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IT Strategies for Affordable Housing Organizations

A Path to Greater Performance and Lower Cost

WHITE PAPER

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Introduction

Technology has led to transformative changes in almost every profession and affordable housing is no exception. In particular, the rise of mobile computing, with reliable broadband networks and a range of inexpensive tablet and smart phone devices, is helping to eliminate the barriers of physical location. Information can be accessed and updated directly from the field, dramatically increasing efficiency and responsiveness and enabling better decision making. Centralized databases make compliance easier and the ability to share data between agencies (to the extent that regulations allow) allows for improved coordination and makes duplication of efforts easier to spot.

But these substantial benefits come with costs. An affordable housing organization's computer networks need to be even more reliable, given how mission critical their services to the public have become. Data storage space requirements grow exponentially, and more applications need to be acquired and updated. Policies need to be developed and implemented that cover issues like disaster recovery, privacy and security—both in terms of preventing unauthorized access and dealing with events like lost devices that may contain sensitive data. Finally, there are ever-changing regulations that cover the handling and storage of non-public, personally identifiable information.

These increasingly complex requirements put the leaders of affordable housing organizations in a bind. The growing importance of IT in affordable housing operations means that these requirements cannot be ignored—indeed, they must be rigorously followed. But fulfilling them takes increasing amounts of people, time and capital, diverting resources from the organization's central mission and forcing the organization away from its core competencies.

IT Strategy Alternatives

In the face of these challenges, an increasing number of affordable housing organizations are choosing to outsource some or all of their IT function to third parties that store both data and the application software needed to access it. Clients then access their data through a laptop, tablet or smart phone using any popular web browser. IT outsourcing solves a number of problems for the affordable housing organization:

Adequate support: The typical affordable housing organization may run 15 or 20 different applications—from standard word processing and spreadsheet software to enterprise-level database and network platforms—and yet have only one full-time IT person to provide support. Unfortunately, no one individual can be expected to master all the hardware and software complexities in today's challenging systems environment. Outsourced IT providers employ a range of specialists to ensure they have the necessary expertise for every application they offer.

Right-sized resources: Most organizations make their hardware purchases based on their peak needs, meaning that most of the time, machines are only running at 40 to 50 percent of capacity. Outsourced IT service providers allow clients to right-size their resources as their requirements fluctuate.



Greater security and data protection: A good IT service provider today offers “five nines” (99.999 percent) uptime; redundant, geographically dispersed data centers for backup, recovery and continuity; software suites that include most popular applications, and terabytes of data storage. The majority of affordable housing entities do not have the IT budget to adequately achieve these levels of service. Far from being a risk, it is actually *safer* to store one's data with such a company than keeping it on site.

Turnkey compliance: Most IT service providers have a dedicated risk management function and undergo external audits to demonstrate compliance with privacy and data-handling standards outlined in SSAE 16 examination reports.

Despite the growing popularity of outsourcing the IT function, it still raises understandable concerns. Today, data is the lifeblood of any organization, and many have a reflexive unease about giving their control of that data to a third party. Here, some historical perspective is helpful. The IT revolution that has been unfolding since the development of the personal computer thirty years ago can be compared to the history of artificial lighting. Before the twentieth century, lighting was a do-it-yourself affair, with each individual home maintaining its own lamps, wicks and fuel (first whale oil, then kerosene). Accidents were not uncommon. The advent of not just the electric light bulb but the electric grid changed all of that. Lighting and the energy behind it went from something you *did* to a utility you *bought*—even as it became more and more central to the functioning of society.

Today IT is in the midst of the same transformation. As it has moved from the periphery to the center of commerce, a critical mass of business opportunity has coalesced as more organizations need more IT services. Third-party providers, both here and abroad, have responded by growing in sophistication and by adopting best practices. As a result, IT outsourcing is now a multi-billion dollar business sector, and it is difficult for all but the largest organizations to match the level of IT performance outsourcing offers by using their internal resources. Instead, outsourcing allows affordable housing organizations to use their human capital in line with their mission and core competencies, rather than using overtaxed human and financial capital to manage systems and technology.

Considering a Migration

An organization considering outsourcing its IT function must begin by assessing its current IT system in terms of hardware, software, processing power, data storage and applications. It also must review its risk mitigation, privacy and security policies and how well they are implemented. This is likely to be an eye-opening exercise in and of itself. Many organizations will find that they have layers of technologies and processes of various ages and levels of compatibility, leading to inefficiencies, “workarounds” and sub-optimal performance. In addition to auditing the IT system itself, the organization should also carefully review its information workflow—how it collects, structures and stores the information that is used in the course of its operations. This helps crystallize the organization's data requirements. It also can shed useful insight into the organization's operations and highlight possible areas for increased efficiency.



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It is also important to remember that outsourcing the IT function is not an all-or-nothing proposition; some elements can be outsourced while retaining others. An organization could choose, for example, to outsource its email and exchange servers while keeping its file servers in-house. IT providers also typically offer a la carte service menus, allowing clients to outsource, say, back up and disaster recovery, while keeping its help desk in-house. Choosing to outsource only some aspects of the IT function can also be a way from an organization to make a full migration in measured steps.

Obviously, the choice of a provider is critical, and fortunately, there are a range of established quality IT service firms from which to choose. When looking at potential partners, affordable housing organizations are likely to get the best service from mid-sized firms that are large enough to deliver reliable service through experienced personnel and yet retain a customer-service focus. At larger shops, most affordable housing clients will get lost among large corporate clients.

Outsourcing one's IT function is not a silver bullet, and there may be some organizations for which such a move is not optimal. However, in a time of tightened budgets, many organizations will find that at least some level of outsourcing reduces costs, increases performance and allows valuable resources to be focused on the organization's core mission.

How Reznick Group Can Help

Reznick Group's affordable housing practice has been helping businesses finance safe and affordable rental housing for lower-income communities for more than thirty years. Our client base, which includes for-profit and nonprofit developers, public housing authorities, state housing credit agencies, syndicators, investors, and lenders, looks to us for guidance on tax credit, insurance and other programs. We can also provide affordable housing organizations with a range of IT consulting services that include the design and implementation of recordkeeping protocols, audits of IT systems and internal controls, and proprietary diagnostic tools to help organizations improve operations and increase efficiency. Reznick Group's affordable housing practice can also draw upon the insights of Reznick Group professionals who conduct SSAE 16/SOC 1 service organization control examinations for IT outsourcing firms to validate their processes.

To learn how Reznick Group can help your organization choose the right people, process, and control alternatives, please contact Peter Schablik, Principal, at peter.schablik@reznickgroup.com or (617) 603-4509.

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