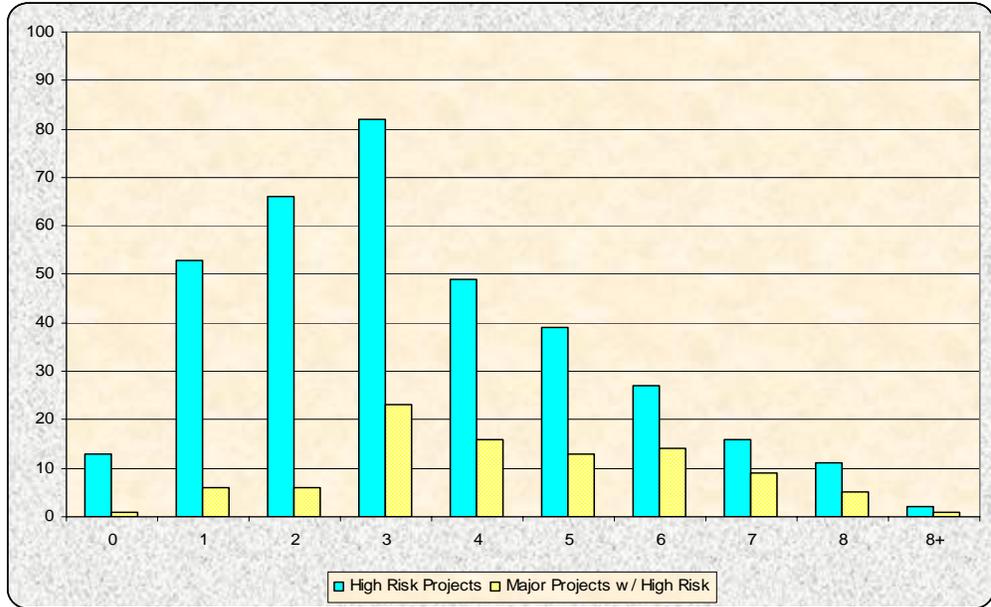


Figure P-11. Number of High Risk Factors for Projects

Overall, 13 projects had no high risk factors, and 53 had only one high risk factor. Additional analysis shows that:

- More than 10% of IT projects could be mitigated from high risk to medium risk by reducing one high risk factor.
- A large number of projects, including 42 of the 89 major IT projects and 95 of the 358 IT projects, have 5 or more high risk factors and require substantial effort to reduce risk.

5.2 Comparison to Previous Biennium: Risk Analysis

Figure P-12 shows risk comparisons across the two biennia. The difference in the total number of IT projects as well as the difference in the number of major IT projects between fiscal years 2006-2007 and fiscal years 2008-2009 should be kept in mind when reviewing this figure. A second difference to note is the addition of five risk factors for the current biennium, as noted in section 5.1.1 above.

5.2.1 RISK FACTOR COMPARISON: MAJOR PROJECTS AT HIGH RISK

Additional analysis of the major IT projects at high risk shows that:

- The percentage of major IT projects dropped in the current fiscal year, from 44.3% to 24.9%, while the percentage of major IT projects at high risk also dropped, from 39.7% to 24.6%.
- Only one of the major IT projects was not at high risk from at least one risk factor.

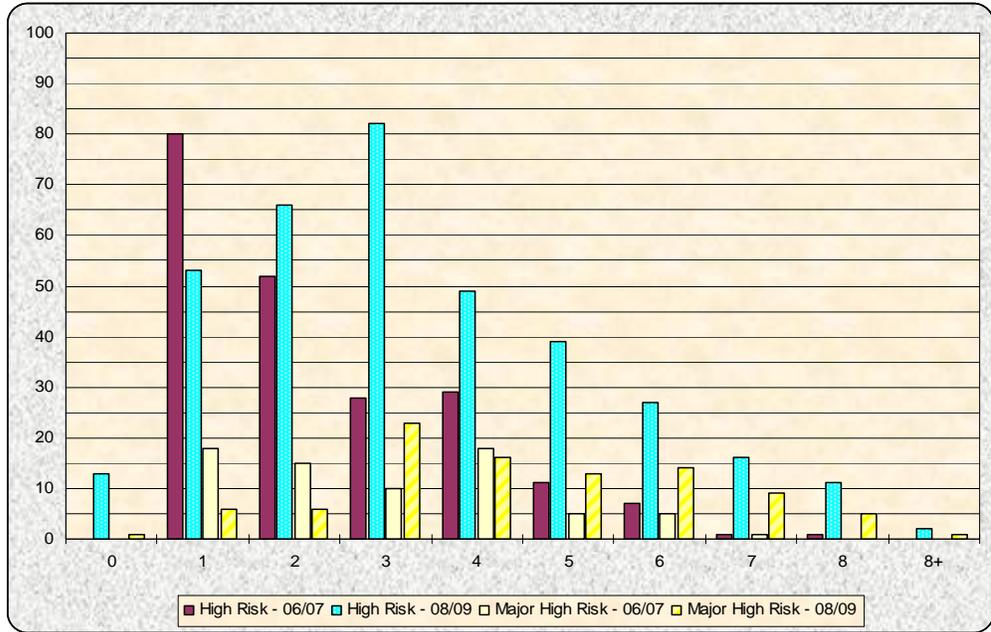


Figure P-12. Major and Non-Major IT Project High Risk Comparison

5.2.2 INDIVIDUAL RISK FACTOR COMPARISON: MAJOR PROJECTS

Figure P-13 compares self-assessments of the major IT projects for each of the 14 risk factors and displays the distribution of the high, medium, and low risk values. Risk factors for non-major IT projects were not considered in this comparison.

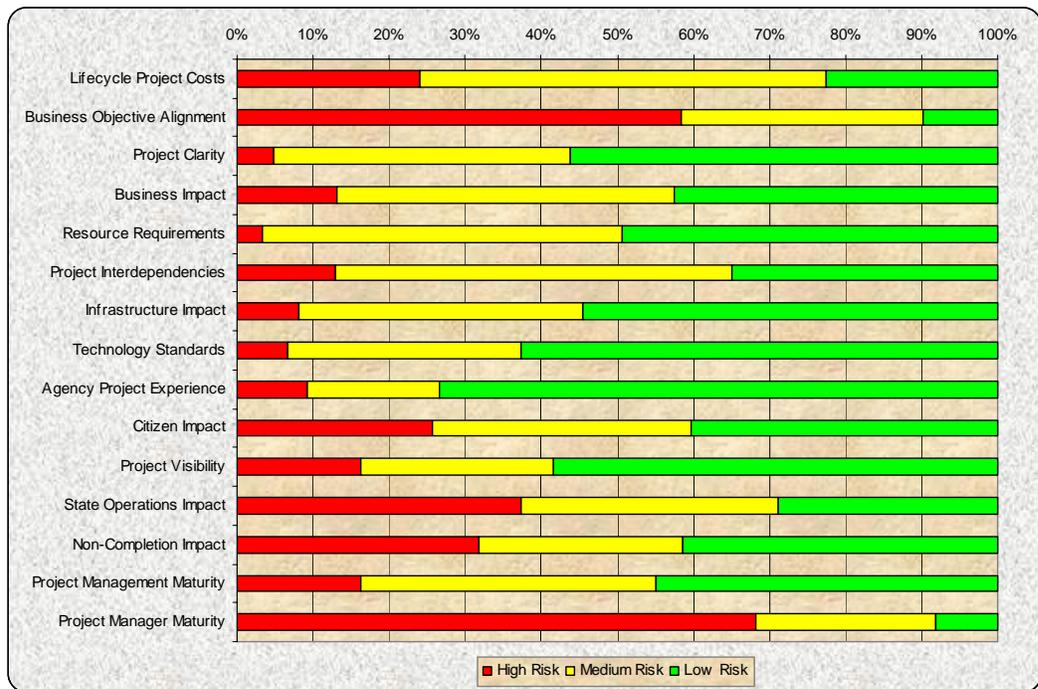


Figure P- 13. Major IT Project Risk Factor Comparison

Further analysis yielded the following results:

Vulnerability. The most prevalent high or medium vulnerability factor was the project management maturity of the assigned project manager. For this factor, 68% of all major projects had the highest-level risk, and 23% of all major projects had a medium-level risk.

The second most prevalent vulnerability factor was the potential effect of the IT project on business objectives. Fifty-eight percent of all IT projects had high vulnerability in this area. This indicated a very high alignment of IT applications to business objectives for these IT projects.

Impact. The two most frequent impact factors were the impact on state operations and the anticipated impact of non-completion of the project. Thirty-seven percent of major IT projects were identified as having high impact on state operations, while thirty-one percent would have a high impact for non-completion.

Other considerations. By definition, the increased focus on digital government through Web and portal applications increases risk. This is true because Web services affect citizens directly (an impact risk factor). In addition, as more government services become Web services, a more direct connection exists between government services and IT support of those services (a vulnerability risk factor). Therefore, the existence of a Web application will almost automatically push the project into a medium risk category.

The fact that the second most frequent vulnerability factor was the effect on business objectives indicated a high degree of alignment between business and IT goals. As IT projects increase alignment with business objectives, risk will increase.

Finally, the result of the self-assessments of *Agency Project Experience* and *Project Manager Maturity* are contradictory on the surface. The fact that both factors are self-assessed further indicates that at least one of the two risk factors is unreliable.

5.3 Comparison to Previous Biennium: IT Project Individual Risk Factors

Figure P-14 compares self-assessments of the major IT projects for each of the 14 risk factors and displays the distribution of the high,

medium, and low risk values for the two planning periods.³ For each risk factor, the top bar shows perceived risk levels for major IT projects in the planning period for fiscal years 2006-2007, while the second bar shows risk levels for the current period. Risk factors for non-major IT projects were not considered in this comparison.

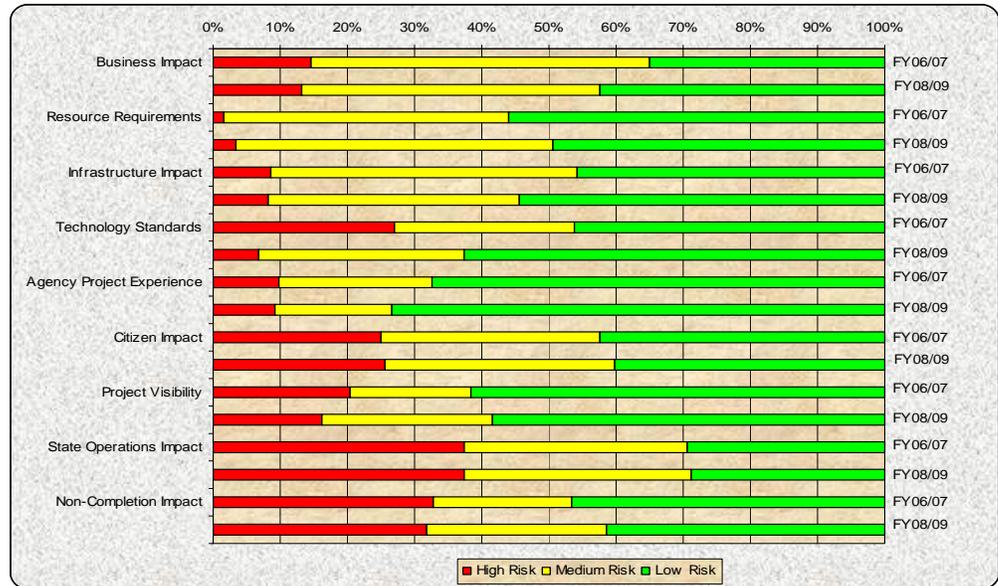


Figure P-14. Major IT Project Risk Factor Comparison

A few observations can be made from additional analysis of the risk factors:

- The risk values associated with *Resource Requirements* were worse under current planning period.
- The risk values associated with *Technology Standards* improved significantly for the current planning period.
- The risk values for *Project Visibility* improved somewhat for the current planning period.

³ The new risk factors were not included in the biennial comparison.

6 Consolidated Observations

The following summary of observations from this sub-report highlights the more critical issues from the IT project perspective of agency plans. A code is provided (project report section (P) – observation (O) – numeric code) for reference in the Executive Summary, and each observation ends with a reference to the supporting report section:

- (P-O-1) – The project duration analysis revealed that almost 40% of the total IT projects have a planned end date on the last day of the fiscal year (i.e., June 30, 2009). This fact suggests that agencies design project schedules around fiscal years and budget requirements more than actual project requirements. (1)
- (P-O-2) – The replacement of legacy systems was a dominant theme for IT project purposes. This theme exists uniquely apart from platform migration and expansion of Web capabilities. Agencies are applying different criteria for when and how quickly to move to a Web-based environment. (4)
- (P-O-3) – Analyzing risk during IT project planning requires a better approach. Agency planners' self-assessment of risk can be a valuable first step, but the non-conclusive results (e.g., high agency project experience and low project manager maturity) indicate that it should not be the last step in risk management of IT projects. (5)

C ontact

For further information concerning items found in this report, please contact:

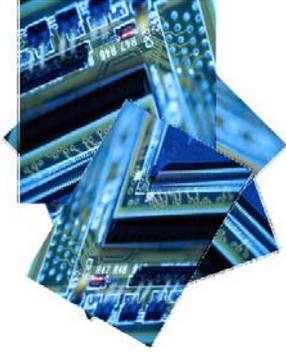
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Statewide IT Investment Summary & Analysis

Fiscal Years 2008-2009
IT Project Planning

Ohio **OAS**



Ohio Department of Administrative Services
Office of Information Technology

Ted Strickland, *Governor*
Hugh Quill, *Director*
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