

Joint Legislative Audit and Review Commission



**Review of the  
Virginia Information Technologies Agency**

Briefing to the  
House Committee on Science and Technology  
June 29, 2009



JLARC

# Study Mandate

- SJR 129 (2008) & Item 29 E of the 2008 Appropriation Act direct JLARC to examine VITA
  - Impact on agencies from partnership with NG
  - Relationship between VITA & the ITIB
  - VITA's exercise of its statutory procurement authority
  - Management of IT systems development projects by VITA's Project Management Division
  - Potential for VITA to play a greater role governing expenditures & functions now performed by agencies

## Two Reports Led to IT Reforms in 2003

- JLARC report on systems development recommended
  - Information Technology Investment Board (ITIB) to approve projects
  - Chief information officer (CIO), hired by the ITIB, to oversee project management
- Secretary of Technology's report recommended creating VITA to improve IT services & reduce cost
- Governor introduced, & General Assembly enacted, legislation that combined these recommendations
  - House Bill 1926 (Nixon)
  - Senate Bill 1247 (Stosch)

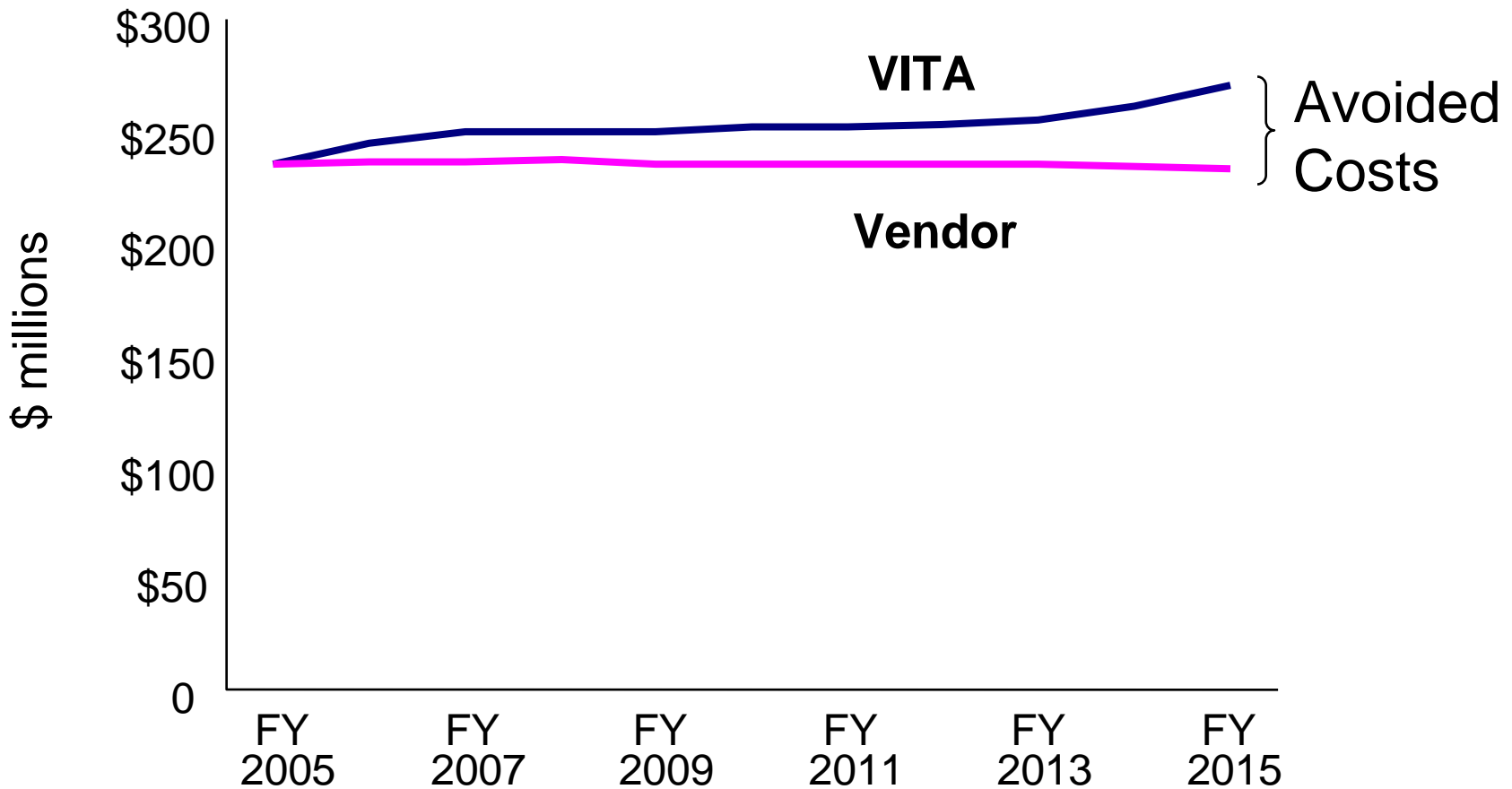
# ITIB Supervises Information Technology

- Statutorily responsible for “planning, budgeting, acquiring, using, disposing, managing, and administering” IT
  - CIO is employed by ITIB under a five-year contract
  - CIO is chief administrative officer of VITA “under the direction and control of the Board”
- Has 9 voting members (as modified in 2009)
  - Secretaries of Finance and Technology
  - 3 citizens appointed by the Governor
  - 4 citizens appointed by the General Assembly
  - Auditor of Public Accounts (non-voting)

## VITA Formed a Partnership With Northrop Grumman

- In 2003, VITA determined cost savings depended upon standard computer systems, but public capital was lacking
- State received five unsolicited proposals under the PPEA to modernize IT hardware & software
  - In 2005, VITA formed 10-year, \$2 billion partnership with Northrop Grumman (NG) for computer hardware
  - VEAP also formed a partnership with CGI to modernize software

# Contract Is Not Based Upon Savings, but Avoided Costs



# Legislative Changes Made in 2009

## ■ SB 892 (McDougle)

- Requires that all major IT projects be identified in the Governor's proposed budget

## ■ HB 2539 (Nixon)

- Eliminates VEAP & creates the Division of Enterprise Applications in VITA
- Designates Secretary of Technology as vice-chair of ITIB
- Removes one citizen member from the ITIB & adds Secretary of Finance

# Contract Requires Transformation of Legacy IT Services by July 1, 2009

- Several tasks must be completed by this deadline
  - Inventory reconciliation (overdue from April 2008)
  - Volume-based billing system (overdue from July 2008)
  - Re-baselining of prices & quantities
  - Modernization of IT services
  - Implementation of Service Level Agreements (SLA)
  - Attainment of SLA performance measures
- NG must also ensure stability of all services (legacy & transformed)
  - Agencies note concerns with timely procurement (RFS)

# Completion of Inventory Is Mixed

- “Hard” assets are physical equipment (computers, printers)
  - 104 of 106 agencies have signed off on inventory
  - DSS & DFS remain (19% of all assets)
- However, APA has raised concern that inventory has errors & changes from month-to-month
- “Soft” assets are intangible (virtual servers, network ports, number of CPUs, units of storage)
  - Soft inventory may not be completed until November & quantity of some items (storage) are disputed

# NG's Monthly Invoices Are Based on Fixed Fees Not Volume of Services Used

	Tower Code	Billing Element		Total
<b><u>Managed Services Interim Billing</u></b>				
Account Management & Administration	1	N/A	\$	1,387,081.00
Data Center (Mainframe/Server)	2	N/A	\$	4,347,093.98
Desktop Computing	3	N/A	\$	3,449,798.06
Messaging	4	N/A	\$	693,363.87
Data Network	5	N/A	\$	3,519,095.81
Voice Network	6	N/A	\$	484,222.20
Security	7	N/A	\$	615,064.44
Help Desk	8	N/A	\$	821,099.23
Internal Application/Chargeback	9	N/A	\$	83,088.13
Facilities	10	N/A	\$	563,744.26
<b><u>ECP Additions</u></b>				
Microsoft		N/A	\$	1,003,522.76
Less Retained Costs			\$	(2,658,991.00)
		Subtotal	\$	14,308,182.74
		Credit: Industrial Funding Adjustment (1%)	\$	143,081.83
<b>Total Invoiced Fees</b>			<b>\$</b>	<b>14,165,100.91</b>

<b>PAY THIS AMOUNT:</b>	<b>\$</b>	<b>14,165,100.91</b>
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## Transformation of Legacy IT Services Is Mixed

- NG reports % of its work completed by task
  - Help Desk 90-95 %
  - Network 91 %
  - Desktop computers 57 %
  - Security 36 %
  - Email 33 %
- However, VITA & agencies have not reviewed these percentages nor do they include work by agencies
- Also, task may be complete but not meet required level of service



## Tools to Measure Northrop Grumman's Performance Are Partially Implemented

- NG's performance is measured by SLAs
- If SLAs are not met, VITA will earn "performance credits" to offset NG's fees
- NG required to report data for all SLAs by June 2009
- Because NG & VITA are still discussing measurement of some SLAs, not all services are covered by an SLA
- Not all services are performing to their contractual SLA targets

## Contract Negotiations Have Been Underway

- High level discussions have occurred between board members & NG executives
  - ITIB was briefed on NG's proposals at April 16<sup>th</sup> closed session
- Talks are also underway between VITA & NG staff
  - Definition of when transformation is complete
  - Plan to achieve new objectives, including penalties
  - Measurement of SLAs
  - Identification of in-scope vs. out-of-scope tasks
  - Adjustments to prices & resource units

## Concerns Raised by Legislative Reviews of VITA

- JLARC reports & oversight of VITA's rates have identified concerns about IT governance and VITA & NG services
- Auditor of Public Accounts has issued five reports since Feb. 2007 documenting concerns
  - Feb. 2009 report noted delays in NG's completion of contractual milestones
  - Raised concern about ability to meet July 1<sup>st</sup> deadline
- Other concerns include potential federal audit exception & declining VITA revenues

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## **For More Information**

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