

Joint Legislative Audit and Review Commission



**Review of the
Virginia Information Technologies Agency**

Briefing to the Senate Finance Committee

June 18, 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

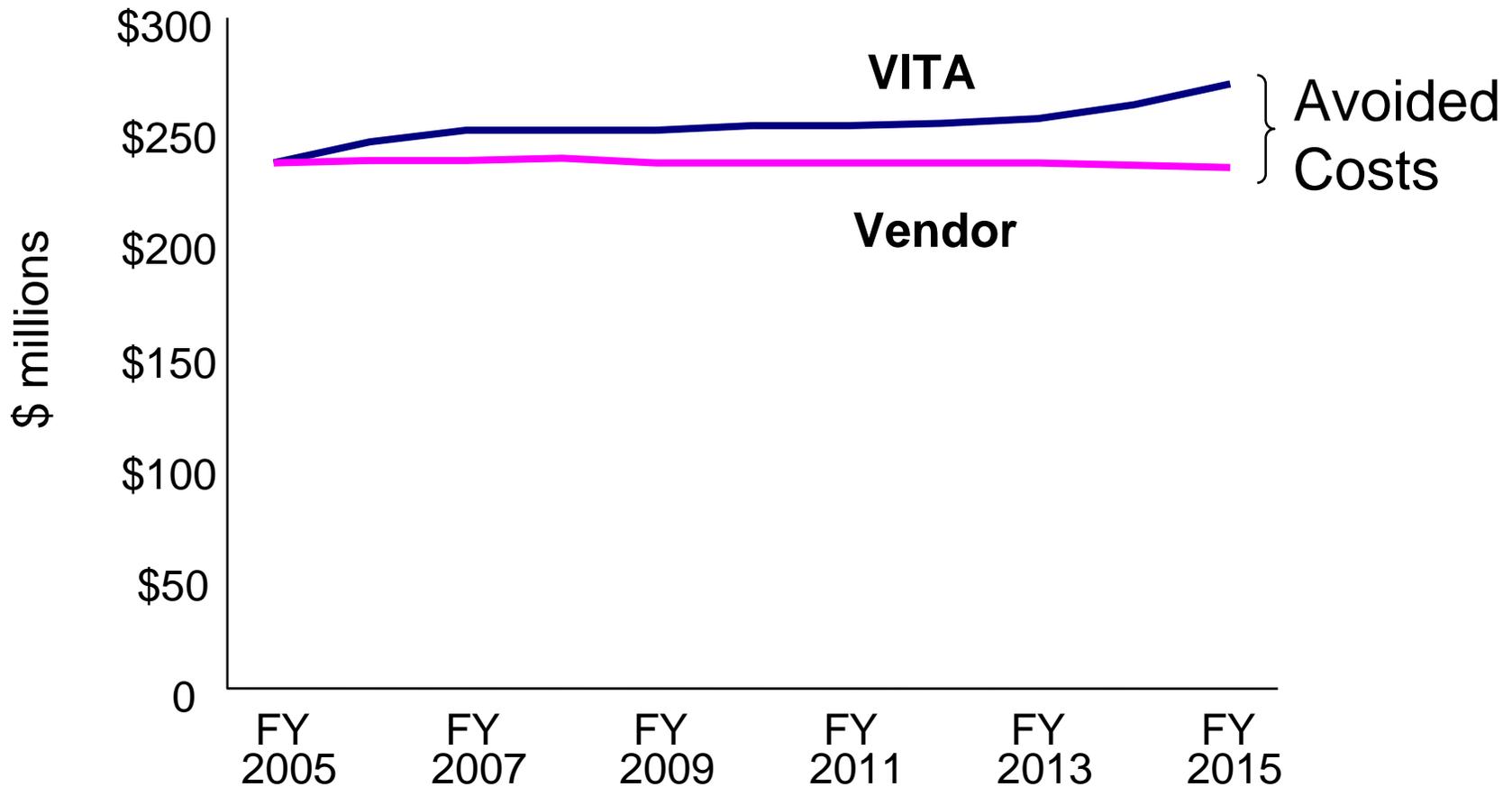
- Statutorily responsible for “planning, budgeting, acquiring, using, disposing, managing, and administering” IT
 - CIO is employed by ITIB under a five-year contract
 - CIO is chief administrative officer of VITA “under the direction and control of the Board”

- Has nine voting members
 - Secretary of Technology
 - Four citizens appointed by the Governor
 - Four 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 legislative appointee from the ITIB & adds Secretary of Finance

■ ITIB is now comprised of 5 gubernatorial appointees & 4 legislative (plus APA)

IT Partnership Intended to Enter Managed Services Environment on July 1, 2009

- NG's fees (& VITA's rates) will be based on
 - Re-baselined contract fees
 - Reconciled asset inventory
- VITA staff have raised concerns about NG's ability to meet this and previous deadlines
 - Volume-based billing system overdue from July 2008
 - Inventory reconciliation overdue from April 2008
 - Re-baselining has been on hold since March 2009
- Other concerns include potential federal audit exception & declining VITA revenues

Concerns Raised by Legislative Reviews of VITA

- Previous JLARC reports have identified service & governance issues (Dec. 2003 & Dec. 2008)
- Ongoing JLARC oversight of VITA's rates identified problems with data & concerns about NG's performance
- 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

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