

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)

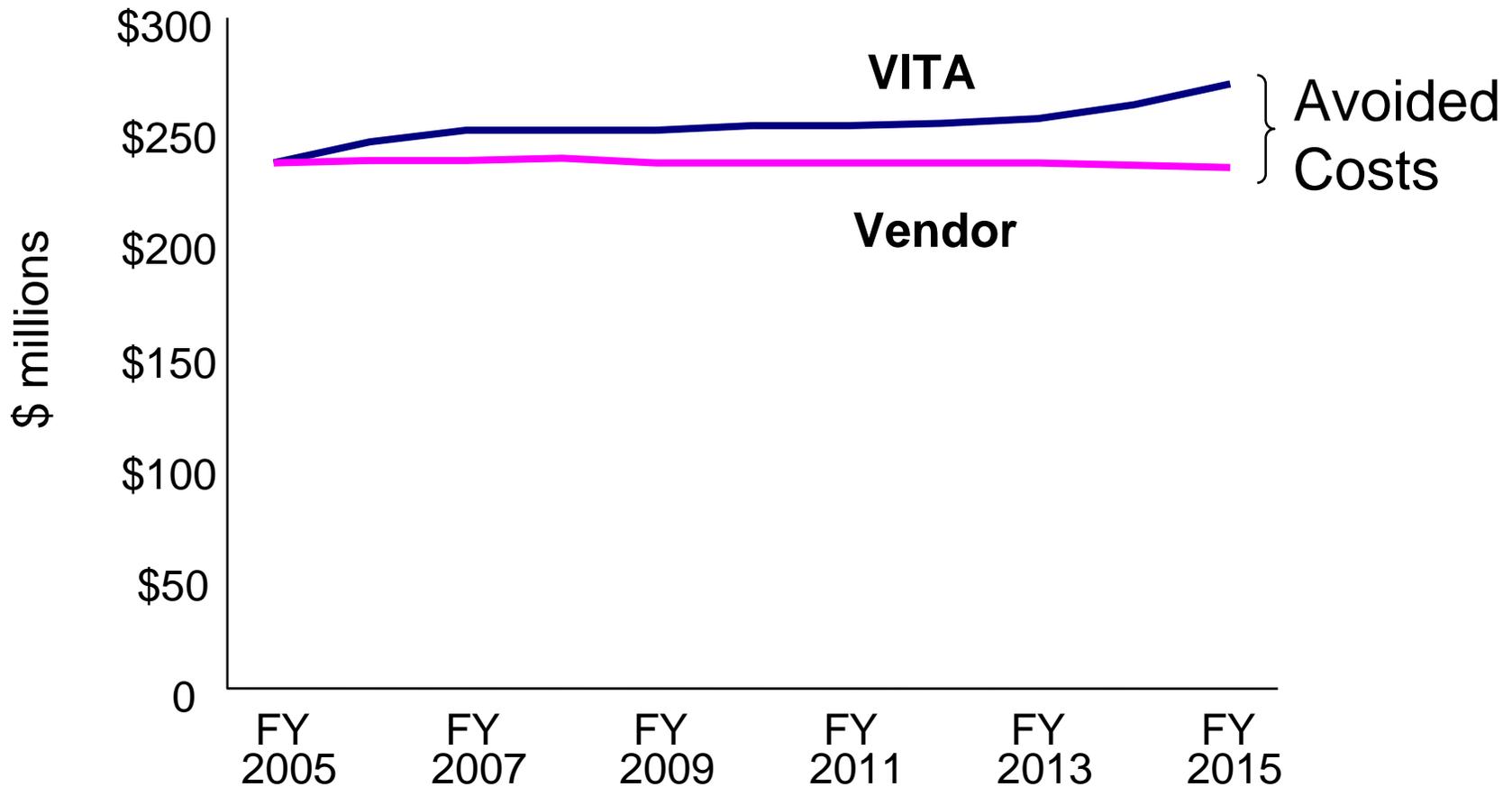
ITIB Supervises Information Technology

- 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
<u>Managed Services Interim Billing</u>				
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
<u>ECP Additions</u>				
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
		Total Invoiced Fees	\$	14,165,100.91

PAY THIS AMOUNT:	\$	14,165,100.91
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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 16th 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 1st deadline
- Other concerns include potential federal audit exception & declining VITA revenues

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