



Office of Personnel Management

FinOps – Agency Case Study

Office of Government-wide Policy (OGP)

“OPM’s Azure cloud spend has grown over 2,000% since 2021, highlighting the need for a dedicated team responsible for monitoring and managing cloud costs.”

Melvin Brown II, OPM Deputy CIO

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|---------------------------|----------------------------|
| Agency | OPM |
| Resources | Melvin Brown Tim Seigel |
| Start of FinOps Effort | FY 21 |
| Spend in Cloud (% growth) | 2,000% |
| Point of Contact | Melvin Brown |
| FinOps Progress as of | March 2024 |



Background

The United States Office of Personnel Management (OPM) established a FinOps program in 2021 with the existing CCOE (Cloud Center of Excellence) dedicated to maturing OPM’s cloud management activities and aligning them to the FinOps Foundation maturity model. The mission of the FinOps team is tied directly to OPM’s “Cloud First” strategy and helped establish a cross-functional team responsible for ensuring more financial control and predictability.

OPM has embraced FinOps and is a thought leader with the FinOps Foundation. OPM is a member of the FinOps Foundation Governing Board, and has led the public sector working group along with other government employees and industry professionals. the group is tasked with developing processes and procedures to help government agencies implement FinOps.

Given that there are rules and regulations that are specific to the government, the team looks to highlight those differences and provide a "playbook" on how to overcome cloud cost management challenges specific to the government.





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FinOps Implementation

The OPM FinOps implementation focused on the following:

- **Tagging Policy:** Allows explicit resource monitoring of cloud costs and helps the FinOps team provide IT programs with visibility into cloud costs and optimization opportunities.
- **Cloud Cost Visibility:** Provides stakeholders with show-back reports detailing near real-time variance between spend and funded ELAs (Enterprise License Agreements), which ensures program teams and app owners are on budget. It also provides forecasts based on historical spend, as well as net-new migration and development efforts.
- **Anomaly Detection:** Establishes dashboards with the ability to detect, identify, and act upon potentially unexpected increases in cloud spend.
- **FinOps Organizational Alignment:** Integrates the FinOps team's activities with existing processes within the IT, Finance, Procurement, and Executive teams.
- **Commitment-Based Discounts:** Manages a large portfolio of Reserved Instances across several services including: Compute, SQL Managed Instance, Azure Databricks, Azure Blob Storage, and Azure Cache for Redis, realizing a 35% savings or cost avoidance.
- **Security:** Ensures the FinOps team closely aligns with the Chief Information Security Officer's (CISO) office to show the costs of security mandates are accounted for and communicated to the App teams.



Challenges

OPM has made tremendous progress over the past few years, however, as with any new technology or practice, there are challenges that we attack head on.

- Security logging is a mandate and being compliant requires significant amounts of storage that needs to be held for a long period of time.
- Being able to manage or reduce costs while maintaining compliance requires actively managing storage, retention, and archive policies.
- Because of the way the government budgets, forecasting continues to be a challenge. It is difficult to know your net-new and application migration schedule and cadence when budgeting two years ahead.
- Organizational change management is an active effort in changing mindset and training teams to understand the nuances and cost implications of actively managing cloud vs. the set it and forget it of on-prem infrastructure.



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Accomplishments and Lessons Learned

Since its inception in 2021, the FinOps team has learned valuable lessons when implementing the FinOps framework. Below are a few examples:

Management “buy-in”

Having senior management on board and actively involved is important. This helps to ensure everyone is an active participant in the FinOps program and driving toward program goals.

Build relationships with stakeholder teams

FinOps is a team sport. Finance, Procurement, and IT teams all have responsibilities and deadlines to meet, so adding additional FinOps responsibilities can be challenging. The FinOps team meets regularly with the larger group to review OPM-wide FinOps activities and meets separately with each of the Application owners to provide individual guidance.

Memorialize decisions and integrate with Enterprise Change Management (ECM)

Regular FinOps meetings often include consensus on how to solve issues and share decisions with management. The OPM FinOps team is working to properly ensure those decisions are codified and put through the ECM process for implementation. Example: activating new security plans for Azure Defender.

Implement a Decision Matrix and/or RACI matrix for each “bucket” of decisions that must be made

For decisions that don't require OPM-wide ECM, the FinOps team tracks those as well. Examples include: upfront commitments for Reserved Instances, acting on rightsizing opportunities, budget management, and forecasting analysis.

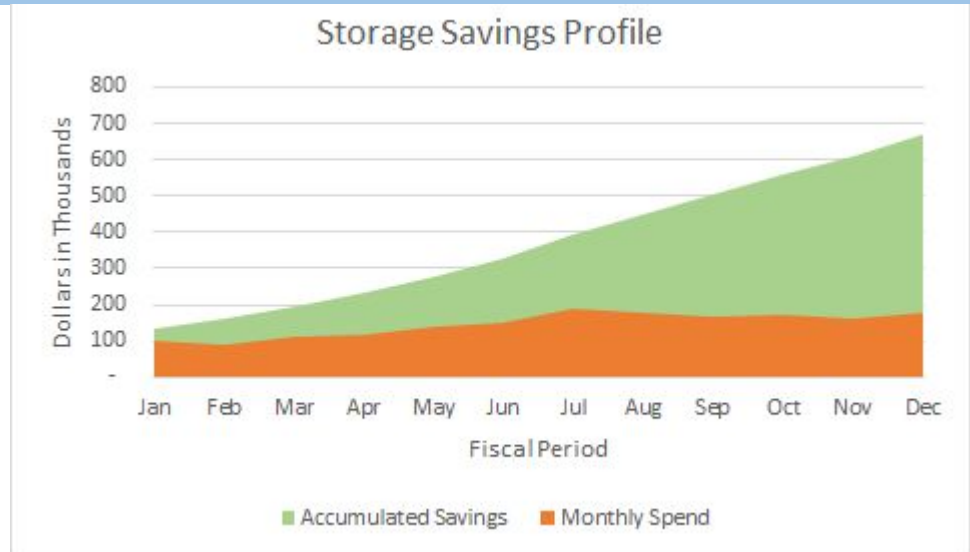
Training

FinOps is a relatively new framework, and educating each team on what FinOps is and how it can benefit their team goes a long way toward ensuring successful outcomes.



Outcomes and Next Steps

Annual savings greater than \$500K by adjusting storage policy and commitments



| Month | Commitment Tier | Actual Cost | Marketplace | Total Savings | Savings% |
|--------|-------------------------------------|--------------|--------------|---------------|----------|
| Jan-23 | 500GB | \$101,372.14 | \$133,838.58 | \$32,466.45 | 24.26% |
| Feb-23 | 500GB | \$89,742.30 | \$118,426.06 | \$28,683.75 | 24.22% |
| Mar-23 | 500GB | \$113,493.85 | \$149,827.29 | \$36,333.44 | 24.25% |
| Apr-23 | 500GB | \$117,437.88 | \$154,882.77 | \$37,444.90 | 24.18% |
| May-23 | 500+1000GB (Starting from 10th May) | \$142,686.71 | \$188,314.90 | \$45,628.19 | 24.23% |
| Jun-23 | 1000GB | \$153,324.70 | \$202,226.96 | \$48,902.26 | 24.18% |

Next Steps

- **Improved Forecasting:** Increase understanding of OPM’s future cloud migration plans, as well as historical spending patterns, to predict the impact cloud spend has on budgets and obligated funding.
- **Artificial Intelligence (AI):** Develop baselines for forecasting AI in the OPM cloud environments.
- **Shared Costs Allocation:** Calculate the allocation of shared cloud infrastructure services, such as security services and networking.
- **Chargeback Model:** Improve understanding of shared infrastructure so the FinOps team can provide Application owners with shared costs in conjunction with their native application costs in the cloud.
- **Further Integration with TBM:** Work with the TBM program to focus on managing IT investments.
- **SaaS spending:** Integrate SaaS spending with the current Azure Cloud spend models.
- **Vendor Innovation:** Keep pace with cloud service providers (CSPs) who are constantly innovating by providing both new technology as well as new billing constructs.
- **Cloud Management Tooling:** Take advantage of third party software vendors’ new tools to help organizations manage and monitor their cloud costs.