

Virginia Information Technologies Agency



Information Technology Investment Management (ITIM) Services

Expense Recovery

**Methodology and
Approved Fee Schedule**

expect the best

June 30, 2006

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Executive Summary

The General Assembly of the Commonwealth of Virginia requires VITA to perform a number of Governance and Agency Oversight functions. These are mandates whose expenses must be recovered through the use of Internal Service Funds.

Agency Oversight and Consulting expenses will be recovered through an hourly rate for services performed. A fee, to be called the Information Technology Investment Management (ITIM) Service Fee, will be created for cost recovery related to ITIM governance services for Institutions of Higher Education.

This document outlines the functions of these services as they relate to the new ISF recovery requirements. The calculation of the fees and rates necessary to recover the expenses is also detailed.

For Executive Branch Agencies, Agency Oversight and Consulting expenses will be recovered through an hourly rate of \$74.74. Commonwealth Governance and Enterprise Program expenses on behalf of Executive Branch Agencies will be added to various overhead pools. No rate increases are required at this time to satisfy this recovery.

For Institutions of Higher Education, Agency Oversight and Consulting expenses will also be recovered through an hourly rate of \$74.74. Commonwealth Governance and Enterprise Program expenses on behalf of Institutions of Higher Education will be recovered by a fee, called the ITIM Service Fee. The fee will be assessed by tiers, determined by the size of the institution:

| | Annual | Monthly |
|-----------------------------------|---------------|----------------|
| Small Higher Ed ITIM Service Fee | \$1,322.00 | \$110.17 |
| Medium Higher Ed ITIM Service Fee | \$3,368.00 | \$280.67 |
| Large Higher Ed ITIM Service Fee | \$16,472.00 | \$1,372.67 |

The ITIM Rates and Fees have been reviewed and approved by the VITA Management, the Information Technology Investment Board (ITIB), the Joint Legislative Audit and Review Commission (JLARC) Internal Service Fund Rate Subcommittee, and by JLARC itself. The effective date for the ITIM Service Fee is March 1st, 2006. The effective date for the Agency Oversight and Consulting hourly rate is June 1st, 2006.

Information Technology Investment Management Services

Information Technology Investment Management (ITIM) is the established Commonwealth approach for managing technology across the investment lifecycle. The implementation of ITIM best practices is based on the fundamental concept that the selection, control, and evaluation of technology investments are based upon the anticipated business value of the investment. In support of the Code-mandated responsibilities of the Commonwealth Information Technology Investment Board (ITIB) and the Commonwealth Chief Information Officer (CIO), the VITA Project Management Division (PMD) provides a range of services to insure the effective application of ITIM best practices across the investment lifecycle. PMD services support early and continuous involvement of Commonwealth executives and agencies in the governance and management of technology investments.

Expenses for Governance services for Executive Branch Agencies are treated as overhead, and are recovered through VITA standard rates. Expenses for Governance services for institutions of Higher Education are recovered using a new fee (the ITIM Service Fee). The ITIM Service Fee is a fixed monthly fee based on institution size and projected level of effort. Expenses for Agency Oversight and Consulting services for both Executive Branch Agencies and Institutions of Higher Education are recovered through an hourly rate for services performed.

Commonwealth Governance

Services provided under this category include:

- Agency IT strategic planning support and CIO approval of Agency IT Strategic Plans
- Commonwealth and agency IT portfolio management
- Development of ITIM-based policies, standards, and guidelines
- IT Investment Board support, which includes the annual Recommended Technology Investment Projects (RTIP) Report
- Management and administration of the Commonwealth Project Manager Development Program
- PMD process and tools development, implementation, and support (e.g. the Commonwealth Major IT Projects Dashboard and Commonwealth Agency Technology Strategic Planning Application)

Agency Oversight and Consulting

Services provided under this category include:

- Review and processing of Agency Procurement Requests (APR) for CIO approval
- Consultation on IT projects regarding policy and standards compliance and best practices
- Review and processing of technology budget requests for CIO approval
- Review and processing of major IT projects for ITIB development approval
- Review and processing of major IT project RFP approvals by the CIO
- Review and processing of major IT project contract approvals by the CIO
- Major IT project oversight including:
 - Managing and reviewing major IT project Dashboard reporting
 - Advising Internal Agency Oversight Committees
 - Coordinating and supporting Secretariat Oversight Committees
- Review and approval of Statements of Work (SOW) and reports for major IT project Independent Verification & Validation (IV&V)
- Review and processing of non-major IT project development approvals by the CIO

Recovery Methodology

Governance & Enterprise Programs

A fee, to be called the Information Technology Investment Management (ITIM) Service Fee, will be applied to support the services for mandated governance and enterprise programs provided to institutions of Higher Education. The fee will be calculated as a fixed fee determined annually, and billed on a monthly basis, to each institution of higher education. The fixed fee will be a graduated amount based on the institution's classification as either a small, medium, or large institution¹.

Expenses in support of the services for mandated governance and enterprise programs provided to Executive Branch agencies will be recovered in various overhead pools. No rate increase to offset the higher overhead is required at this time.

Agency Oversight & Consulting

Agency Oversight and Consulting for both in-scope Executive Branch agencies and Institutions of Higher Education will be recovered through an hourly rate for services performed.

Agency Oversight and Consulting Rate Calculation

The hourly rate for Agency Oversight and Consulting was calculated as follows: The Project Management Division provided FMS with a workload breakdown that split Oversight & Consulting, as well as Governance, across the entire 14 person staff (equaling 14 available man years). 6.55 man years, or 47% of the 14 total were allocated for Agency Oversight and Consulting. Using 2080 hours per man year, and an efficiency ratio of 80%, it was determined that 10,899 hours of billable time were available for recovery. 47% of the recovery target + VITA indirect expenses were then divided by the number of billable hours, giving a rate of \$74.74 per hour.

ITIM Service Fee Calculation

The fee for Governance and Enterprise programs was calculated as follows: The Project Management Division provided FMS with a workload breakdown that split Oversight & Consulting, as well as Governance, across the entire staff (14 Man Years). 7.45 man years, or 53% of the 14 total were allocated for Governance and Enterprise Programs. Therefore, 53% of the recovery target was allocated to be recovered by Governance and Enterprise Program fees.

¹ As higher education institutions implement the *Restructured Higher Education Financial and Administrative Operations Act* (SB 1327, 2005 Session), their rates may need to be adjusted to reflect changes to service levels provided by VITA.

88% of this amount represents the amount allocated to Executive Branch agencies. This amount will be recovered from various overhead cost pools. The remaining 12% will be allocated as a monthly fee across institutions of Higher Education according to the institution size and maximum employment level. The fee will be known as the ITIM Service Fee.

For the purpose of allocating Governance and Enterprise Program expenses across institutions of higher education, VITA prepared an analysis of higher education institutions. Higher education institutions were classified into small, medium and large categories based on student enrollment. The Higher Ed categories are: Small = <4500, Medium = 4500-16000, and Large = >16000. VCCS was categorized as a large institution. Enrollment figures were derived from SCHEV data from the last available enrollment reporting year, 2004.

Small institutions have 5.06% of the total Higher Ed MEL. Therefore they will recover 5.06% of the recovery target. Medium sized institutions have 16.12% of the total Higher Ed MEL. Therefore they will recover 16.12% of the recovery target. Large institutions have 78.82% of the total Higher Ed MEL. They will recover 78.82% of the recovery target. All institutions within each size range receive equal allocations. The table below summarizes the ITIM Service Fees to be assessed to Institutions of Higher Education.

| | Annual | Monthly |
|-----------------------------------|---------------|----------------|
| Small Higher Ed ITIM Service Fee | \$1,322.00 | \$110.17 |
| Medium Higher Ed ITIM Service Fee | \$3,368.00 | \$280.67 |
| Large Higher Ed ITIM Service Fee | \$16,472.00 | \$1,372.67 |

Appendix A contains a detailed description of how the Agency Oversight and Consulting rate and the Information Technology Investment Management (ITIM) Service Fee were calculated.

The ITIM Rates and Fees have been reviewed and approved by the VITA Management, the Information Technology Investment Board (ITIB), the Joint Legislative Audit and Review Commission (JLARC) Internal Service Fund Rate Subcommittee, and by JLARC itself. The effective date for the ITIM Service Fee is March 1st, 2006. The effective date for the Agency Oversight and Consulting hourly rate is June 1st, 2006.

Appendix A - ITIM Rates and Fees Calculation Detail

Assumptions:

Full staff as planned in the budget
 Agencies still use 1.89 Man-years of consulting services
 Hours per Man Year: 2080
 Recovery Target \$1,650,000

| | Consulting & Oversight | Governance |
|------------------------------------|------------------------|------------|
| Allocation of Effort in Man Years: | 6.55 | 7.45 |
| Percentage of Total Man Years | 47% | 53% |
| Man-year utilization | 80% | 80% |
| Available hours for charges | 1,664 | 1,664 |
| Total available billable hours | 10,899 | 12,397 |

| | Dollars | | Hours | |
|-------------------------------|------------------------|------------|------------------------|------------|
| | Consulting & Oversight | Governance | Consulting & Oversight | Governance |
| Percentage of Recovery Target | \$771,964 | \$878,036 | 10,899 | 12,397 |
| Higher Ed Percentage | 12% | 12% | 12% | 12% |
| Higher Ed Portion | \$91,864 | \$104,486 | 1,297 | 1,475 |
| Non Higher Ed Revenue Portion | \$680,101 | \$773,549 | 9,602 | 10,922 |

Cost Pool Calculation - Consulting & Oversight

| | |
|---|-----------|
| Higher Ed Consulting & Oversight Target | \$91,864 |
| + VITA Indirect Administrative Expense | \$5,071 |
| Total Higher Ed Recovery Target | \$96,935 |
| Non Higher Ed Consulting & Oversight Target | \$680,101 |
| + VITA Indirect Administrative Expense | \$37,542 |
| Total Non Higher Ed Consulting & Oversight Target | \$717,642 |

Consulting and Oversight Rate Calculation

| | |
|--|---------|
| Higher Ed Consulting and Oversight Rate / Hour | \$74.74 |
| Non Higher Ed Consulting and Oversight Rate / Hour | \$74.74 |

Governance Rates for Institutions of Higher Education

| <u>Recovery Target</u> | % of Total MEL | Dollars |
|-------------------------------|-------------------|-----------|
| Small Institutions | 5.06% | \$5,286 |
| Medium Institutions | 16.12% | \$16,839 |
| Large Institutions | 78.82% | \$82,361 |
| Total | 100.00% | \$104,486 |

Counts

| | |
|---------------------|---|
| Small Institutions | 4 |
| Medium Institutions | 5 |
| Large Institutions | 5 |

Annual Fee

| | |
|---------------------------------------|----------|
| Small Institutions (Dollars / Count) | \$1,322 |
| Medium Institutions (Dollars / Count) | \$3,368 |
| Large Institutions (Dollars / Count) | \$16,472 |