WHITEPAPER | PUBLIC SECTOR

Building the Foundation of AI, Cloud, and SaaS Adoption & Governance

Optimizing Mission Value, Transparency, and Fiscal Accountability

Prepared for Public sector leaders seeking to establish sustainable, mission-driven AI, Cloud, and SaaS adoption & governance

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Executive Summary

Public sector agencies are accelerating adoption of AI, cloud and SaaS platforms to modernize operations, improve citizen services, and enhance security. While this shift enables agility and scalability, it also introduces new financial, operational, and governance challenges. Fragmented visibility into usage, decentralized adoption, and strict procurement and compliance requirements make it difficult for agencies to ensure fiscal accountability while delivering mission outcomes.

This white paper presents a practical, FinOps (operational and financial value to technology investment) aligned foundation for AI, Cloud and SaaS Management tailored specifically for public sector agencies. Drawing on guidance from the FinOps Foundation's Government Playbook, industry analyst Info-Tech Software Reviews, Gartner SaaS Management Platforms insights — and informed by CloudNuro's experience in working with government agencies, this paper outlines how government and public sector agencies can establish a foundation for AI, Cloud and SaaS governance to bring transparency, align usage, tie spend to mission outcomes, and operationalize continuous optimization across AI (agents), Cloud and SaaS environments. It provides a foundation for building transparent and predictable AI ownership at scale for such organizations.

01

The AI, Cloud and SaaS Imperative in Public Sector

Cloud computing and SaaS applications have become core enablers of public sector digital transformation while AI — Agents such as CoPilot, Gemini, OpenAI and other adoptions are growing rapidly. Agencies rely on cloud to modernize legacy systems, scale services on demand, and support hybrid and remote workforces. SaaS solutions now underpin critical functions such as collaboration, case management, HRMS system, financial systems, citizen engagement, identity and cyber security and data analytics. Vendor solutions across the domains are heavily reliant on these technologies.

However, unlike traditional IT infrastructure, AI, cloud and SaaS consumption is usage-based and highly dynamic. Costs fluctuate daily, contracts are often decentralized, and usage patterns vary significantly across departments. Traditional annual budgeting and procurement models struggle to keep pace with this reality, creating a growing gap between spend visibility and decision-making due to lack of transparency of data. Variability in subscription models is hard to understand without any standard. It is nearly impossible to manually predict the cost of AI-tokens and track them due to lack of industry standardization on tokens. All top-tier public sector vendors are adding new AI agents with overlapping features and unpredictable cost. At the same time, employees are using publicly available AI tools, creating significant shadow AI and risk.

02
Core Challenges Facing Public Sector Agencies

Visibility and Shadow IT
Unauthorized technology (Cloud, SaaS and AI) used within the organization without IT's knowledge can create major security risks, compliance issues, and inefficiency due to lack of visibility and control. Without good tools, identifying these technologies can be difficult and time consuming, draining staff resources.

Transparency
Many agencies lack a single, authoritative view of AI, Cloud, and SaaS usage and spend. Data is spread across multiple vendors, invoices, contracts, and billing portals, making it difficult to understand true costs or identify inefficiencies. Cloud and AI, in particular — where the "meter is always running" — most need effective and efficient monitoring.

Organizational Silos
Finance, procurement, IT, and program teams often operate independently, leading to misaligned incentives and delayed decision-making. Without shared accountability, optimization efforts stall.

Compliance and Procurement Constraints
Public sector organizations must adhere to strict procurement rules, cybersecurity standards, and audit requirements. These constraints can slow adoption of governance tooling and limit flexibility.

Undefined Measures of Value
Unlike private enterprises, public sector agencies do not measure success by revenue or profit. Value must be expressed in mission terms — services delivered, citizens served, or operational outcomes achieved per dollar spent.

Resource Constraint and Skill-gap
Matching resources and skills to manage the latest technologies, while adhering to budget and staffing constraints, is more challenging than ever before.

03

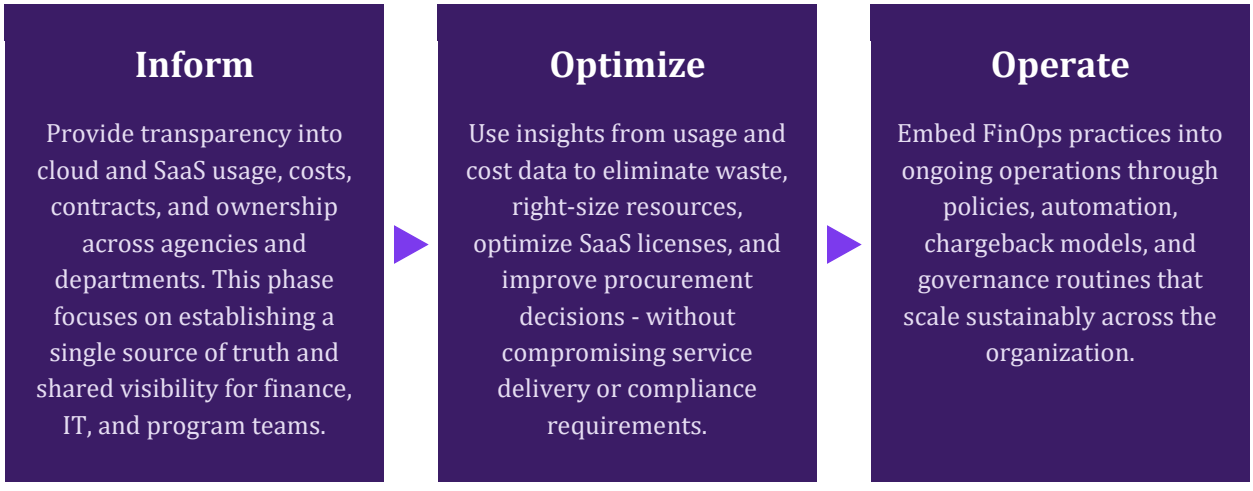
FinOps as the Framework for AI, Cloud and SaaS Governance & Financial Management

FinOps is a cultural and operational framework that brings together finance, engineering, procurement, and business teams to manage AI, Cloud and SaaS spend collaboratively. Rather than focusing solely on cost reduction, FinOps emphasizes informed decision-making, shared ownership, and continuous optimization. FinOps Public sector communities in regions around the world collaborate to share best practices, exchange insights, and support one another.

The FinOps Foundation's Government Playbook adapts these principles to the realities of government operations. It provides guidance on aligning cloud financial management with public budgeting cycles, compliance obligations, and mission priorities. While the FinOps Foundation's Government Playbook primarily focuses on Cloud, the same principles can be applied to managing SaaS and AI.

The details about the FinOps Foundation's Government Playbook can be found at www.finops.org/wg/us-gov-playbook.

Mapping FinOps Phases to Public Sector Needs



Key FinOps principles for public sector agencies include:

- Transparency into AI (Agents), Cloud and SaaS costs and usage
- Shared accountability across stakeholders
- Continuous optimization
- Decision-making aligned to mission outcomes

04

Unit Economics in the Public Sector

Unit Economics brings practice of measuring spend against a business metric (service provided, completed tasks/orders, revenue, etc.) rather than simply looking at the cost in isolation. It reframes financial management around measurable mission outcomes rather than just overall profit. In the public sector, unit metrics connect technology directly to services delivered, citizens served, or operational capabilities enabled.

Examples of Public Sector Unit Economics

EXHIBIT 1 — Public Sector Unit Economics

- Cost per AI Token used
- Cost per Agent license actively used
- Cost per SaaS license actively used
- Cost per application supported
- Cost per employee or contractor enabled
- Cost per citizen served or case processed
- Cloud cost per digital service or workload

By defining and tracking unit economics, agencies can:

- Demonstrate fiscal responsibility and transparency
- Compare efficiency across programs and departments
- Support data-driven budget justifications
- Identify optimization opportunities without compromising service quality

> Unit economics enables agencies to answer a critical question:
>
> *Are we delivering better mission outcomes to our constituents for every dollar spent?*

05

Building the AI, Cloud and SaaS Management Foundation

A sustainable foundation for AI, cloud and SaaS management rests on six pillars.

I

Cross-Functional Governance

Establish a FinOps governance structure that includes finance, IT, procurement, and program leadership. This group defines policies, standards, reviews usage, reviews spending trends, and drives accountability for the user and vendor.

II

Centralized Visibility

Aggregate AI, cloud and SaaS usage, cost, and contract data into a single system of record to eliminate blind spots. This helps eliminate the redundant applications, identify underutilized resources, identify license mismatches, and better prepare for audits and license renewals.

III

Continuous Budgeting & Forecasting

These fast-moving technologies, with the potential for significant cost swings in Cloud and AI, require rolling forecasts informed by real usage data and service demand. While legal constraints may lock the yearly budget, the rolling forecasts are needed to avoid budget shock and prepare both operations and if possible, budget revisions that are tied to business outcomes.

IV

Cost Allocation & Chargeback

Allocate costs to departments, programs, or services to reinforce ownership and enable informed consumption decisions for Cloud, SaaS and AI. Good measurement of cloud and AI for allocation can be very difficult and time consuming if not supported with good tools.

V

Automated Governance & Optimization

Use policy-driven automation to enforce procurement standards, identify unused resources, and optimize licenses and cloud capacity. Build the guardrails to prevent overuse. While full automation may be possible, tying into the change control process may be preferable.

VI

Contract Terms with Vendors

Negotiate contract terms to have flexibility to adjust the usage and features and to negotiate the pricing terms on outcomes where possible.

06

Enabling the Foundation with a Unified Platform for AI, Cloud, and SaaS Governance

To implement these practices, public sector agencies need platforms that unify AI, cloud and SaaS adoption and management capabilities. An effective platform should provide:

- ✓ Automated discovery and license optimization
- ✓ Inventory management and a single pane of glass view
- ✓ Executive dashboards for spending and usage visibility
- ✓ Real-time operational dashboards for spend and usage visibility
- ✓ Multi-cloud cost management and forecasting
- ✓ SaaS cost management and forecasting
- ✓ AI (Agent and Token) cost management and forecasting
- ✓ Policy-based governance and compliance controls
- ✓ Department-level reporting and chargeback
- ✓ Integration with ITSM systems
- ✓ Integration with top AI, Cloud, and SaaS used in the Public Sector

By consolidating these capabilities, agencies reduce manual effort, improve accuracy, and accelerate FinOps maturity.

07

Public Sector Impact Scenarios

State and Local Agency Perspective

For state and local agencies, cloud and SaaS sprawl often emerges from decentralized procurement and department-level autonomy. Applying FinOps principles enables these agencies to preserve flexibility while restoring financial and operational control.

Common outcomes include:

- Reduced redundant SaaS subscriptions across departments
- Improved transparency for budget offices and oversight committees
- Faster alignment between IT investments and service delivery priorities

Federal and Regulated Environments

In highly regulated environments, FinOps provides a structured way to balance compliance with cost efficiency. Automated visibility and governance help agencies meet audit requirements while continuously improving cost efficiency.

Across agency types, organizations that implement a strong Cloud and SaaS management foundation have demonstrated:

- Significant reductions in unused or underutilized SaaS licenses
- Significant reductions in spend for Cloud infrastructure
- More efficient use of staff in SaaS, Cloud, and AI management
- Improved budget predictability and reduced forecast variance
- Greater alignment between IT spend and mission priorities

08

Public Sector Case Studies

Various government agencies are taking steps to establish a foundation for managing and governing AI, cloud services, and SaaS adoption. Some of these agencies have achieved a higher level of FinOps maturity, while others are just beginning their journey. By recognizing the risks associated with rapidly evolving AI, building this foundation will help mitigate significant risks.

GOAA

Greater Orlando Aviation Authority · FL

20%

reduction
in M365 & Salesforce costs

One of the largest Airport Authorities in Florida

LA Metro

Los Angeles County Metro · CA

30%

annual IT savings
by eliminating redundant software

One of the largest Transit Agencies in California

Additional Public Sector Engagements

City of Aurora

One of the largest cities in Illinois

Building its AI, Cloud, and SaaS adoption management and governance

DuPage County

Illinois

Built the foundation of entire AI, Cloud, and SaaS governance, and chargeback

Metropolitan Water District (MWD)

One of the largest water departments

Improved budget forecasting with department-level chargeback

State of Delaware

Department of Technology & Information (DTI)

Delivered cost allocation and chargeback for SaaS applications

09

Recommendations for Getting Started

1. Initiate a FinOps maturity assessment.
2. Establish executive sponsorship and cross-functional ownership.
3. Define mission-aligned unit economics metrics (optional).
4. Centralize AI, cloud and SaaS data into a single platform.
5. Implement continuous forecasting and optimization cycles.
6. Scale governance through automation rather than manual controls.
7. Take a small, incremental approach toward a cost-conscious culture.

Conclusion

As the adoption of AI, cloud services, and SaaS accelerates, public sector agencies need to modernize their approaches to governing, measuring, and optimizing technology investments. Establishing a strong foundation for AI, Cloud and SaaS Management, based on FinOps principles and unit economics, allows agencies to balance innovation with accountability.

By aligning spending with mission outcomes, encouraging cross-team collaboration, and using unified management platforms, agencies can ensure that every dollar spent on AI, cloud, and SaaS delivers maximum value.

References

[1] **FinOps Foundation.** Public Sector Topic Page. *https://www.finops.org/topic/public-sector/*