



Minutes

Thursday, April 16, 2009

Virginia Information Technologies Agency (VITA)
Commonwealth Enterprise Solutions Center
Multipurpose Room
11751 Meadowville Lane, Chester, VA 23836

Attendance

Members present:

The Honorable Ric Brown
The Honorable Aneesh Chopra, Vice Chair
Hiram R. Johnson,
Kenneth S. Johnson Sr.
Walter J. Kucharski
Len Pomata
James F. McGuirk II, Chair
Bertram S. "Bert" Reese

Members absent:

Dr. Patricia Cormier
Scott D. Pattison

Others present:

Lemuel C. Stewart Jr., Chief Information Officer of the Commonwealth
John Westrick, Office of the Attorney General
Marcella Williamson, Executive Director, ITIB

Chair's Report

Call to order

Chairman McGuirk called the meeting to order at 1 p.m. in the Multipurpose Room at the Commonwealth Enterprise Solutions Center (CESC) in Chester. Chairman McGuirk asked Ms. Williamson to call the roll. The presence of a quorum was confirmed. Chairman McGuirk welcomed Secretary of Finance Ric Brown as the newest member of the ITIB.

Minutes

Chairman McGuirk introduced the draft meeting minutes from March 30, 2009.

Mr. Ken Johnson made the motion to approve the minutes. Mr. Hiram Johnson seconded the motion. The minutes were approved by voice vote.

2010 Meeting Dates

Chairman McGuirk provided a list of recommended ITIB meeting dates for 2010 – Jan. 21, April 15, July 15 and Oct. 21.

Mr. Hiram Johnson made a motion to accept the meeting dates. The motion was seconded by Mr. Len Pomata and passed on a voice vote.

Secretary Chopra arrived.

Chairman McGuirk welcomed Secretary Chopra as the new vice chair of the ITIB.

Committee Appointments

Chairman McGuirk provided a list of recommended committee appointments required with change in ITIB membership. The appointments include:

CIO Search and Executive Evaluation Committee

Bert Reese, Chair
Dr. Patricia Cormier
Len Pomata
Hiram Johnson
Staff: Peggy Ward

Customer Service and Support Committee

Ken Johnson, Chair
Secretary Aneesh Chopra
Hiram Johnson
Jim McGuirk
Staff: Debbie Secor

Enterprise Applications and Major Projects Committee

Dr. Patricia Cormier, Chair
Secretary Ric Brown
Walt Kucharski
Bert Reese
Staff: Dan Ziomek and Peggy Feldmann

Finance and Audit Committee

Scott Pattison, Chair
Secretary Ric Brown
Hiram Johnson
Walt Kucharski
Staff: Peggy Ward and Jim Roberts

Governance Committee

All Board Members
Staff: CIO Lem Stewart

IT Infrastructure Committee

Len Pomata
Secretary Aneesh Chopra
Hiram Johnson
Jim McGuirk
Staff: Fred Duball

Legislative Affairs Committee

Hiram Johnson, Chair
Scott Pattison
Ken Johnson
Staff: Eric Link

Secretary Chopra made a motion to accept the chair's recommended appointments. Mr. Pomata seconded the motion. The motion carried on a voice vote.

Health IT Standards Advisory Committee

Chairman McGuirk said as part of a bill passed by the General Assembly that takes effect on July 1, a Health Information Technology Standards Advisory Committee is to be formed in coordination with the Secretary of Health and Human Resources and the Secretary of Technology. He said he consulted with the two secretaries, who recommended the following individuals:

- Marshall Ruffin of Charlottesville, Chief Technology and Health Information Officer, University of Virginia Health System, Chair
- Geoff Brown of Northern Virginia, Senior Vice President and Chief Information Officer, Inova Health System
- Daniel Barchi of Roanoke, Senior Vice President and Chief Information Officer, Carilion Clinic, President, Carilion Biomedical Institute
- Alistair Erskine of Richmond, Chief Medical Information Officer, Virginia Commonwealth University Health System

He said Mr. Reese would be the liaison between the committee and the ITIB. A fifth person with expertise in privacy issues is needed to serve on the committee and asked for the public to submit nominations of potential members.

Secretary Brown made a motion to organize the committee. Secretary Chopra seconded the motion, which passed on a voice vote.

Fiduciary Responsibilities of the Board

Chairman McGuirk informed the audience that the board needed a closed session and put forth the following motion:

"I move that the board go into closed session pursuant to § 2.2-3711(A)(7) for the purpose of conferring with counsel to receive legal advice regarding the fiduciary responsibilities of Board members and regarding rules for conduct of the closed meeting. To aid our discussion, counsel should attend."

Ms. Williamson called the roll. All eight board members present voted in the affirmative. The board went into closed session at approximately 1:20 p.m.

The board came out of closed session at approximately 2 p.m. Mr. McGuirk said,

"The board now reconvened in open session having completed a closed meeting. I now will conduct a roll call and will ask each member to certify, to the best of his or her knowledge, that only public business matters lawfully exempt from open meeting requirements under the Freedom of Information Act and only those public business matters identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting."

He asked Ms. Williamson to call the roll. All eight board members present who attended the closed session voted in the affirmative certifying the closed session.

CIO Report

Chairman McGuirk asked CIO Stewart for an update. CIO Stewart reported:

- Major IT project status shows no red projects, six yellow and 18 green projects.
- There has been slight growth in the value of the major projects portfolio to \$840 million from \$816 million, and an increase in the dollar value of projects approved for development from \$492.8 million to \$572.7 million.
- There also has been slight growth in non-major projects, from 97 projects totaling \$39.5 million to 102 projects totaling \$41.4 million.
- There is significant activity expected in the major projects portfolio in the next quarter totaling \$71 million in part as a result of SB 892 that requires the Governor to identify in the proposed budget bill all major information technology projects.
- Additional projects may result from the federal stimulus funding.
- Eighty three audit items are being worked, with 90% green.
- Revenue is on target.
- Actual spend on an accrual basis is approximately 2%, or \$3.5 million, behind in part because of billing issues.
- Cash is trending up slightly.
- Small, Woman and Minority (SWaM) spend for FY09 through February totaled \$43.6 million. The goal is \$50 million, which should be met. Investment in infrastructure capital is nearing conclusion and will reduce that spend.
- IT contingent labor findings show:
 - Operational review/recommendations by agencies for creating a new contracting model
 - Governance over contractor labor spend is minimal
 - Competition is lacking for 50% of engagements (named resources)
 - Contractor terms of engagement unlimited
 - Commonwealth contract for project vs. temporary labor is limited to four vendors
 - Private sector lowering cost through re-negotiation
 - Commonwealth contracts expire this year
- IT contingent labor action plans:
 - Require competition on engagements with allowance for exceptions
 - Reduce dependency on long-term contractor engagements – Department of Human Resource Management
 - Lower costs by 10% through mandatory and voluntary programs
 - Compete new contracting contract
 - Collaboration with Governor's office and agencies on implementation of the new contracting model
- IT contingent labor action plans potential cost savings for FY 2010 show a maximum expectation of \$10.7 million.
- CIO Stewart also presented a draft organizational plan for VITA and responded to questions regarding the number of full-time equivalent positions. He said there are

100 fewer than in 2006, 100 fewer than pre-VITA and totals 218 including the enterprise applications positions coming into VITA on July 1. Chairman McGuirk said the board should meet prior to July 1 to have a governance meeting to delve into the organizational structure, and instructed Ms. Williamson to schedule a special governance meeting.

RTIP

Chairman McGuirk asked Bob Zoppa for an update on the Recommended Technology Investment Projects (RTIP) Report. Mr. Zoppa reviewed the purpose, project planning approval criteria, selection process, CAO assessment role in the 2009 RTIP, and proposed schedule. He said the CIO/Chief Applications Officer (CAO) recommended changes include an additional set of questions focused on applications to allow the CAO to conduct an analysis to determine that projects identified as enterprise are, in fact, enterprise applications.

Mr. Zoppa said two additional CIO/CAO changes include directing the agencies to update major IT project information in the Commonwealth technology portfolio and that the CIO and CAO evaluate the portfolio in terms of enterprise applications, collaborative applications and services, and agency applications and flag investments accordingly in the 2009 RTIP Report.

He also noted that Commonwealth Project Management Division staff will need ITIB members' input on additional recommendations to send to the Governor and General Assembly by July 1 to incorporate into the report.

Mr. Pomata asked if the CAO ranking is embedded in the process. Mr. Zoppa said the selection and ranking criteria includes a focus on applications with validation by the CAO. Mr. Pomata asked if the IT Strategic Plan is still valid. PMD staff said it is, and that work now is in the third-year of the four-year plan. Mr. Pomata asked if the Governor's letter for 2006-10 is valid. Secretary Chopra said that is the standing guidance pending additional collaborative applications.

Mr. Kucharski asked if CAO projects are included in the portfolio. CAO Peggy Feldmann said projects that have been through the PMD process of interim planning and planning are in the portfolio and those under consideration from a business case are not in the portfolio.

Mr. Pomata asked if new legislation requires the ITIB to have input into agency IT budgets outside the RTIP Report. Secretary Chopra said the new Enterprise Applications and Major Projects Committee will develop those procedures. CIO Stewart explained that the CAO input will replace Cabinet input, that RTIP projects must be included in the budget for funding and that the CAO must have budget input.

Mr. Ken Johnson made a motion, seconded by Secretary Chopra:

"I move that the Information Technology Investment Board approve the CIO/CAO recommended changes and proposed schedule for the 2009 RTIP Report."

The motion was approved on a voice vote.

CAO Report

Chairman McGuirk asked CAO Feldmann for her report. Ms. Feldmann provided a draft FY10 budget for the Virginia Enterprise Applications Program (VEAP). She noted the budget is draft until VEAP is merged into VITA.

Ms. Feldmann said the budget includes \$924,000 in General Fund and the working capital advance. She said VEAP is proceeding with projects discussed at previous meetings, including financial management, performance budgeting and the CIO/CAO operations plan. Chairman McGuirk asked Ms. Feldmann if the working capital advance can be examined separately after VEAP is merged into VITA. Ms. Feldmann said yes.

JLARC Interim Review of VITA

Chairman McGuirk asked Ashley Colvin of the Joint Legislative Audit and Review Commission (JLARC) to share information on the Interim Review of VITA. Mr. Colvin noted that he could provide information on the interim report findings, but cannot provide information on study results until the report is finalized in December. He reported on the makeup of JLARC, General Assembly guidance regarding the review of VITA and JLARC's involvement in state IT and the creation of VITA.

Mr. Colvin reported:

- Savings are not anticipated from the IT infrastructure partnership with Northrop Grumman.
- The \$236 million cap on payments to Northrop Grumman was to avoid future costs, but payments can be made beyond the cap if agencies request additional services or Northrop Grumman requests an inflation increase.
- Payments to Northrop Grumman can decrease in certain instances such as deflation or decrease in use of IT, and savings will occur if the contract is extended beyond the initial 10 years.
- VITA's revenues and expenditures are mostly from the internal service fund, which increased 132% from FY04 to FY08 mostly as a result bringing agencies' IT into VITA
- He provided information on Internal Service Fund (ISF) charges of the top 20 agencies with the highest charges. Social Services had the largest increase of 81%. He said JLARC is determining why these increases occurred and will include that information in the December report.
- VITA has 260 individual rates; only those rates submitted for review to JLARC are examined. The agency is responsible for ensuring rates are adequate to provide services. Some rates have not been reviewed since 1990.
- More extensive review of rates is planned in the study.
- As a supervisory board, the ITIB is responsible for ensuring rates are reasonable but that authority was delegated to the CIO in 2004.
- The U.S. Department of Health and Human Services (HHS) also reviews VITA's rates to ensure agencies are charged the same rates for the same services. Implementation of rates has led to confusion, and some agencies believe they are being double billed.
- The 2006 rates have three options:
 - Option 1 includes prepayment of replacement assets and labor for IT support, a significant change in the way agencies had been charged for replacement computers.
 - Option 2 excludes prepayment; agencies will pay when computers are replaced.
 - Option 3 excludes IT support labor. This option is not being used as JLARC and HHS envisioned. Social Services' local offices and some other agencies being

billed under Option 1 provide their own IT support labor and should be billed under Option 3.

- Progress has been made for some tasks toward Northrop Grumman's management of the infrastructure. However, Northrop Grumman's original approach was flawed, the transformation plan was not updated, and agency-specific transformation plans have not been provided.
- State agencies have delayed key elements of transformation with concerns over monitoring software, disputes over asset inventory and billing, and reluctance to cooperate.
- The IT Infrastructure Partnership has provided benefits but challenges remain. Some agencies have benefitted, others report a decrease in service as a result of standardization.
- Creation of VITA followed by contracts to modernize is a tremendous undertaking.
- Tension exists between centralization and state agency autonomy; this is not unique to VITA.
- Many agencies say VITA has not provided services promised.
- Procurement delays are reported, likely because transformation has higher priority.
- The partnership has not provided basic levels of service; data is not backed up; and warranties and software license agreements are not being renewed; also likely because transformation has higher priority.
- Current governance structure is a concern.
- PMD is more focused on strict compliance rather than support; yet some agencies are attempting to circumvent PMD.
- The RTIP Report may be inadequate.
- The role and relationship of the CIO and VEAP have been questioned.

Mr. Pomata asked if specific recommendations will be included in the final report in December. Mr. Colvin said that a report of this magnitude more than likely will have specific recommendations for the General Assembly's consideration. Mr. Hiram Johnson asked if the analysis, particularly of cost per personal computer, includes the added value brought by stable backup of the network and systems. Mr. Colvin said no, but the final report will look at other costs that are involved. Mr. Ken Johnson asked if JLARC looked at the statewide licensing challenges. Mr. Colvin said no. Chairman McGuirk thanked Mr. Colvin for his report.

Commonwealth IT Solutions

Secretary Chopra reported that his committee met March 30 and discussed the importance of XML as a potential data standard, and the CIO evaluating the recommendation.

Customer Service Committee

Mr. Ken Johnson said the committee met for the first time on March 30. He said Chair Dr. Mary Guy Miller discussed the roles and responsibilities of the committee and indicated a desire for this committee and VITA to work together to improve customer service. Customer Account Management Director Debbie Secor discussed the history of customer service and customer relationship management at VITA. She said VITA is moving forward on the Customer Insight Survey Action Plan:

- Action item owners assigned
- Work plans are being developed for near-term and mid-term actions
- First action completed – merged CAMs and APMs; realigned service by agency size rather than secretariat

Finally, the committee discussed three areas of potential involvement

- Addressing culture and building trust
- Enhancing customer outreach and input
- Promoting support for using established escalation processes

CIO Search and Executive Evaluation Committee

Mr. Reese reported that the committee has been very busy. He said the committee is addressing the search itself and the CIO objectives for this year. He said the committee plans to use a search firm to assist with recruiting. A statement of work is being drafted for the firm of choice. He said an IT leadership survey was distributed to executive branch agency heads seeking their input regarding qualities they want to see in a CIO by the Department of Human Resource Management. He said a meeting is scheduled May 1 with the VITA Executive Team for similar input.

Mr. Reese said the CIO objectives for the current year are under review by committee members.

Finance and Audit Committee

Mr. Kucharski said the committee had not met since the last ITIB meeting. He reported that the current financial statements are in the board members' notebooks. He said there continues to be past due accounts due to unsolved inventory issues.

IT Infrastructure Committee

Committee Chair Pomata said the committee met that morning and materials are included in the notebooks. He asked VITA Service Management Organization Director Fred Duball to present where the state is in the IT infrastructure partnership.

Mr. Duball reported:

- 33,600 PCs have been hardware refreshed.
- More than 12,500 e-mail accounts at 12 agencies have been transformed to enterprise e-mail.
- More than 46,500 users at 78 agencies now are supported by the enterprise help desk.
- The Southwest Enterprise Solutions Center disaster recovery infrastructure is scheduled for testing in early fall.
- The transformation surge includes re-baselining, network efforts and service level agreements.
- Network transformation shows 1,600 sites to date, and a total of 1,700 sites projected by the end of April. Network transformation will continue through the end of the year, behind the original schedule of June 30, 2009. The forecast has not yet been agreed to by all agencies, and the end of the year date could be pushed out further.
- It is critical to finalize inventory to determine billing and to test the system.

Legislative Affairs Committee

Committee Chair Hiram Johnson reported that his committee met that morning.

Mr. Pomata left the meeting.

Mr. Hiram Johnson provided a report on actions by the General Assembly that impact the board, VITA and IT, noting that a listing of actions is in the board members' notebooks.

Mr. Pomata returned to the meeting.

Among the bills on which Mr. Hiram Johnson reported are the following:

- HB 2022 - Eliminated the Council on Technology Services
- SB 1163 - Directs that the Director of the Virginia Department of Emergency Management (VDEM) is to be the Chairman of E-911 Services Board
- HB 2539 - Establishes the Division of Enterprise Applications in VITA, and the position of Chief Application Officer (CAO); designates that the CAO reports to the CIO; eliminates Virginia Enterprise Applications Program (VEAP); makes the Secretary of Finance a member of the ITIB; and, designates the Secretary of Technology as permanent vice chair of the ITIB

Other Business, Public Comment

Chairman McGuirk asked for other business. There was none. He asked for public comment. There was none.

Closed Session

Chairman McGuirk made the following motion:

"I move that the Board go into closed session pursuant to § 2.2-3711(A)(6) for the purpose of discussing the potential cost efficiencies for investment of public funds in transformation through the Northrop Grumman contract in support of any agency infrastructure budget deficiencies in FY2010, as this will involve bargaining, and discussion in open session would adversely affect the financial interest of VITA and the Commonwealth; and pursuant to § 2.2-3711(A)(7) for the purpose of conferring with legal counsel regarding the contract and regarding rules for conduct of the closed meeting. To aid our discussion and in cooperation with JLARC, counsel and the following individuals should attend: Mr. Stewart, Mr. Duball, Eric Link, Carrie Nee, Ashley Colvin and Jamie Bitz.

Mr. McGuirk asked Ms. Williamson to call the roll. All eight members present voted in the affirmative to go into closed session at approximately 3:10 p.m.

The board went into closed session with Messrs. Stewart, Westrick, Colvin and Bitz and Ms. Nee attending.

Mr. Kenneth Johnson left the meeting.

At approximately 4:15 p.m., Mr. McGuirk reported:

"The Board is now reconvened in open session having completed a closed meeting. I now will conduct a roll call and will ask each member to certify, to the best of his or her knowledge, that only public business matters lawfully exempt from open meeting requirements under the Freedom of Information Act and only those public business matters identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting."

All seven members who were still present voted yes to certify the closed session.

Adjourn

Chairman McGuirk adjourned the meeting at approximately 4:20 p.m.