



## Minutes

### **Finance and Audit Committee Friday, May 22, 2009 Noon**

Primary Location: General Assembly Building, 3-E Conference Room  
910 Capitol St., Richmond, VA

Secondary Location via Conference Call: Holiday Inn Capitol,  
Columbia Ballroom, 550 C. St., SW, Washington DC

#### **Members Present**

Scott Pattison, Chair (via telephone)  
Secretary Ric Brown  
Hiram Johnson  
Walt Kucharski

#### **Members Absent**

None

#### **Also Present**

Peggy Feldmann, Chief Applications Officer  
Jim Roberts, VITA Executive Director of Finance and Administration  
Lem Stewart, Chief Information Officer  
Dana Smith, VITA Comptroller  
Marcella Williamson, Executive Director of the ITIB  
John Westrick, Office of the Attorney General

#### **Call to Order**

Mr. Pattison called the meeting of the Information Technology Investment Board's Finance and Audit Committee to order at 12:15 p.m. and requested that Mr. Roberts facilitate the conduct of the meeting on his behalf at the primary site in Richmond. Mr. Roberts called the roll. There was a quorum assembled at the Richmond location consisting of Secretary Brown, Mr. Johnson and Mr. Kucharski; Mr. Pattison participated by telephone from the secondary location. There were approximately 30 people in the audience in Richmond, and none at the secondary location.

## Approval of Minutes

The minutes of the Finance and Audit Committee meeting held Nov. 19, 2008, were presented. Mr. Kucharski made a motion, second by Mr. Johnson:

*"I move that the minutes be approved."*

The motion was approved on a voice vote.

## Finance Report

Mr. Roberts presented the May 2009 finance report reflecting VITA financial results through April 2009 by fund. Mr. Roberts said that through the 10-month period, more money had been spent than collected. Revenues totaled \$273.7 million while expenses were \$276.5 million.

Mr. Roberts reviewed the remaining sections of the report on outstanding accounts receivables. He said the internal service fund is the largest at VITA, and rates charged for income to that fund are approved by state and federal agencies. He noted that income totaled nearly \$223 million, while expenses totaled more than \$226 million. He said the \$3.3 million revenue shortfall stems from a lack of reconciled inventory and the inability of Northrop Grumman to provide key billing data to VITA, and unbudgeted accrued liability for equipment purchased for agencies. He said re-baselining work with Northrop Grumman has not progressed significantly to resolve the issue. Mr. Kucharski asked when the IT infrastructure transformation will be complete. CIO Stewart said the date provided by Northrop Grumman is Dec. 31 this year.

VITA's cash position shows a negative balance of more than \$8 million, which is being dealt with by a line of credit from the state treasury. Accounts receivable are partially related to timeline, Mr. Roberts reported. He said \$29 million in accounts receivable are not past due, but \$19 million is past due in most part from agencies citing inventory issues and service levels.

Regarding payments to Northrop Grumman for IT infrastructure partnership services, Mr. Roberts said most during the first two years were periodic and milestone payments. Last July 1, the contract called for Northrop Grumman to complete inventory and bill VITA for services provided. More than \$7.4 million in payments have been withheld. Mr. Roberts provided a breakdown of the withholds.

Mr. Roberts noted that in addition to withholding payments, VITA entered a verbal "gentleman's agreement" to pay Northrop Grumman monthly while inventory, service and billing issues were being resolved. He noted that has been occurring for nearly a year and "these issues need to be resolved."

Mr. Kucharski asked if the contract with Northrop Grumman still is in place, and not usurped by the "gentlemen's agreement." Mr. Roberts said the contract still is in effect. Mr. Kucharski asked why Northrop Grumman is so delinquent. Mr. Roberts said the main reasons are enterprise storage and restoration.

Mr. Roberts noted that once budget instructions are received for FY10, projected budgets will be presented to members of the committee for review and consideration. He also noted that JLARC is reconsidering two server rates and will consider reduction of the existing rate for backup and recovery and a new rate for wireless phone services.

## VEAP Report

Chief Applications Officer Peggy Feldman discussed the financial status of the Virginia Enterprise Applications Program (VEAP). She presented historical data for 2007 and 2008, actual expenses through April 2009 and projected revenues for the remainder of fiscal year 09. Further detail on year-to-date expenses by project and funding source also was provided.

Mr. Kucharski asked how the number of full-time positions that are required for the VERIS system that handles voter registration, etc., and if those are included in the upcoming budget. Ms. Feldman said six. Mr. Roberts noted that those positions were included in the General Assembly's final budget. He expressed concern that accounts for other agencies work be kept separate from VITA accounts so that the board would not be responsible for finding additional funding. Ms. Feldmann said it is expected that the Department of Planning and Budget will include similar budget language for within the line items for small agency budgets in the future so that enterprise-wide activities and ongoing agency operations accounting will be segregated. VEAP is working with VITA to set up a chart of accounts for FY10 as the organizational transition is made moving enterprise applications into VITA.

Mr. Kucharski asked how shared services will be handled and if development costs will be recovered to repay the working capital advance. VEAP intends to include recoveries in the shared service charges and is collecting letters of intent for agency participation. Mr. Kucharski noted that voluntary participation may not be possible if anticipated funding is included in future budget reductions. Ms. Feldman stated that agencies anticipate sufficient funding to move forward even with additional budget cuts.

At 1:20 p.m., Mr. Pattison left the call at the secondary location. There being no one in attendance at the secondary location, the telephone connection was halted.

Following additional discussion, Mr. Johnson presented the following motion for consideration:

*WHEREAS, the ITIB has from fiscal year 2007 to date approved expenditures for VEAP totaling \$23.7 million; and,*

*WHEREAS, VEAP has to date expended approximately \$12.9 million for such purposes, a portion of which is based on advances from a working capital account of the Commonwealth, to be repaid over time; and,*

*WHEREAS, the responsibility of the ITIB is to evaluate and approve the merits, goals and objectives of various enterprise-wide IT project application; and,*

*WHEREAS, there is a clear distinction between the ITIB's responsibilities regarding VEAP project objectives and the responsibility for financial planning to repay any working capital advances from the state treasury, which is solely the responsibility of the Governor and General Assembly to provide for the re-payment according to established policies and procedures;*

*NOW THEREFORE BE IT RESOLVED that the ITIB Finance and Audit Committee recommends that the ITIB at its next regular meeting:*

*(1) Acknowledge its approval of the VEAP administrative and General Fund supported activities budgets to date; and,*

*(2) Encourages the ITIB to continue its on-going evaluations of project based activities that rely on long-term financings through working capital advances' and,*

*(3) Provided the Governor or his designated official(s) have confirmed, in writing, a commitment to recommend state budget actions for the repayment of any working capital advances made for such purposes, or that enhanced collections currently are anticipated to be sufficient to repay the advance as provided in Item 433 of the Appropriation Act; or*

*Absent this affirmation, the ITIB then rescind its prior approvals of VEAP activities that rely on working capital advances and direct that all, or most, expenditures by VEAP not yet having occurred that rely on advances from working capital accounts be immediately halted.*

*The committee further recommends the ITIB should direct that any future VEAP project approvals relying on working capital advances should include the repayment assurances that the Governor or his designee in their official capacity may offer, consistent with the foregoing.*

The motion was seconded by Mr. Kucharski, and approved on a roll call vote with yes votes by Mr. Johnson, Mr. Kucharski and Secretary Brown.

## **Other Business**

There was no other business presented.

## **Public Comment**

There was no public comment.

## **Adjournment**

The meeting was adjourned at approximately 1:27 p.m.