

**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**Implementation Review:
Virginia Information Technologies Agency**

December 2003 Status Report

**Staff Briefing
Glen S. Tittermary
December 8, 2003**

Background

- **In December 2002, JLARC staff completed a comprehensive review of systems development in State government**

- **The Virginia Information Technologies Agency (VITA) was created by the 2003 General Assembly:**
 - **Information Technology Investment Board (ITIB) [JLARC Rec.]**
 - **Independent Chief Information Officer (CIO) [JLARC Rec.]**
 - **Consolidation of three existing IT agencies and over 800 staff from more than 90 other State agencies**
 - **Centralized procurement for IT**
 - **Centralized approach for development and deployment of systems by agencies [JLARC Rec.]**
 - **Phased implementation between July 2003 and January 2005**

Background

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- **At the July 2003 meeting, the Commission directed staff to monitor the implementation of VITA:**
 - **Organization of the IT Investment Board and VITA**
 - **Recruitment of the State's Chief Information Officer**
 - **Operating and other management plans**
 - **VITA service agreements with State agencies (MOAs)**
 - **Consolidation of staff and IT assets**
 - **Systems development planning and project management**
 - **IT procurement**
 - **Costs and savings**

JLARC Monitoring of VITA

- **JLARC monitoring will continue through the full implementation of VITA in January 2005**
 - **Periodic status reports to JLARC and General Assembly committees on request**
 - **Final report to the General Assembly in 2005**

- **Monitoring activities**
 - **Attend IT Investment Board meetings**
 - **Interviews with VITA staff, ITIB members, and agency staff**
 - **Review of VITA policies, guidelines, and plans**
 - **Review of VITA costs, revenues, and internal service fund rates**

Progress Toward Implementation

5

- **Significant progress in the implementation of VITA has been made overall:**
 - **The State's central information technology agencies have been successfully merged to create VITA**
 - **IT Investment Board established**
 - **VITA operating plan and recommended technology investments submitted as scheduled**
 - **Procurement reforms instituted, including reorganization of function within VITA**
 - **Service agreement (MOA) template developed and in use with 22 customer agencies**
 - **Consolidation of IT functions from small agencies on schedule, however two of these agencies may not be fully supported by VITA until mid-January**
 - **Project management standards and a training program established**

Areas of Concern

- **Several areas will be monitored over the next 18 months:**
 - **Proper exercise of authority and responsibility by the IT Investment Board, the CIO, VITA staff, and the Secretary**
 - **Planning and management of VITA finances and staffing, including the implementation of efficiencies to reduce IT costs for agencies**
 - **Further development and compliance with project management policies, standards, and guidelines**

Role of IT Investment Board Is Evolving

7

- **Information Technology Investment Board established by the 2003 legislation as a supervisory board**
 - **Legislative and executive appointments in June 2003**
 - **Two formal and three *ad hoc* meetings held since August**
 - **Secretary of Technology elected as chairman**

- **Board was initially given little guidance regarding role as supervisory board**
 - **House and Senate patrons addressed board on intent of legislation in October**
 - **Presentation from counsel on statutory responsibilities of supervisory boards in October**

Role of IT Investment Board Is Evolving

(Continued)

8

- **Board's delegation of certain responsibilities to the interim CIO appears inconsistent with legislative intent**

- **Delegation of authority was revised in September**
 - **Not to extend to those matters involving major policy, planning, or funding issues**

- **JLARC staff continue to believe the delegation of authority is inconsistent with legislative intent and inconsistent with the statutory responsibilities of a supervisory board**

Recruitment of the Chief Information Officer Is Underway

9

- VITA legislation established an independent chief information officer to be hired by the board on a five-year contract prior to January 1, 2004
 - Secretary of Technology authorized to serve as interim CIO for six months after the effective date of the legislation
- Initially slow to start, recruitment process has been accelerating
 - ITIB search committee created, Secretary of Technology selected as chair
 - Executive search firm contracted on a *pro bono* basis
 - Position description and salary range approved by ITIB
 - More than 100 applications reviewed
 - ITIB held in-depth interviews with two candidates on December 1

Recruitment of the Chief Information Officer Is Underway

(Continued)

10

- **Proposed CIO compensation between \$175,000 and \$200,000**
 - **General Assembly has approved a salary range for the State's senior executives of \$95,572 - \$151,103**
 - **Virginia cabinet secretaries have an authorized salary of \$131,370**
 - **In other states, CIO compensation typically ranges between \$90,000 and \$120,000 with some states paying more**
 - **Only one other state pays more than \$175,000**

- **While the recruitment process is ongoing, it is still not yet clear that the board will be able to complete the process by the target date**
 - **The board needs to be prepared to appoint a new interim CIO in the event that the recruitment process has not been completed by December 31, 2003**

Project Management Reforms Are Under Development

11

- **Project Management Division established within VITA**
- **Project Manager Selection Standard and Commonwealth Project Management Guidelines have been promulgated**
 - **Guidelines and standards were not reviewed by the IT Investment Board prior to publication**
- **Commonwealth Project Manager Development Program**
 - **Mandatory for agency project managers and project sponsors**
 - **Over 430 individuals across the State have registered, almost 200 have completed**
 - **Training being provided at no cost to current State employees**
 - **Funding sources for additional training not yet identified**

Project Management Reforms Are Under Development

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12

- ***Recommended Technology Investment Projects for the 2004-2006 Biennium* submitted to the Governor and the General Assembly as scheduled**
 - **Recommended projects were neither reviewed nor prioritized by the board prior to submission**
 - **Selected projects were subsequently prioritized based on identified funding sources and estimated return on investment**
 - **Board has not yet had in-depth discussions on any of the projects included in the list**

- **Current staffing of the project management division does not appear adequate to support required functions**
 - **Current staff consists of six positions previously in the Department of Technology Planning**
 - **IT Investment Board has approved a request for additional project management staffing to be included in VITA's biennial budget request**

VITA Financing and Staffing Raise Concerns

13

- **Savings originally assumed by VITA will not be realized in FY2004, though most initial fund transfers from agencies remain in place**
 - **\$3.7 million in transfers from small and medium agencies returned to agencies to cover costs of services under MOAs**
 - **Agencies may have insufficient funding to pay for VITA services**

- **Majority of ongoing VITA operations financed through internal service funds**
 - **In July 2003, JLARC staff noted that VITA did not have an adequate financial plan to guide the development of future ISF rate requests**
 - **IT Investment Board provided with additional ISF rate request for new services in November, but raised concern over limited supporting information**
 - **Board subsequently approved rate request in December**

VITA Financing and Staffing Raise Concerns

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14

- **VITA's proposed biennial budget request for general funds totals \$27.5 million**
 - **VITA's biennial budget request submitted to DPB prior to review by the IT Investment Board**
 - **Budget priorities were reviewed and revised by the board in November, and the board has made a commitment to improving this process for future submissions**
 - **Proposed CIO compensation has been incorporated into both VITA's proposed ISF rate structure and biennial budget request**
 - **ISF rates are intended to cover administrative and overhead costs included in the general fund request, so general funding for VITA overhead costs should not be approved by the General Assembly**

VITA Financing and Staffing Raise Concerns

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15

- **Enabling legislation envisioned increased efficiencies through the consolidation of certain IT functions**
- **Transfer of some positions from line agencies may be inconsistent with legislative intent**
 - **Transfer of agency CIOs to VITA may leave line agencies without essential IT strategic knowledge**
 - **VITA has taken steps to address this concern and employee transfers are being handled on a case-by-case basis**
- **Comprehensive staffing plan has not yet been developed**
 - **285 positions are currently “undetermined” and 70 are vacant**
 - **Capture of partial positions may lead to staffing and funding difficulties for line agencies**

VITA Financing and Staffing Raise Concerns

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16

■ Reimbursement of VDOT

- **VDOT has been providing staffing and infrastructure support to VITA without reimbursement for the costs**
- **Steps have recently been taken to insure that appropriate reimbursements are made to VDOT by VITA**

■ Acceleration of VDOT staffing into VITA

- **VDOT has requested that the consolidation of its IT personnel into VITA be accelerated by one year to January 2004**
- **The IT Investment Board granted initial approval to begin planning for the transition at its December 1, 2003 meeting**
- **The board should carefully assess the proposed transfer before authorizing the accelerated transfer of VDOT staff**