

Joint Legislative Audit and Review Commission



**Interim Review of the  
Virginia Information Technologies Agency**

Information Technology Investment Board

April 16, 2009



# In This Presentation

- Background
- Savings from Partnership Are Not Anticipated
- VITA's Implementation of Rates May Increase Costs
- Progress Toward Managed Services Is Mixed
- Emerging Management & Governance Issues

# JLARC's Membership and Staff

- 9 members of the House of Delegates
  - At least 5 must serve on House Appropriations Committee
- 5 members of the Senate
  - At least 2 must serve on the Senate Finance Committee
- Auditor of Public Accounts is a non-voting, ex officio member
- 25 professional research staff

# Selection of Study Topics

- Study Request from the General Assembly
- Joint Resolution of the General Assembly
- Appropriation Act language
- Direct request of the Commission
- Special request of General Assembly member to the Commission (primarily special investigations)
- Evaluation Act Resolutions

# Study Issues Directed by Mandates

- SJR 129 & Item 29E of the 2008 budget direct JLARC to:
- Evaluate quality, cost, & value of VITA's services
- Characterize the impact on State agencies of internal service funds & the new partnership with Northrop Grumman
- Examine the relationship between VITA and the ITIB
- Examine the procurement of IT goods & services by VITA
- Examine the management of IT projects by PMD
- Examine VITA's role in oversight of IT maintenance & operations now conducted by State agencies

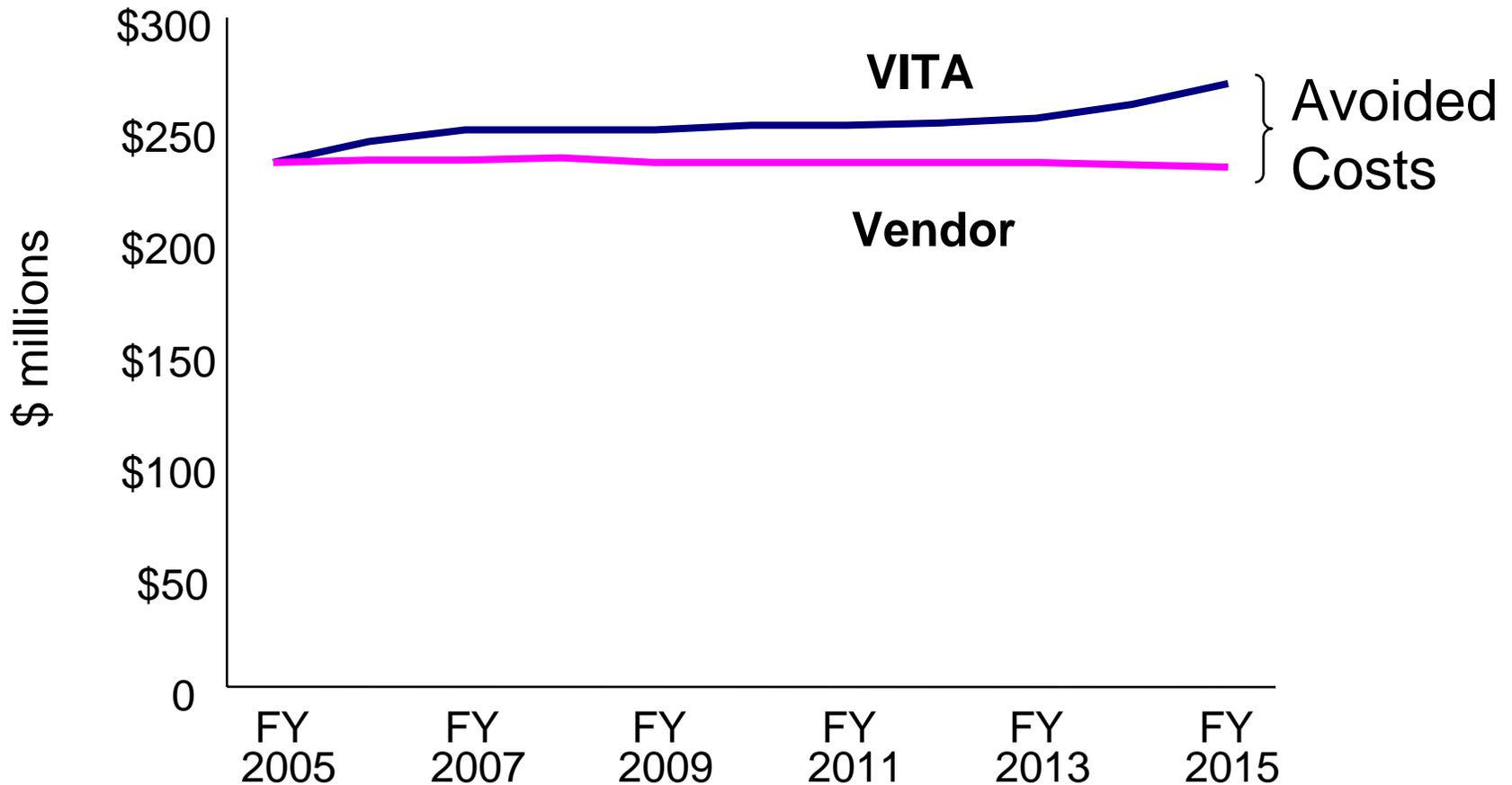
# Two Reports Recommended IT Reforms in December 2002

- JLARC found \$75 million in failed efforts & \$28 million in cost overruns (1991-2002). Recommendations included:
  - Creation of Information Technology Investment Board (ITIB) to prioritize, approve, & cancel IT projects
  - Capital funding process, overseen by ITIB
  - Full-time CIO, Project Management Division, & strengthened project approval process
  - Enterprise architecture & related standards
  
- Governor proposed consolidating IT services & oversight into VITA
  - Secretary of Technology stated Governor's reforms would save \$100 million annually (statewide)

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# NG Contract Is Based Upon Avoided Costs, Not Savings



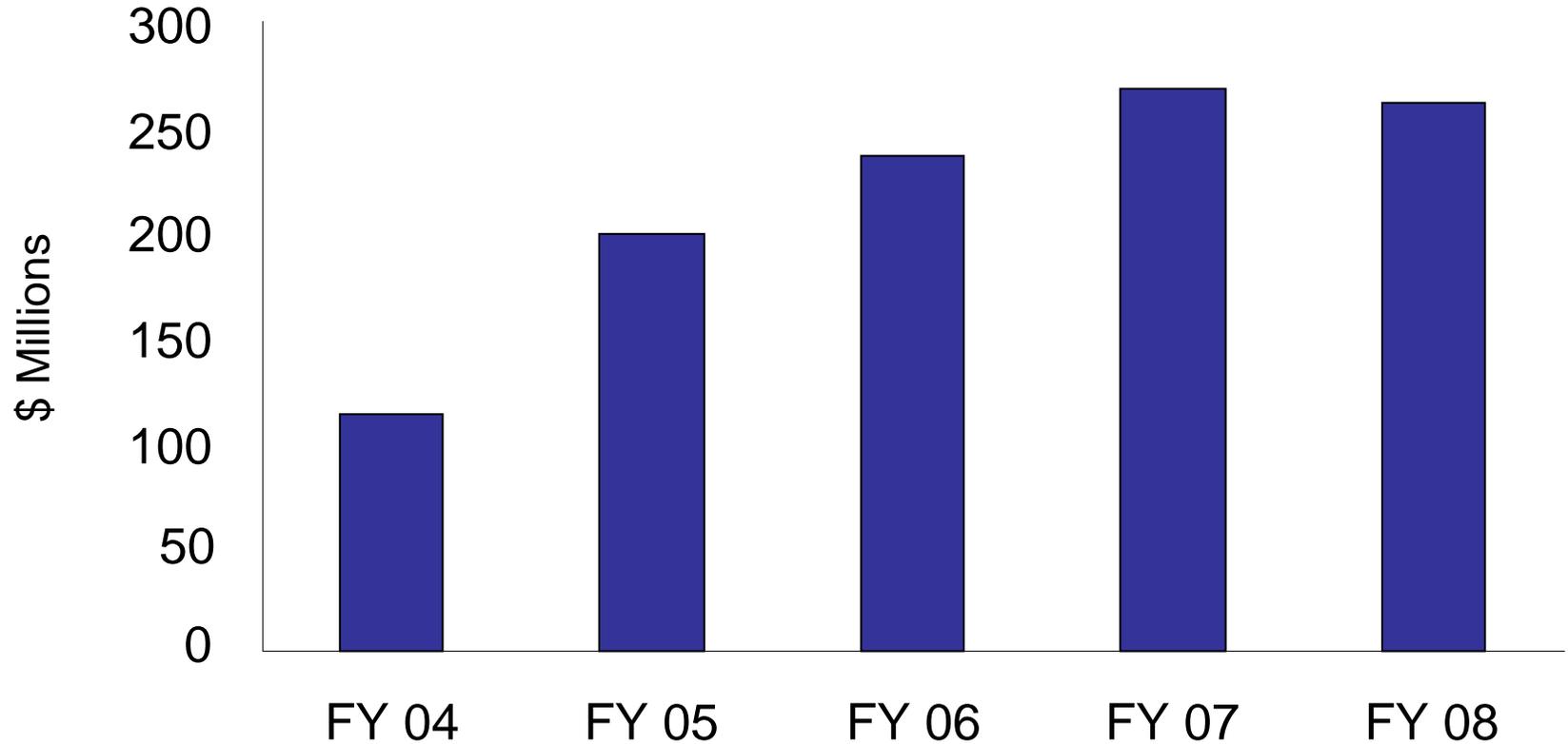
# Contract Allows NG Payments to Increase or Decrease

- Payments to NG can increase beyond cap
  - Agencies request additional services
  - NG requests inflation adjustment
- Basis for calculating avoided costs may no longer be applicable if inflation adjustments are granted
- Payments to NG can decrease in certain instances
- Savings of \$30 million per year may occur if contract is extended beyond initial 10-year term

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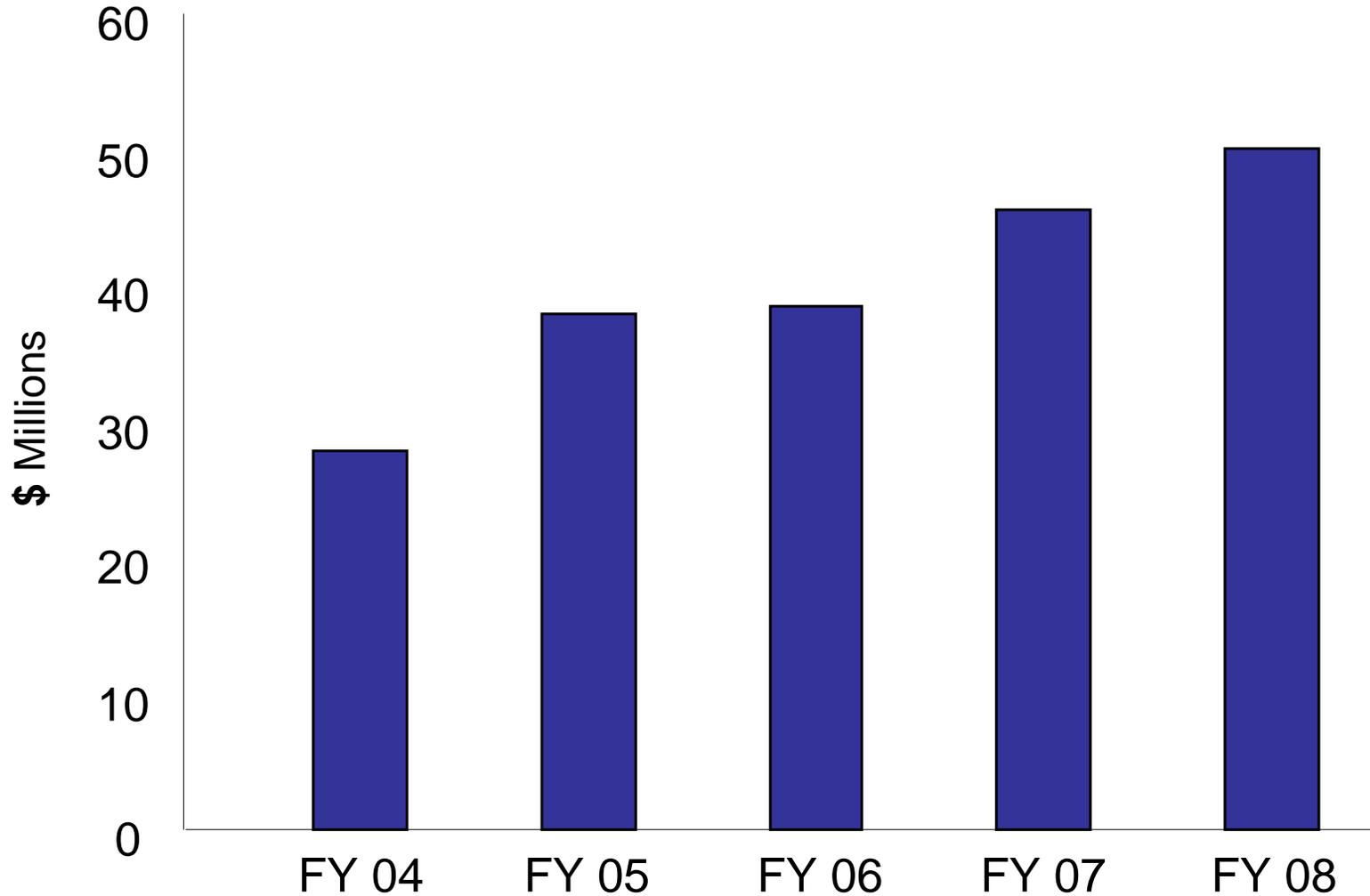
# VITA's ISF Revenue Increased by 132% from FY 04 to 08



## Agencies with Ten Highest ISF Charges (FY 2008)

Agency	ISF Charge (\$ millions)
Department of Social Services	\$50
Department of Transportation	43
Department of Corrections	24
Department of Health	19
Department of Motor Vehicles	19
Department of Taxation	12
DMHMRSAS	12
Virginia Employment Commission	8
Department of Alcoholic Beverage Control	6
Department of State Police	6
<b>Subtotal</b>	<b>\$198</b>
<b>Percent of Total ISF Revenues</b>	<b>76%</b>

# DSS ISF Charges Increased 81% from FY 04 to FY 08



# ISF Rate Proposal and Approval

- VITA identifies need to create or modify rates
- ITIB delegated approval authority to CIO in December 2004
- New or modified rates must be approved by JLARC
  - Only those rates submitted for review are examined
  - Purpose is to ensure rates will recover costs & maintain fund solvency
  - Review does not evaluate reasonableness of costs & benchmarking is not conducted
- More extensive review is conducted as part of study efforts

# U.S. Dept. of Health & Human Services (HHS) Requires Same Rate for Same Service

- Federal regulations require HHS approval, to ensure federally funded agencies pay same rate
  - In Spring 2006, VITA developed rates based on MOUs
  - HHS objected to these rates, & VITA submitted new rates in December 2006
- 2006 rates have three service options:
  - Option 1: includes prepayment of replacement assets & labor for IT support
  - Option 2: **excludes** prepayment of replacement assets
  - Option 3: **excludes** IT support labor

# VITA's Approach to Implementing Rates May Increase IT Costs for Some Agencies

- Agencies billed under lower option 2 rate are not paying in advance for their replacement assets
  - \$9.7 million in new annual IT costs once assets are replaced
  - Affects DSS, VDH, VEC, DMV, DRS, DGIF, VDOT, DMME, DOC, & DBVI
- Some agencies still provide their own IT support labor & therefore should be billed under option 3 instead of higher option 1 rate
  - May affect DSS, DMME, & other agencies now billed under option 1

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# Progress Toward Full NG Management Is Mixed

- Progress has been made for some tasks
  - Disaster recovery & helpdesk are at Russell center
  - 1,000 locations connected to new data network
  - New email being implemented
  
- Delays have occurred in other areas
  - Some agencies may not be ready by July
  - Some tasks have been delayed: inventory, procedures manual, SLA data collection documents

# VITA Has Identified Problems With NG's Planning

- Original approach focused on tasks, but was unworkable. New approach focuses on agencies
- Overall transformation plan from June 2006 not updated
- Agency-specific transformation plans not provided
  - Plans would allow agencies to coordinate transformation activities with daily business operations
- Complexity of some State agencies becoming more apparent
  - Agencies have limited control over local agencies
  - Agencies may rely heavily on federal & grant funding

# State Agencies Have Delayed Key Elements of Transformation Process

- Agencies have cited concerns with Northrop Grumman's monitoring software (Altiris)
  - Altiris used to remotely manage IT infrastructure
  - Agencies fear confidential data will be compromised
- Agencies have delayed transformation activities over errors in asset inventory & billing overcharges
- VITA reports some agencies are reluctant to cooperate with transformation for other reasons
  - Move toward standardization means IT services at some agencies may decline

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# Partnership Has Provided Benefits but Challenges Remain

- Creation of VITA, followed by two contracts to modernize IT, is a tremendous undertaking
- Partnership has achieved successes
  - Data centers have created new jobs, allowed consolidation of servers, & improved security
  - Some agencies note that modernized IT has produced many benefits
- However, tension exists between centralization & State agency autonomy

# Agencies Cite Concerns With Services Provided by VITA & NG

- VITA has reportedly not provided services promised in 2006 MOU
- VITA is reported to not understand business needs of agencies
- Delays in procurement process may hinder State agency business functions
- Partnership has not provided necessary services

# Potential Shortcomings May Limit Effectiveness of Current Governance Structure

- Agencies state that business operations require CIO to be accountable to Governor
- Agencies assert that Project Management Division has not provided “ongoing assistance and support” to State agencies. Also, some agencies are evading PMD’s oversight
- Recommended Technology Investment Projects (RTIP) process may not adequately prioritize systems development projects
- Chief Application Officer’s role and reporting relationship have been questioned

# JLARC Staff for This Report

Hal Greer, Division Chief

Ashley Colvin, Project Leader

Jamie Bitz

Mark Gribbin

Massey Whorley

## For More Information

<http://jlarc.virginia.gov>

(804) 786-1258