April 15, 2014

Dear Chancellor Sharp:

You asked for an assessment of information technology across the Texas A&M University System. We based our assessment on our recently completed analysis of all System Members. The full findings and recommendations are included in the larger study we have prepared, so speaking as the project manager, I will limit myself to providing the general background on which we made our assessment and our resulting conclusions.

You told us when we began our work that one of the earliest problems you identified when you became Chancellor was IT. The System Internal Auditor reported that System hardware and software expenditures had increased from $58 million in fiscal 2000 to $101 million in fiscal 2011. Similarly, IT salary costs had increased from $31 million to more than $65 million in this time period.

As you recognized, and we agree, this rate of cost increase is unsustainable, and we focused our study on understanding the major components of the IT spend, and what levers are available to drive efficiency and value going forward. Many of the inefficiencies we found could be attributed to a lack of cohesive, System-wide leadership and governance of information technology. This formed the foundation for the recommendations we laid out in our report. Let me briefly summarize a few key points.

First, the System needs to develop a “world class” information technology organization to remain competitive in the 21st Century. Given the critical nature of information technology to the System’s mission, there is no substitute or workaround for excellence in this area. System Members, who have historically been left to fend for themselves, do not have a “world class” information technology operation at present, and without significant structural and organizational changes, they will never be able to take advantage of greater efficiencies associated with a cohesive, System-wide approach.

The current IT environment lacks a unified vision and strong System-level leadership. System-wide structural and funding challenges have forced System Members to be self-sufficient, and have inhibited opportunities for cooperation. In large part, this is because the System has allowed the Members to go their own way and has provided no overall direction or unified plan. The result is a confusing, frustrating, inefficient structure that makes it difficult to attract, hire and retain qualified IT staff. This problem is particularly acute at the smaller universities, but the lack of a central guiding vision from leadership also hampers TAMU, the larger regional institutions, and the agency Members. On the other hand, some System Members, including Texas A&M Engineering Extension Service (TEEX), Texas A&M AgriLife Research, Texas A&M International University, Texas A&M University – Corpus Christi, Texas A&M University – Kingsville, Texas A&M Transportation Institute, and West Texas A&M University, have well-developed and highly functioning IT leadership structures that elevate
IT to a strategic role within the executive levels of the organization. These successes should be leveraged when considering what changes need to be made.

The lack of a guiding vision for a comprehensive approach to IT operations across all departments and colleges at TAMU has allowed the IT infrastructure to become highly decentralized, which creates redundancies and inefficiencies. One of the first problems we identified in December was the proliferation of email systems at TAMU and the regional universities. Across the System, there are 120 different email systems. Overall, this unnecessarily increases the cost of providing email service and also makes it impossible to effectively link the System Members together even in this one, straightforward area. We believe that a consolidated, coordinated approach to implementing all of the recommendations should be put in place so that potential savings can be realized or re-allocated as soon as possible. A transformation management office (TMO) approach could accelerate the timeline to realize these benefits, while appropriate IT governance structures and standards are developed in parallel.

TAMU IT management has allowed every department to put in place its own IT operation. For example, there are computer servers in closets in virtually every building on campus. This is enormously wasteful of electricity and makes the University vulnerable to security breaches. TAMU has 28,000 square feet of data center space, but less than half of it is managed by Dr. Cantrell and his team. Also, only a small percentage of computer servers are managed centrally. These resources should be managed centrally, to avoid duplication and control costs.

In addition, there are 65 different help desks to serve this decentralized structure, many using different software and hardware tools, all of which cost hundreds of thousands of dollars annually to maintain. Deloitte fully understands the desire of the faculty to have easy access to computer assistance, but in the current IT world, it is inefficient to scatter service desks across campus when they could be centrally managed. Centralizing these service desks and streamlining incident management could significantly improve efficiency and reduce risk.

There are also examples of Members who have been able to achieve consolidations of IT services, including Texas A&M AgriLife Research, Texas A&M International University, Texas A&M University – Commerce, Texas A&M University – Corpus Christi, Texas A&M University – Kingsville, and West Texas A&M University. Again, their successes should provide encouragement that significant progress is possible.

In our report, Deloitte has identified 29 separate, detailed recommendations for changing the culture and direction of information technology within the System. The goal of the recommendations is to shift the culture from that of the individual System Member going it alone, to a more centralized System approach, which will help to eliminate waste and redundancy. We are pleased that the System has taken the initiative to implement some of these recommendations already—particularly the email consolidation at TAMU—but more careful planning and work lies ahead if TAMU and the other System Members want to see lasting improvements.

All universities—and particularly large research universities like TAMU—must make significant investments in information technology in the coming years. Other university Systems face similar challenges in addressing the rapid changes in technology and its application in higher education. TAMU alone spends more than $105 million annually on hardware, software and IT staffing. But much of this spending is going to support outmoded systems and processes, resulting in spending more than is necessary.

It will take time and planning to implement our recommendations, but the results would be beneficial, and more importantly, they would make more resources available for some of the information technology challenges we identified. We believe it is possible to reduce technology costs associated with IT infrastructure
across the System up to $20M per year, after implementing the complete package of recommendations, which would result in a savings of up to $200M over ten years.

The anticipated savings should be reinvested in updating the System’s main information systems, which are years past their prime and seriously limiting to users. In particular, we believe that the System is going to have to replace its financial system—FAMIS—which is now nearly 25 years old. Dozens of people across the System currently are dedicated to taking data from FAMIS and entering it into other local accounting systems in a redundant effort to make up for FAMIS’ limitations. High quality financial information and timely consolidated financial information cannot be produced without significant additional time and resources. This is not necessary. Solutions to these problems exist, as are outlined in our recommendations.

Similarly, the System’s human resources system is out-of-date and inadequate. The combination of its age—more than 35 years old—and its many shortcomings cause Member institutions and Agencies to spend more than is necessary every year to work around problems and gaps. This is another area where the available information is sorely lacking for effective management decision making.

As mentioned, there are also pockets of excellence to be found across the System, and these are also highlighted in our report. Instituting stronger central leadership and governance will allow the System to leverage these successes to the benefit of all.

We, of course, hope these recommendations will be of value to you and will provide a roadmap for the hard work that lies ahead. It is up to the System and its Members to work together to bring about these improvements, and we look forward to continuing to assist you where appropriate.

Best Regards,

Russ Smariga
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