

Service Development Lifecycle Report

Service Name

Date of Review: 2/7/2019

Financial – **RED (provide Red Yellow Green Assessment)**

Summarize the financial results of rate reviews/PLPS reviews with financial analysts and service owners

Example: The rate review illustrated that the amount of revenue received for providing services does not recover the expense in resource it takes NITC to provide these services:

FY18 Revenue: \$354,577 Expense: \$581,951 Profit: (\$227,374)

The previous year produced a profit of \$35.6K a result of \$140K less expense to NITC in FY17 as well as \$120K more revenue. Here are FY17 numbers from the rate sheet:

FY17 Revenue: \$471,997 Expense: \$436,387 Profit: \$35,610

FY19 Projections:

FY19 Revenue: \$460,951 Expense: \$583,870 Profit: (\$314,683)

The projected negative profit increased from the prior year (FY18) in spite of a **30% rate increase** ‘

Drivers which contribute to the financial assessment include:

- Revenue: Volumes are dropping year-year. As volumes fall the amount of revenue captured decreases.
- Expenses: costs continue to increase year-year in spite of volumes declining
- Expenses: Labor resource costs remain constant (minimal increases) as volumes decline. (~2 FTE)

Additional Observations:

- PLPS identifies (\$1M), (\$2M), & (\$9M) losses for FY15-FY17. We asked for an identification of the variance between the Services impact and the unidentified losses in the PLPS.
- It is important to note that no Overhead Expense is applied, therefore the only costs are direct and limited to Fed labor, contracting expenses, and the customer requested service themselves.
- For NITC internal service the resources are charged directly to the service in which they are reported through LRS or as a direct line of accounting.

Recommendations:

- Implementing a cost driver is the best way to allocate labor resource costs to this service. Because external consumption represents 22% of the cost of total service, does not mean that the effort relates to customer size. A more appropriate measure may be to use LRS reporting by activity. Resources code to NITC internal services. Has any analysis been done to quantify the

hours/dollars remaining for each resource and see how it compares to the 22% allocation based on amount?

- Inquire with Service Owner to determine why service costs continue to increase in spite of volume decreases
- Assess labor expense and consider expense reductions due to the decline in volumes of demand
- Advise against raising rates which are towards the top of similar competitors. Raising rates will discourage adoption and without expense cutting measures will create a bigger loss to the center.
- Encourage adoption of service to offset expenses. Additional volumes will lead to additional revenues without incurring additional expenses.
- Consider alternative service support sources/procedures.

Operational – RED (provide Red Yellow Green Assessment)

Summarize the operational performance with service owners Example: There does not appear to be a valid metric which is tracked to associate the timing of a request for this service to the delivery of the resources procured. An appropriate measure would be to identify the timing of which requests for this service were approved to when they were delivered. Delivery is often times dependent upon approval authority as well as a dependency on personnel for tasks in which our service is dependent upon. Without collecting the data, and reporting on it we cannot adequately measure our performance and establish targets to measure against.

Recommendations:

- Cut down on requests for internal service by receiving approval through service development process as it relates to each NITC service.
- Track renewal LOE vice services
- Establish OLAs with service support providers for services we pay for, OLAs should result in improved service, reduced expense, or both.
- Work with customers requesting service to establish delivery dates and track milestones and performance aligned with the agreed upon dates.
- Code time based on the services supported. NITC internal service orders and external customer orders.

Customer Behavior – RED (provide Red Yellow Green Assessment)

Summarize customer behavior with service owners Example: Customer orders for service continue to decline year-over-year. After outreach service owners and financial management there is no data behind the behavior of the customer other than to suggest the possibility of DCOI, IT Modernization, and Cloud Migration. If these are drivers there should be reporting at the agency level linking them. Given there are multiple alternative options for service, (agencies have to obtain resources) combined with the high fees of this service through NITC, it is possible to assume agencies are not reducing their spends relative to this service, but rather subscribing to another competitor.

Recommendations:

- Determine if agency \$ or volumes in this service are declining or both
- Determine if there is a link to Departmental strategic initiatives (DM mandates are a rationale for negative performance of a shared services provider if it can be linked/offset to/by agency savings)
- Reduce rates to encourage adoption. More volume brings in more revenue to offset expenses. Often this service drives consumption of additional services across the NITC portfolio.
- Increased volume through a shared services provider allows NITC to consolidate contracts among multiple customers and thus receive economies of scale benefits.

NITC Portfolio Impact – YELLOW (provide Red Yellow Green Assessment)

Summarize NITC Portfolio with service owners Example: The effect of this service across the NITC portfolio lags the performance indicator of customer footprint. NITC has a base of customer demand which either directly leads to the consumption of additional NITC services or solidify the consumption and value of the services NITC consumes. Customers become entrenched and this service can illustrate the extent to which they are entrenched across the portfolio.

Recommendations:

- *Directly aligned with “Customer Footprint”*
- Consider linking this service by agreement to the additional NITC services consumed

Contracts – YELLOW (provide Red Yellow Green Assessment)

Summarize Service Contracts with service owners Example: NITC is provided service support from the Department, 2 vendors. Direct costs which are applied to this service include charges related to a specific vendor that continue to increase.

Recommendations:

- Establish performance criteria with any of the dependent services providers. Create reporting to review and manage the criteria to receive better efficiency, reduced cost or both.

Capacity – RED (provide Red Yellow Green Assessment)

Summarize Capacity Management with service owners Example: During rate reviews Service Owners indicated that even with the decline in demand, resource capacity to perform the necessary tasks is maxed out. Approximately 2 FTE support these efforts, which does not include support vendor activities for which NITC is billed. Service Owners indicated generating additional volume, which would offset the loss in financial performance would not be possible given current workload.

Recommendations:

- Shift workload between internal and customer services (78%/22%) for additional volumes

- Filtering - identify where controls be implemented to reduce workload
- Automation – Can processes or desktop procedures be automated?
- Delegation – Validate processes and desktop procedures are required and conducted by the appropriate personnel
- Departmental support – are there services which should be managed by an external service provider as an alternative?

Benchmarking – RED (provide Red Yellow Green Assessment)

Summarize competitive environment with service owners Example: Most government agencies utilize rates which are 80% lower on average. One of the highest rate competitors is company X which 20% lower. NITC is approaching the ceiling of comparable service providers.

Recommendations:

- Reduce expenses to get service fees more competitively aligned
- Increase volume service demand