CITY OF MINNEAPOLIS
INTEROFFICE MEMORANDUM

TO: PAUL OSTROW, CHAIR, WAYS & MEANS COMMITTEE

FROM: KARL KAISER, CIO

PATRICK BORN, CFO

SUBJECT: EXCIPIO ANALYSIS OF UNISYS OUTSOURCING CONTRACT

DATE: OCTOBER 16, 2006

CC: WAYS & MEANS COMMITTEE MEMBERS

We wanted to take this opportunity to respond to the recommendations presented to the Council in the "Performance and Compliance Review of Computing Resources" by Excipio Consulting. Although not a formal audit, the analysis provides the City with valuable information that will help us focus our efforts related to managing this contract and other contracts. We are pleased that the original business case for the outsourcing approach has been validated.

The report makes a number of recommendations, which require action by the City and Unisys. This memo highlights some of the significant recommendations and describes actions BIS plans in response to some of the recommendations.

Communication: *"The single largest issue to be addressed by BIS is communication with the departments, who perceive Unisys and BIS to be the same entity. The departments feel disconnected from the planning, billing, and performance aspects regarding the support of IT assets and systems. Although BIS might contend that these should not be departmental concerns, clear communication and division of responsibility has not yet occurred from the departmental perspective."*

We agree with the recommendation that internal customer communications need to be improved. BIS has worked with customer departments to ensure that BIS is viewed as the contact point for Unisys and see the service provided as a reflection of BIS service. BIS has established several working groups to address communication issues and will use these existing forums to improve communication with departments. The following actions will be taken to address this recommendation:

1. The BIS Business Advisory Group comprised of representatives from City departments, participates in strategic enterprise technology decisions and investments. This newly-formed group will help communicate changes related to

funding mechanisms, such as the BIS rate model, and share information on enterprise technology projects with represented departments.

2. The role of the BIS Departmental Liaison group will be further defined. The updated purpose of the group will be shared with departments to ensure that their appointed liaison reflects the purposes for which the liaison group is intended.

Continuous Improvement: *"The BIS team needs to own and drive the continuous improvement process with Unisys. Now that the major hurdles have been completed, there will be a tendency to become complacent."*

- *Network Support: "Unisys should be required to provide regular security audits, scans, and resiliency tests no less than once per year. Ideally, Excipio would like to see a third party used to meet 'separation of duties' requirement."*

- *Desktop Support and Asset Management: "Unisys does not appear to have a strong grasp on desktop assets inventories. The physical desktop and laptop count varied as much as 25% throughout the engagement, which could yield inaccurate billings from Unisys. The City should require Unisys to automate asset and inventory management systems to eliminate data inaccuracies, coupled with a physical inventory once a year to validate the accuracy of the asset information."*

- *Service Desk: "One of the major complaints from the City Resolvers interviewed was that more Level 1 support issues were not resolved by the Service Desk. BIS needs to analyze and determine the most frequent support issues that the Service Desk is not able to resolve and create solutions to reduce City Resolver support time."*

- *IMAC: "The IMAC process is tedious and needs to be re-evaluated. The primary issue is the multiple systems used within Unisys to complete an IMAC, none of which have automated interfaces and rely on manual record creation."*

- *Disaster Recovery: "The lack of a tested Disaster Recovery (DR) plan is a material breach of the contract that places the organization at risk. This shortcoming needs to be escalated as soon as possible to the appropriate City and Unisys managers. Before any additional applications are placed in service, the DR plan needs to be completed, tested, updated, re-tested, and placed in service."*

BIS agrees the City should continue to improve the service provided to its customer departments. The following actions will be taken to address these recommendations:

1. We will expand our efforts with departments to improve their customer experience.

2. The Executive Advisory Group will develop, monitor, and report specific performance recommendations as recommended in the report to assist BIS in managing the Unisys contract in its quarterly meetings.

3. BIS agrees the City should continue to work with Unisys to ensure contractual obligations are being met, networks remain secure, and services/processes are improved.

Contract Administration:

- *"Administration of the Unisys contract needs to be reviewed. Some items of the contract could be renegotiated. The current process leaves much open to interpretation; the monthly administration of invoices, amendments, and change orders is tedious and difficult to follow."*

- *"A City single point of accountability should exist for the Unisys contract. In the current state, multiple individuals within City are responsible for separate aspects of the contract. This allows service delivery coordinators to claim that another service delivery coordinator has responsibility or some specific knowledge, which results in the information seeker being diverted from resource to resource."*

- *"In the event City ever decides to part ways with Unisys, City should expect a high cost of exiting from the relationship. The primary costs would be the acquisition or transfer of the assets that Unisys has placed in service plus the amortized cost of all the amendments and change orders that have been spread out over the life of the contract. If City were to terminate the Unisys contract in 2009, Excipio estimates that City would incur millions in upfront contractual obligations. This cost excludes the number of personnel that City would need to hire, train, and transition into the environment."*

- *"Excipio believes that BIS and Unisys need to take a step back from the daily operations aspect of the contract and focus on the long term, strategic perspective. New metrics need to be created and tracked to deliver higher levels of customer satisfaction, and focus toward communicating with the departments. Both organizations need to have equivalent leadership and focus on the agreement to ensure the long-term success of the partnership."*

BIS will examine short-term and long-term strategies regarding this contract, as well as any potential future outsourcing contracts.

Under the leadership of Lynn Willenbring, BIS is developing an action plan to address all the recommendations in the Excipio analysis. The plan will list all of the detailed recommendations in the analysis, identify the person responsible for the tactical follow up on the recommendation, and a timeframe for completion of the action plan.