

BUDGET LETTER

SUBJECT: TRANSITION OF IT PROJECT REVIEW, APPROVAL AND OVERSIGHT RESPONSIBILITIES FROM THE DEPARTMENT OF FINANCE TO THE OFFICE OF THE STATE CHIEF INFORMATION OFFICER, AND INFORMATION TECHNOLOGY BUDGETING GUIDELINES	NUMBER: 08-06
REFERENCES: BUDGET LETTERS 02-37, 03-04, 04-04, 04-26, AND 06-05; STATE ADMINISTRATIVE MANUAL SECTIONS 4800-5180, AND 6700-6780; CHAPTER 183, STATUTES OF 2007; STATEWIDE INFORMATION MANAGEMENT MANUAL	DATE ISSUED: March 14, 2008 SUPERSEDES: BL 02-37, 03-04, 04-26, AND 06-05

TO: Agency Secretaries
 Agency Information Officers
 Department Directors
 Department Budget Officers
 Department Chief Information Officers
 Department Information Security Officers
 Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: When used in lower case, agency refers to any office, department, board, bureau, commission, or other organizational entity within state government. When capitalized (Agency) the term refers to one of the state's cabinet level agencies such as the Office of the State Chief Information Officer, the State and Consumer Services Agency, or the Health and Human Services Agency.

The purpose of this Budget Letter (BL) is to inform agencies of changes in Information Technology (IT) project reporting and oversight responsibilities. With the establishment of the Office of the State Chief Information Officer (OCIO) effective January 1, 2008, responsibilities for IT policy and IT project reporting and oversight transitioned from the Department of Finance (Finance) to the OCIO. This BL also discusses the criteria and cost thresholds for reporting proposed IT expenditures that require approval.

This BL provides instructions and information on the following topics:

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1. Introduction

Chapter 183, Statutes of 2007 established the OCIO with statutory authority over IT. On December 6, 2007, Governor Schwarzenegger announced the appointment of Teresa (Teri) M. Takai as California's State Chief Information Officer (CIO). The State CIO duties described in Chapter 183 include coordinating the activities of agency CIOs and the Director of the Department of Technology Services for purposes of integrating statewide technology initiatives; ensuring compliance with IT policies and standards, including policies and standards issued by the Department of General Services and the Office of Information Security and Privacy Protection (OISPP); and promoting alignment and effective management of IT resources. Chapter 183 also requires the OCIO be responsible for the approval and oversight of IT projects, with Finance responsible for fiscal oversight.

Prior to January 1, 2008, Finance's Office of Technology Review, Oversight, and Security (OTROS) was responsible for administering the state's IT policy, including IT security, review and approval of IT projects, and oversight of IT projects. Effective January 1, 2008, IT authorities and responsibilities changed. OTROS staff transitioned to the following three new entities:

- **The Office of the State Chief Information Officer** – The OCIO is a cabinet-level agency responsible for establishing and enforcing IT strategic plans, policies, standards and enterprise architecture, and the IT project review, approval, and oversight program. In addition, the OCIO coordinates with Finance on fiscal oversight of IT projects.
- **The Office of Information Security and Privacy Protection** – The OISPP operates within the State and Consumer Services Agency, and is responsible for the promotion and protection of consumer privacy, and the creation, issuance, and maintenance of information security and privacy policies, standards, and procedures directing state agencies to effectively manage security and risk, as defined in Section 11549.3 of the Government Code.
- **The Information Technology Consulting Unit (ITCU)** – The ITCU is a unit within Finance, and operates under Finance's general powers of supervision over all matters concerning the financial and business policies of the State, as defined in Section 13070 of the Government Code. The ITCU's primary functions include performing fiscal analysis of proposed statewide IT policies and enterprise initiatives and fiscal oversight of Finance-identified critical IT projects.

2. Document Submission Changes

Although the OTROS organization transitioned to three new entities, any and all existing project approval conditions and requirements continue to be in effect. These may include, but are not limited to, submittal of project management plans, project evaluation plans, and specified procurement documents. IT project-related reports that were previously required to be submitted to Finance, through budget control language or other means, are now required to be submitted to the OCIO. Agencies will be notified of any exceptions on a case-by-case basis.

As previously stated, Chapter 183 requires the OCIO be responsible for the approval and oversight of IT projects, with Finance responsible for fiscal oversight. Since the OCIO is now responsible for IT project approval and oversight, all IT project-related documents, excluding Control Section 11.00 and 11.10 legislative notifications, that were previously required to be submitted to Finance should now be submitted to the OCIO as of January 1, 2008. These include Feasibility Study Reports (FSRs), Special Project Reports (SPRs), equivalent federal documents, FSR-Reporting Exemption Requests (RERs), Post Implementation Evaluation Reports (PIERs), and Independent Project Oversight Reports (IPORs). Control Section 11.00 and 11.10 legislative notifications shall continue to be submitted to Finance (ITCU).

A summary of the various IT reporting activities, the policy reference requiring the action, submission instructions for documents specific to each activity, and the associated due dates are provided in Attachment 1. A summary of security-related documents is also included in Attachment 1. Instructions concerning the submission of security-related reports, plans, and annual certifications will be addressed separately by the OISPP.

3. Address Changes

Until a permanent location for the OCIO is established (estimated Summer 2008), **IT project documents should continue to be submitted to 915 L Street, 6th Floor, c/o OCIO**. Project review and oversight managers may be contacted at existing phone numbers. However, effective January 1, 2008, the format for OCIO staff e-mail addresses is *firstname.lastname@cio.ca.gov*.

The Web address of the OCIO will continue to be www.cio.ca.gov. Initially, the content includes the existing State CIO website content and, with the exception of security-related content, the IT policy and guideline information from the State Administrative Manual (SAM) and Statewide Information Management Manual (SIMM) that was previously located on the Finance website. Security-related content can be found on the OISPP website at www.infosecurity.ca.gov or www.oispp.ca.gov. The Web content will be evaluated for potential reformulation during 2008.

4. SAM/SIMM Status

Effective January 1, 2008, the OCIO has authority for statewide IT policy contained in SAM Sections 4800-4834 and Sections 4846-5180, as well as IT project guidelines and instructions contained in SIMM. No changes are anticipated at the present time. However, for clarity, references to "Department of Finance" should be read as references to the "Office of the State Chief Information Officer". In addition, the OISPP has authority for statewide IT security policy contained within SAM Sections 4840-4845. Finally, Finance retains authority for IT expenditures within SAM Section 6700-6780. Any forthcoming revisions to IT policy will be released in a future Department of General Services SAM update.

5. IT Budgeting Guidelines

The IT Budgeting Guidelines from previous years remain in effect, and are restated here as a reminder. While the reporting entities have changed, agencies are reminded that reportable IT proposals (FSRs, SPRs) must include a full discussion of project oversight, risk, and measurable objectives. In addition, documentation in support of projects should be commensurate with the nature, scope, complexity, risk, and expected cost of the project. These documentation requirements are described in SIMM.

IT security considerations must be addressed as well. Project proposals must address applicable risk management program elements as defined in SAM Section 4842.2, and describe how the agency's Information Security Officer will be involved in the project. Project oversight information should be included in the "Project Monitoring" section, FSR Section 6.6 and SPR Section 4.6. Risk management information should be included in the "Risk Management Plan" section, FSR Section 7.0 and SPR Section 5.0. Security information should be included in the "Solution Description" section, FSR Section 5.0, and where appropriate for any project changes in the SPR.

BL 04-04, issued February 27, 2004, modified the implementation of the Statewide Information Technology Oversight Framework for calendar year 2004. This BL extends the calendar year references discussed in BL 04-04 until further notice.

Reporting Criteria: In accordance with SAM Sections 4819.34 through 4819.42, SAM Section 4945, SAM Sections 4989 through 4989.3, and SAM Section 6730, each agency must receive approval of reportable projects prior to the release of a solicitation document or the commitment of resources to procure, develop, or implement a new IT investment or modify an existing IT investment. IT investment proposals are reportable to the OCIO if any of the following conditions exist:

1. A Finance budget action is required to fund all or part of the IT expenditure.
2. The new system development or acquisition is specifically required by legislative mandate or is subject to specific legislative review, as specified in Budget Act control language or other legislation.
3. The total development cost is above the department's delegated cost threshold, and does not meet the criteria of a desktop and mobile computing commodity expenditure as discussed in SAM Sections 4989 through 4989.3.
4. A significant change in state policy draws into question the assumptions underlying the project.
5. The occurrence of any reporting conditions previously imposed by Finance and the OCIO.

Any proposed IT expenditure that meets one or more of the above criteria must be reported to the OCIO. Comprehensive information for IT project reporting, including instructions to assist agencies in meeting reporting requirements, can be found in SIMM. In addition, if the proposed expenditure meets the condition specified in criterion 1, the agency must submit the appropriate budget action (e.g., BCP) to Finance. See BL 07-08, 2008-09 Budget Preparation Guidelines, issued April 11, 2007, for instructions on submitting BCPs, and BL 08-02, 2008-09 Budget Change Letters (Finance Letters), issued January 31, 2008, for instructions on submitting Spring Finance Letters.

Departments should have submitted FSRs, SPRs, or equivalent documents to the OCIO no later than January 18, 2008, in order for Finance to consider the associated IT Finance Letter requests. FSRs or SPRs that are incomplete or submitted as "placeholders" for consideration of a Finance Letter may be returned to the agency with the corresponding budget request without consideration. IT proposals that have related budget actions for consideration and inclusion in the 2009-10 Governor's Budget are anticipated to be due in mid-July 2008. The OCIO and Finance will collaborate on the review of IT funding proposals to streamline the review process and produce one decision for the Administration.

Delegated Cost Thresholds: Each agency is assigned a minimum total project development cost threshold for reporting purposes. Any IT proposal with an estimated total development cost equal to or less than the agency's assigned cost threshold is delegated to the agency for investment and expenditure approval, provided the proposal does not meet any other established reporting criteria defined above.

The total development cost is synonymous with one-time project cost and includes all estimated or projected costs associated with the analysis, design, programming, verification and validation services, staff training, data conversion, acquisition, and implementation of an IT investment. Excluded from development costs are estimated costs of continued operations and maintenance.

Delegation does not eliminate the requirement for proposal documentation and approval, consistent with state reporting requirements. In the case of delegated projects, the agency's director and budget officer must approve the proposal in lieu of OCIO approval. Agency CIOs are expressly reminded to obtain all necessary approvals for both delegated and non-delegated projects. Further, the agency is responsible for maintaining documentation supporting decisions relative to the proposal.

A list of organizations and their assigned cost threshold for reporting IT expenditures/proposals is provided in SIMM Section 15, Departmental Delegated Cost Thresholds.

During this transition in IT governance, an attempt will be made to minimize changes in project approval and oversight assignments. Agencies will be notified of any necessary changes.

For information regarding the OCIO, please contact your OCIO Review and Oversight Manager at (916) 445-1777. A listing of OCIO managers and their departmental assignments may be found at the OCIO website located at: <http://www.cio.ca.gov/staffAssignments.html>. For information about the OISPP, contact the office at (916) 445-5239. For information on the Finance ITCU, contact Richard Gillihan at (916) 445-1777, extension 3223.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

Teri Takai

TERI TAKAI
State Chief Information Officer

SUMMARY OF REQUIRED INFORMATION TECHNOLOGY REPORTS AND ACTIVITIES

Report/Activity	Source	Instructions to Departments	Send to	Due Dates
Budget-related Documents				
Budget Change Proposals, Spring Finance Letters (SFL)	SAM Section 4819.42 BL 07-08 BL 08-02 BL 08-06	See BL 07-08; 08-02 Originals should be sent to Finance Budgets.	Finance	Annually in September if related to a budget action for the fall process. SFLs are due February 14, 2008.

Report/Activity	Source	Instructions to Departments	Send to	Due Dates
Project-related Documents				
Feasibility Study Reports (FSR), Special Project Reports (SPR), FSR-Reporting Exemption Requests (RER)	SAM Sections 4819 and 4920-4945 BL 07-08	Send three hard copies to the OCIO (FSRs, SPRs, and FSR-RERs), one hard copy to the Legislative Analyst's Office (LAO) (FSRs and SPRs only), and one hard copy to the Department of General Services/ Procurement Division (DGS/PD) (FSRs and SPRs only) when project exceeds DGS/PD delegated purchasing authority.	OCIO, LAO, DGS/PD	Annually in July if related to a budget action for the fall process. January 18, 2008 if related to a budget action for the spring process and no deadlines if not tied to budget action.
Information Technology Procurement Plan (ITPP)	State Contracting Manual (SCM), Volume 3, Chapter 1 MM 07-02	See the SCM, Volume 3, Chapter 1	See the SCM, Volume 3, Chapter 1	See the SCM, Volume 3, Chapter 1.
Independent Project Oversight Report	SAM Section 4819.36 BL 08-06	Send one copy to the OCIO.	OCIO	Ongoing, submit in accordance with the IT Project Oversight Framework requirements (See SIMM Section 45 and BL 08-06).
Post Implementation Evaluation Reports	SAM Section 4947	Send one hard copy to the OCIO and one hard copy to the LAO.	OCIO, LAO	Within 18 months of project completion.

Report/Activity	Source	Instructions to Departments	Send to	Due Dates
Organizational/Planning Documents				
Agency Information Management Strategy (AIMS) and Certification	SAM Sections 4900.3 and 4900.5	Departments should collect internally. Retain the AIMS with the department's CIO.		Annually, August. However, submittal to the OCIO is suspended until further notice from the OCIO.
Information Management Organization	SAM Section 4903.1	Send two hard copies of organization charts to the OCIO.	OCIO	Annually, June.
Information Management Costs (tracks prior year, current year, and budget year costs—combination of actuals and estimates)	SAM Section 4903.2	Departments should collect internally. Retain the Information Management Costs with the department's CIO.		Annually, January. However, submittal to the OCIO is suspended until further notice from the OCIO.
Software Management Policy Annual Statement of Compliance	SAM Section 4846.2	Retain annual certification along with summary of updated inventories for three years.	Each agency CIO shall retain internally for three years.	Annually, January.

Security-related Documents

The following security-related documents and schedule for submission are located on the Office of Information Security and Privacy Protection's website at www.oispp.ca.gov/government/activities_schedule.asp:

- Agency Designation Letter (SIMM Section 70A).
- Agency Information Security Incident Notification and Reporting Instructions (SIMM Section 65B).
- Agency Information Security Incident Report (SIMM Section 65C).
- Agency Operational Recovery Plan Certification (SIMM Section 70B).
- Agency Operational Recovery Plan Transmittal Letter (SIMM Section 70D).
- Agency Risk Management and Privacy Program Compliance Certification (SIMM Section 70C).
- Operational Recovery Documentation for Agencies Preparation Instructions (SIMM Section 65A).

Send OCIO documents to:

Office of the State Chief Information Officer
Attn: Review and Oversight
C/O 915 L Street, 6th Floor
Sacramento, CA 95814

Send Finance-ITCU documents to:

Department of Finance
Information Technology Consulting Unit
915 L Street, 6th Floor
Sacramento, CA 95814

Send OISPP documents to:

Office of Information Security and Privacy Protection
Attn: California Office of Information Security
C/O 915 L Street, 6th Floor
Sacramento, CA 95814

Send LAO documents to:

Legislative Analyst's Office
925 L Street, Suite 1000
Sacramento, CA 95814

Send DGS documents to:

Department of General Services
Procurement Division
Marnell Voss, Manager, Technology Acquisitions Section
707 Third Street
West Sacramento, CA 95605-2811