
Illinois State Board of Education
Organizational Effectiveness Review
Executive Summary – Final Report
June 20, 2002

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I. Background and Scope

Background on the Illinois State Board of Education (ISBE)

The Illinois public school system is one of the largest in the nation, with a budget of \$8.0 billion for fiscal year 2002. There are 4000 public schools, in 900 school districts, that serve an increasing student population of 2,000,000. Nationally, ISBE ranks second in district size, school enrollment, number of teachers, and average teacher's salaries. ISBE's mission is to provide leadership, advocacy and support for the work of school districts, policymakers, and citizens in supporting the State's educational priority. The ISBE has requested assistance to help review its organizational effectiveness and develop recommendations for improvement. Critical business issues being faced by the agency include:

- Implementation of completed studies
- Information flow throughout each of the divisions
- Technology tools and systems
- The organization structure, including communication between divisions
- Governance or communication processes within the agency
- Service agreements with vendors and transportation providers
- Opportunities for alternate service delivery mechanisms

Objectives and Scope

The objective of the project is to review the agency's infrastructure and identify improvement opportunities to allow for more effective administration and improved service to Illinois' schools and districts. The following activities were performed:

- Initiate Project, and Finalize Work plan
- Collect and Review Relevant Documentation
- Review Organizational Structure, Mission and Goals
- Conduct Operational Analysis
- Identify and Prioritize Improvement Opportunities, and Issue Preliminary Report

I. Background and Scope

Evolution of the Illinois State Board of Education

Change Initiative

➤ The ISBE Superintendent and staff began a comprehensive effort to revise the organization structure and perform a self-analysis before Deloitte & Touche's effort. Our issues and recommendations are focused on the current environment, developed in conjunction with the ISBE management and staff, to resolve multiple, inter-related issues with selected critical initiatives. The staff has been supportive of this process, recognizes the need for change, and has actively participated in "visioning and planning" sessions. These prioritized recommendations will alleviate the root cause issues to allow the ISBE to deliver educational services and become "second to none".

Program Focus

➤ The ISBE organization has historically been organized around the disbursement and administration of program funding. The mission was primarily to assure that program budget amounts were expended and services were delivered. The overall infrastructure of ISBE - related to budgets, organization, measurement criteria, audits, and relationships with ROEs - has lagged behind the reaction to grantor agencies. Subsequent growth in grant funding has revolved around administrative needs and individual mission, rather than being aligned within a more cost effective and efficient agency-wide infrastructure. Computer advances were used during the 1980s and 1990s to automate the *then* current methods, processes and procedures, and have not been updated to utilize new processes or technologies.

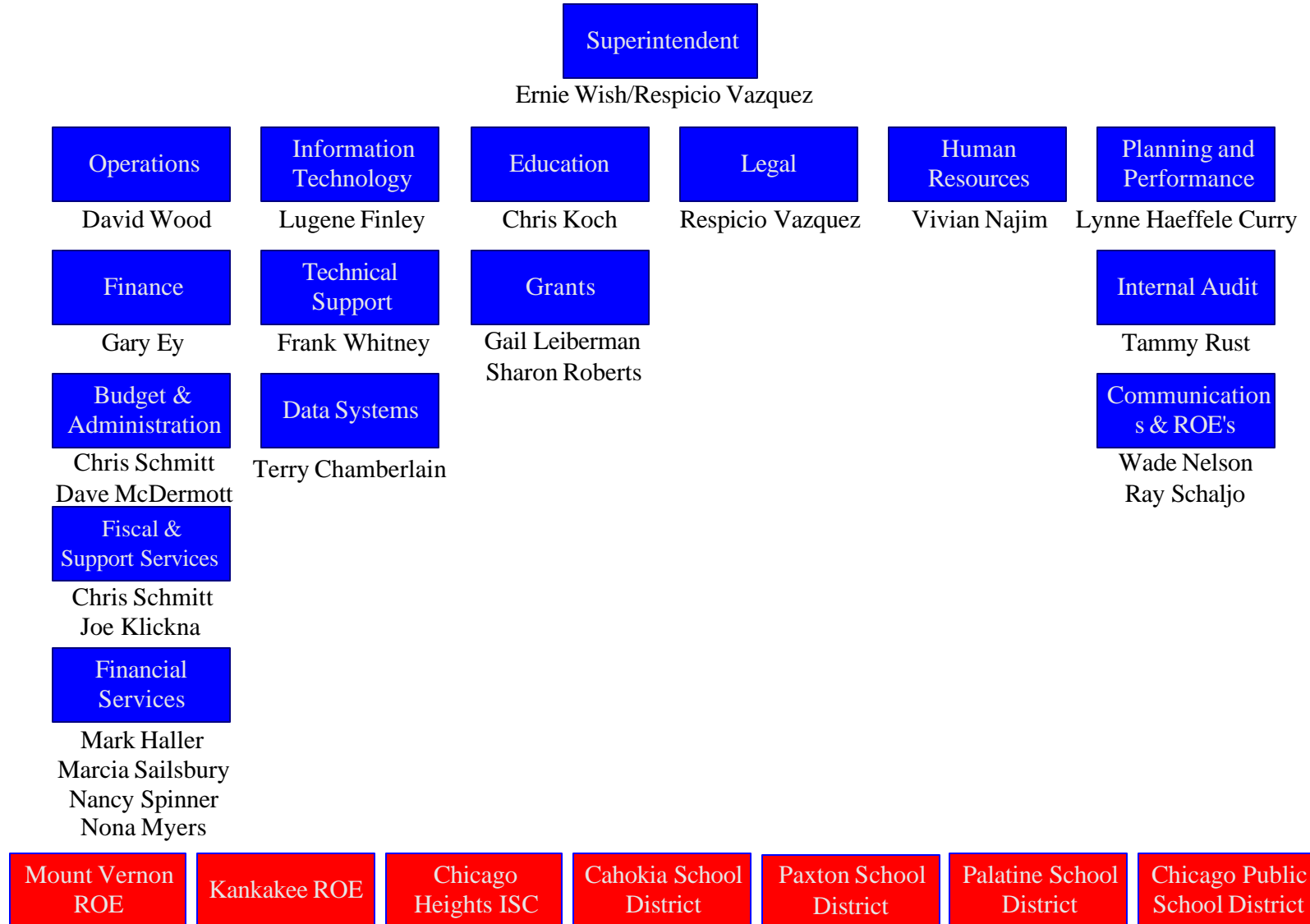
Organizational Silos

➤ The ISBE needs greater ability to measure program effectiveness, monitor expenses and leverage state wide buying power. ISBE's ability to identify cost reduction opportunities is limited since information necessary to manage organizational spending is not readily available. The evolution of the ISBE around the grants (both Federal and State) has created organizational silos and a number of challenges in managing the organization, measuring performance, and establishing governance. The processes, procedures and systems that have evolved support a narrow financial view of each of the programs.

System and Process Needs

➤ The evolutionary development of systems has resulted in a structure that does not encourage cross-program, cross-organization analysis or reporting. The approach needs to consider changes in mission, objectives or the inclusion of measurable goals. The current infrastructure is highly customized and requires further spending which still will not increase the system flexibility or reduce information security risk. Major process changes are precluded by the existing infrastructure. The challenge is also related to any major organization structure changes which are currently aligned with the antiquated processes and systems.

II. Interviews Conducted



III. Key ISBE Issues

Transitional Issues

•ISBE Constituency

- The ISBE has tried to serve everyone on all needs
 - The ISBE's customer base is too broad to be adequately served
 - Span of capabilities required are greater than the organizational skill-set

•Planning

- Overall vision needs to be institutionalized across the ISBE
- ISBE needs to communicate objectives for implementing and supporting the vision
 - No policy or procedure for dealing with troubled schools
- ISBE needs processes for influencing the prioritization of projects, programs, or internal initiatives necessary for improvements
 - Lack of strategic targeting with respect to grants (program structure, spending, staffing are not influenced)
- Management processes need to be strategically focused (primarily tactical)
- Planning is often reactive and focused on the short term

•Collaboration & Communication

- The ISBE's public image needs to be improved in the education community
- A disconnect exists between the constituent's view of the ISBE mission and ISBE's view of their own mission
 - The client community does not view the ISBE as "champions" for education in Illinois
 - Districts and ROEs stakeholders are not recognized as resources
- The communication strategy is still evolving
 - Communication appears to be one-way from the agency to the client community
 - Collaboration needs improvement both internally or externally
 - ROE's and districts feel they are being involved in the execution but not planning process of the ISBE
 - Should include Large Unit District Association, Business Roundtable, Illinois Association of School Boards, etc.
- Current technology (e.g. video conferencing, e-rooms, e-mail lists) has not been leveraged to improve overall communications
- Advocacy groups fill in the communication gaps and analysis without an overview from the ISBE

III. Key ISBE Issues

Organizational Issues

• Performance, Audit, and Assurance

- Internal audit is rolling out the Regional Accounting Program (RAP) system, which creates a conflict of interest.
- Standards for compliance monitoring are not well defined
 - Program monitoring is highly customized and disbursed throughout the organization
 - Information is not shared between monitors and comparison data is not available
- School audits focus primarily on financial rather than program issues.
 - 30 auditors in the field legislated to perform 895 school audits

• ISBE Culture

- Lack of collaboration and ownership for overall agency outcomes
- Manager training and accountability is lacking
- Performance review criteria is not consistently utilized
 - Most performance reviews are “above average”
- Morale is low due to the numerous re-organizational efforts
- Job descriptions are not updated regularly
- There is a lack of incentives for good performance and a lack of disincentives for poor performance
- There is a lack of disincentives for poor performance

III. Key ISBE Issues

Process Issues

•Teaching and Learning-Grants/programs

- Legislation sets the standards for program development
 - Program managers operate autonomously
 - Program development is very customized and redundant information is captured across the agency
 - There are no incentives to manage the number of grants
 - Staffing for functional roles in programs is often redundant
- Programs tend to be poorly managed due to organizational silos
 - Programs developed without strong performance metrics are difficult to properly assess
 - Ineffective programs appear to continue running until they are no longer funded
 - A large number of people (33 FTEs serve as grant consultants) are used to support the grants process
- Grant information is difficult to retrieve
 - The actual cost of implementing a program is unknown
 - It is very difficult to consolidate grant information across grant programs
- Grant inputs for applications are inconsistent between various program administrators
 - Variation also exists in the “look and feel” of grants
- Administrative process tasks are highly manual and labor intensive

•Budgeting Process

- The ISBE budget is program based, but no internal ISBE operational budget is allocated
 - No long term budget process
 - No fixed budget available to support improvement strategies
- Budgets are commingled, and therefore it is difficult to determine the operational cost of each department
 - There is no distinction between operational and capital budgets
 - The process of reviewing internal budgets to actual spending is not occurring

III. Key ISBE Issues

Process Issues

•Sourcing/Procurement Process

- Existing purchasing organization needs to transition from a transaction organization to a procurement organization
- The current process is not fully developed and does not effectively leverage the buying power of either the ISBE or CMS
- Current procurement tends to be paper based and highly redundant
- No initiative to encourage the use of centralized sourcing (e.g. districts cannot be forced to use central sourcing)

•Management and Accountability Process

- Legislation is used as a driver for actions (or inactions) regardless of whether or not the legislation exists
- Project planning exists, but formal project management techniques are not being used
- Programs are created individually, leading to redundant staffing positions in compliance, administration, and reporting
- Formal prioritization for projects is not in place
- Standardization does not exist in functional areas
- An overarching strategy which links the ISBE organization's projects is needed

•Measurements Process

- Performance measurements to gauge staff efficiency, management performance, or program/project success are needed
- There is a focus on external performance measuring (e.g. student achievement) but not sufficient internal performance measuring

•Travel and Expense Reimbursement Process

- Process of centrally inputting travel reimbursement is time consuming
- Volume of travel transactions does not support the number of staff scrutinizing the reimbursement
- Claims reimbursement is a very labor intensive process and very little automation occurs in validating expense reimbursements

III. Key ISBE Issues

Technology Issues

•Data Management

- Data is abundant, but the process for transforming data into information is difficult (data rich, information poor)
- Data consistency is lacking with schools, districts, and at the ISBE
- Systems are not integrated, so information must be captured through multiple systems
- Information is not stored centrally, so gathering the information requires significant effort with
- Data access is through customized programming
 - Process is time consuming
 - Data loses value over time
 - Custom solutions put a drain on IT resources
- The process of data collection is emphasized more than the consolidation, analysis, and reporting of data
- Data analysis is limited, not comprehensive, and “what-if” comparisons are difficult to make in the current environment

•Multiple Financial Systems (MIDAS and FMIS)

- MIDAS was designed to replace FMIS, but MIDAS does not support all of the functionality of the FMIS system, hence FMIS cannot be retired
 - FMIS is scheduled to be retired, but no timeframe, budget or process has been put in place to execute
 - Maintenance of two systems creates redundancy and waste in efforts of the IT organization
 - Must cross train employees on multiple systems
 - Diverts efforts of staff to engage in other value added activities
 - System maintenance and support expenses are increased

III. Key ISBE Issues

Technology Issues

•Development for Custom Solutions

- All systems development work is a custom solution
- Standards for developing the solutions exist, but only at a very high level (e.g. what programming language must be used)
- “Look and feel” of solutions are all different
- Support for the solutions is more inefficient because the person supporting the solution is often not the developer
- Web information is difficult to retrieve and gather by web system users

•Grants Management

- Grants processing is not centralized.
 - Redundant custom solutions are created for each program to manage compliance, financials, etc.
 - Multiple systems are being used (GTS, GTR, FRIS, MIDAS) each with different functionality
- The current e-Grant proposal addresses application in lieu of full integration

•Overall Technology Architecture (Hardware)

- System solutions tend to be developed individually without regard for integration or data sharing
 - Integration between the system solutions is difficult
 - Management of technical support is difficult

III. Key ISBE Issues

Technology Issues

•Outsourced Technology Work

- IT projects that last longer than 4 weeks are outsourced through an RFP process
 - Numerous developers are used
 - Price consideration usually outweighs technical consideration
 - RFP's are used for new work (or modifications) and is assigned to the lowest bidder
 - Each new project spends resources on becoming familiar with the ISBE organization and processes
 - Formal training is non-existent (it is on the job)
 - Standards may not be maintained

•Information Technology Strategy

- Information technology created a five year strategy which does not address policies, procedures, and plans specific to each project
 - No overarching development strategy for internal solutions
- Program leaders purchase technology separately from central IT purchases
- Information technology is reactive to the needs of the organization, not proactive
 - Schools and districts purchase technology independently
- IT is not empowered to set IT policy and standards for the ISBE organization and constituents

•Information Technology Project Management

- Project management techniques for IT internal projects is lacking
 - Some projects use spreadsheets while others use paper for tracking
 - Management does not have specific timelines or milestones for project completion
 - Management cannot hold staff accountable without formalizing project management

IV. Key ISBE Recommendations

Organization and Process Review

Assessment Duration: 2 months

Recommendation:

Conduct an organization and process review that includes the following:

- Establish an organizational vision and purpose, with communication to stakeholders
- Align divisional activities with overall organizational vision
- Understand and define the role of the ISBE and ROEs
- Understand the impacts of the new Accountability Mandate on the ISBE and its school districts
- Develop a service delivery model that can meet the needs of the new Accountability Mandate
- Establish standard processes across the organization for accomplishing the defined goals
- Identify barriers or challenges to implementing change

Industry Practice:

- Develop and deliver a service model that highlights standardized processes and metrics
- Leverage the capabilities and resources of regional offices for application and administration of grants and programs and administration of certain federal or state programs
- Reduce the seeking of grants at the State level and rely on regional offices and local districts for this function

Estimated Assessment Cost: \$300,000

Estimated Total Duration and Implementation Cost: 6 months, cost TBD based on assessment, estimate \$500,000 - \$600,000

IV. Key ISBE Recommendations

Performance Evaluation Metrics

Assessment Duration: 2 months

Recommendation:

Establish a performance measurement system that:

- Identifies strategic objectives
- Defines objective performance measures with quantifiable goals and targets
- Identifies performance targets and accountabilities
- Tracks and reports performance
- Links performance measures to compensation and reward systems

Industry Practice:

- Capture and analyze performance metrics linked to the organization's mission, vision, and strategy
- Use of common definitions across the organization
- Use industry standard definitions to facilitate benchmarking: external and internal
- Focus on cost drivers and value drivers
- Balanced scorecard approach

Estimated Assessment Cost: TBD

Estimated Total Duration and Implementation Cost: 6 months, cost TBD based on assessment

IV. Key ISBE Recommendations

Program and Operating Risk Assessment

Assessment Duration: 3 months

Recommendation:

Adopt a risk management model that defines risk broadly at all levels in the organization

- Develop an overall strategy which describes the mission, standards, and methods of the audit and assessment functions
- Identify both strategic and operating risk factors including both internal and external areas of exposure
- Create an assessment model that analyzes the impact and likelihood of both strategic and operational risks by applying criteria:
 - Knowledge gained from prior experience
 - Professional judgment
 - Personnel interviews
- Rank auditable units according to the established risk factors
- Develop two year audit plan

Industry Practice:

- Risk based approach to auditing programs – only if there is an unfavorable trend or improper activity identified
- Utilize internal auditors from other districts to perform program audits and peer reviews

Estimated Assessment Cost: \$150,000

IV. Key ISBE Recommendations

“Quick Hits” – Outsource Printing

Assessment Duration: 3 months

Recommendation:

The printing organization is a potential cost savings opportunity. The current organization may have a potential for sale with an ongoing contract for ISBE printing/copying. The next steps are:

- Analyze the potential of selling the print shop
- Determine costs of space, equipment, supplies and staff (which costs are embedded in which programs)
- Determine a market for the used equipment and determine alternate arrangements for the print shop staff
- Negotiate contract with one provider for printing services
 - Centralize the printing functions for all ISBE needs (organization and educational programs)
- Sell printing function (assets, etc.)

Industry Practice:

- Other state agencies have found it more cost effective to have outside sources handle their printing operations

Estimated Assessment Cost: TBD

IV. Key ISBE Recommendations

“Quick Hits” – Evaluate the Internal Vehicle Fleet

Assessment Duration: 3 months

Recommendation:

A small but visible expense is the internal fleet of nine vehicles. The fleet has staff, assets, storage, and insurance expenses that could be eliminated. Other employees are reimbursed for travel costs. This cost reduction could be offset by car rentals, employee vehicle or other types of transportation expenses. The key benefit will be the ability to track and manage the transportation expenses moving forward.

An evaluation of the following should be conducted:

- Quantify total costs of fleet – vehicles and internal reimbursement
- Sell fleet function/sell vehicles
- Retire fleet
- Sell assets
- Redeploy FTEs

Industry Practice:

- The practice of using in-house vehicle fleets is not current

Estimated Assessment Cost: TBD

IV. Key ISBE Recommendations

“Quick Hits” – Travel and Expense Systems

Assessment Duration: 3 months

Recommendation:

Assess the feasibility of an automated travel and expense process to reduce this labor intensive process

- A process review of the travel process should be conducted in conjunction with a review of outside packages that could be purchased to automate the expense account and check printing function for the ISBE
- An automated process tied to general procurement would have the potential of reducing the efforts of the FTEs in this area while improving accuracy, approval processes, and speeding the return of funds to the employees
- Another significant improvement area is in reducing the number of vendors used for travel and negotiating preferred rates based on the travel volume of the state

Industry Practice:

- Travel and expense systems that capture time and expense, manage the approval process, update budgets, validate compliance with entry amounts and compliance with preferred vendors

Estimated Assessment Cost: TBD

IV. Key ISBE Recommendations

Sourcing/Procurement System Assessment

Assessment Duration: 6 months

Recommendation:

Develop a sourcing/procurement system which focuses on the following areas:

- Develop a strategic sourcing plan
 - Develop and adhere to standard procurement policies
 - Utilize state-wide approved purchasing sources utilizing the ISBE and State of Illinois buying power
 - Establish strategic vendor alliances
 - Identify areas for analysis including indirect materials, services, temporary staffing, computer technology, travel, telecommunications, and printing
- Re-engineer existing procurement processes
 - Determine standard methods for capturing spend data
 - Develop a mechanism for analyzing spending habits
 - Monitor and report non-standard purchases
- Consider the implementation of an e-procurement system

Industry Practice:

- Establish state-wide approved vendors with predetermined discounts
- Measure procurement performance on negotiated prices, terms and conditions, and process duration
- Standardize equipment and track warranties to further reduce maintenance cost

Estimated Assessment Cost: \$900,000

Estimated Total Duration and Implementation Cost: 18 months, cost TBD based on assessment, estimate \$1,100,000 - \$1,500,000

IV. Key ISBE Recommendations

Grants Process and Technology Assessment

Assessment Duration: 4 months

Recommendation:

Evaluation of the grants process and technology which includes:

- Analyzing the grants/program system
 - Developing a mechanism for measuring the value and performance of a program
 - Determine the actual cost of grants
 - Identify a policy for pursuing only those non-mandated programs which are cost effective
- Re-engineering of the grants process
 - Administering only those programs which are mandated at the state level
 - Consolidate grants programs into a centralized environment
 - Establish and adhere to standards for program development
- Employ a fully integrated e-grant system that covers the entire grant life-cycle including grant application, data collection, compliance and monitoring, and management reporting

Industry Practice:

- State Agency administers only those programs that are mandated by legislation to be administered at the state level
- State Agency discontinues “technical grant support” and encourages this role at the Regional Office or Local District level, as necessary
- Regional Offices administer some state-wide programs
- Regional Offices and Local Districts apply for other grants and programs to benefit their region/local district

Estimated Assessment Cost: \$600,000

Estimated Total Duration and Implementation Cost: 12 months, cost TBD based on assessment, estimate \$1,500,000 - \$2,500,000

IV. Key ISBE Recommendations

Data Warehousing

Assessment Duration: 6 months

Recommendation:

Establish a central ISBE data warehouse

- Identify and assess the requirements of the data warehouse
 - Technical infrastructure
 - Identification of the end users
 - Capacity
- Standardization and normalization of existing data
- Develop the mechanisms that allow for various types of data analysis and reporting
- Create a mechanism for easier decomposing (drill down) and summarizing (drill up) of data
- Integrate the data warehouse with other existing systems (e-grants, ERP, etc.) as appropriate
- Manage data resources in a highly proactive way

Industry Practice:

- State-wide data warehouse for comparison/benchmarking, compliance reporting, and performance measurement
- Online access for districts and regional offices to perform specialized benchmarking/ reporting
- Provide easy access to data to compare to districts with similar demographics
- Typical data elements captured for each local district in data warehouse: tax and revenue statistics, expenditures (administrative and instructional), student demographics, testing results by demographics, college admissions test results, personnel statistics, etc.

Estimated Assessment Cost: \$1,000,000

Estimated Total Duration and Implementation Cost: 18 months, cost TBD based on assessment, estimate \$3,000,000 - \$5,000,000

IV. Key ISBE Recommendations

Enterprise Resource Planning (ERP) System

Assessment Duration: 6 months

Recommendation:

Implementation of an Enterprise Resource Planning (ERP) System

- Modification of the MIDAS system to allow for the retirement of the FMIS system
- Analyze system needs
- Develop business requirements for a package solution
 - Management reporting capabilities for budgeting process that includes history, budget to actual, trend analysis, cash flow reporting, and budget variances
 - Inventory tracking
 - Budgeting
 - Procurement
- Vendor selection analysis
- Implementation of the ERP system and integration with existing systems

Industry Practice:

- Package financial accounting system to lower the total cost of ownership
- Interfaces developed to other State financial applications, as necessary
- Standardized reports for each function and department are generated automatically

Estimated Assessment Cost: \$1,200,000

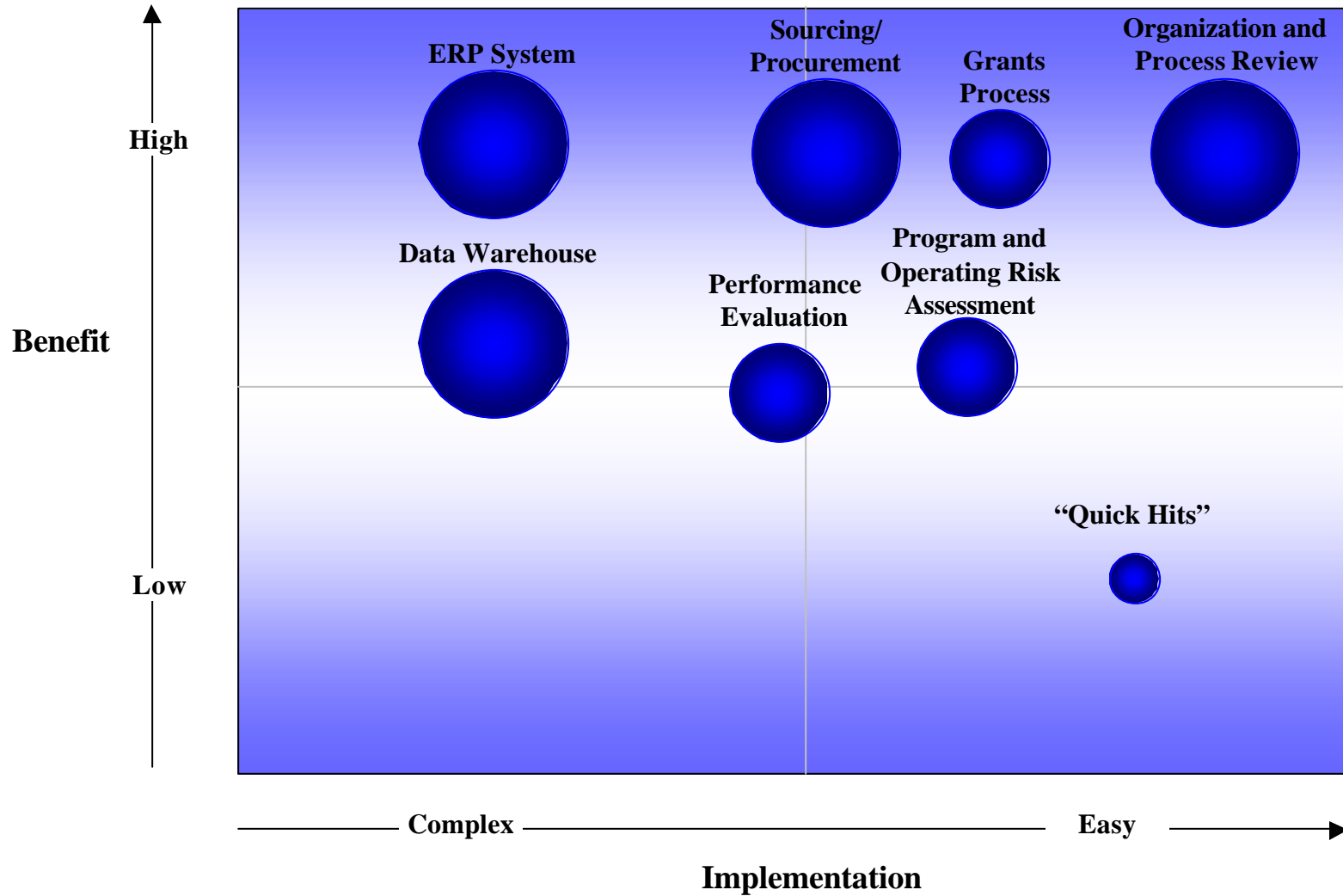
Estimated Total Duration and Implementation Cost: 18 months, cost TBD based on assessment, estimate \$5,000,000 - \$9,000,000

V. Summary of Key Recommendations

Recommendation	Priority	Organization Value (Recurring Savings)	Estimated Assessment & Implementation Cost
Organization and Process Review	High	\$1-3mm	A. \$300k B. \$500-600k
Performance Evaluation Metrics	Medium	TBD	TBD
Program and Operating Risk Assessment	Medium	TBD	\$150k
“Quick Hits”	Medium	\$30k-\$300k	TBD
Sourcing/Procurement System Assessment	High	\$3-5mm	A. \$900k B. \$1.1 – 1.5mm
Grants Process and Technology Assessment	High	\$3-4mm	A. \$600k B. \$1.5-2.5mm
Data Warehousing	High	\$5-10mm	A. \$1mm B. \$3-5mm
Enterprise Resource Planning System	High	\$20-30mm	A. \$1.2m B. \$5-9mm

- Should be completed concurrently
- Value based on industry 3 & 5 year averages
- A. Assessment
- B. Implementation

V. Summary of Key Recommendations



Size of circle indicates the Organizational Impact

V. Summary of Key Recommendations - Timing

Months	0-6	6-12	12-18	18-24	24+
Organization and Process Review	2	4 Mo			
Program and Operating Risk Assessment	3 Mo				
“Quick Hits”	3 Mo				
Sourcing/Procurement System	2	12 Months			
Grants Process and Technology		2	8 Months		
Data Warehouse		3	12 Months		
ERP System			4	12 Months	
Performance Evaluation Metrics			2	8 Months	

Phase 1 Assessment

Implementation Phases