



## COMMONWEALTH of VIRGINIA

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October 1, 2004

### MEMORANDUM

TO: The Honorable John H. Chichester, Chair, Senate Finance Committee  
The Honorable Walter A. Stosch, Chair, Senate General Laws Committee  
The Honorable Vincent F. Callahan, Jr., Chair, House Appropriations Committee  
The Honorable Joe T. May, Chair, House Science and Technology Committee  
The Honorable John S. Reid, Chair, House General Laws Committee

FROM:Lemuel C. Stewart, Jr., Chief Information Officer of the Commonwealth

SUBJECT: VITA Quarterly Report

Governor Mark R. Warner's Executive Order 50 (03) directs the Chief Information Officer (CIO) to prepare Quarterly Reports, beginning July 1, 2003, providing the status of IT reform implementation in the Commonwealth. This document represents the quarterly submission due October 1, 2004, covering activities occurring from June 16 to September 15, 2004 (except where noted).

I am pleased to report the Virginia Information Technologies Agency (VITA) has made substantial progress in all areas of operations, including the successful integration of the first wave of large agencies, effective September 25. In addition to information on the phased agency transitions, the Quarterly Report includes highlights of Information Technology Investment Board actions, key initiatives, enterprise opportunities, technology management, a PPEA update, and finances.

As always, I would welcome the opportunity to discuss with you any aspects of VITA and the IT integration efforts underway. Please contact me with your questions and comments.

#### Attachment

cc: The Honorable Mark R. Warner  
The Honorable William H. Leighty  
The Honorable Eugene J. Huang  
Information Technology Investment Board Members  
The Honorable Lacey E. Putney, Chairman, Joint Legislative Audit and Review Commission  
The Honorable Thomas K. Norment, Jr., Chairman, SFC Sub-Committee for General Government  
The Honorable L. Preston Bryant, Jr., Chairman, HAC Sub-Committee for Commerce & Technology  
The Honorable Harry J. Parrish, Chairman, House Finance Committee  
The Honorable Richard L. Saslaw  
The Honorable Janet D. Howell  
The Honorable Samuel A. Nixon, Jr.

Virginia Information Technologies Agency



# VITA Quarterly Report

October 1, 2004



expect the best

*June - September 2004*

In keeping with our commitment to cost savings, this report was produced in limited quantities, in-house, utilizing an existing color printer and binding equipment.

Prepared and Published by:  
**Virginia Information Technologies Agency**

Comments and recommendations on the Quarterly Report from all interested parties are welcomed and encouraged. Suggestions may be conveyed electronically to [ContactUs@vita.virginia.gov](mailto:ContactUs@vita.virginia.gov).

Please submit written correspondence to:

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This report is available online at:  
[www.vita.virginia.gov](http://www.vita.virginia.gov)

### About the Cover:

VITA equals people first, is customer-driven and customer-focused, and is committed to growing its people through ongoing training/re-training throughout their professional careers. In our logo, we highlight individuals of our agency that make VITA a success seven days a week, 365 days a year. We are currently featuring the following outstanding VITA employees in our logo (from left to right): David Jones, Mail and Supplies Coordinator; Brenda Cary, Systems Software Support; Susie Witter, Director of Human Resource Management Services; and Jeff Deason, Director of Security Services. Their combined state service represents more than 40 years of contributions to the Commonwealth.



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# Quarterly Highlights

## Leadership Transition

Governor Mark R. Warner announced September 27 at the 6<sup>th</sup> Annual Commonwealth of Virginia Information Technology Symposium (COVITS) the resignation of Secretary of Technology George C. Newstrom, effective October 1. Deputy Secretary of Technology Eugene J. Huang will succeed Secretary Newstrom as Secretary of Technology. Secretary Huang will serve as an ex officio, voting member of the Information Technology Investment Board.



SECRETARY HUANG

## Savings Report

Since July 2003, VITA has implemented numerous information technology initiatives that have resulted in savings or cost avoidance to Commonwealth agencies. Savings as of October 1, 2004, are shown in Exhibit A below and are projected to continue to occur over the next 6 years or more. The Integration and Transformation of the Commonwealth's disparate IT environment holds the potential for substantial long-term savings by leveraging our collective buying power and improving the quantity and quality of IT investments.

### Exhibit A Projected Cost Savings (as of October 1, 2004)

Initiative	FY 04 Savings	FY 05 Savings	FY 06 Savings	Six-Year Baseline Benefit
Voice and data telecommunications contract extension (ATM T-1 Circuits)	\$528,000	\$528,000	\$528,000	\$3,168,000
Conversion of Unix and Oracle contractors to full-time positions	\$132,000	\$132,000	\$132,000	\$792,000
Efficient tape technology stacking and replacement	\$173,000	\$108,000	\$108,000	\$713,000
Telecommunications MCI contract (COVANET)	\$1,542,000	\$3,085,000	\$3,085,000	\$16,967,000
Verizon contract renegotiation	\$0	\$4,675,000	\$5,861,000	\$28,119,000
Streamline 1-800 voice services	\$2,000	\$103,000	\$103,000	\$517,000
Streamline cellular usage	\$524,000	\$1,333,000	\$1,333,000	\$7,189,000
SAG software contract renegotiation	\$8,000	\$32,000	\$32,000	\$168,000

Initiative	FY 04 Savings	FY 05 Savings	FY 06 Savings	Six-Year Baseline Benefit
Sun server procurement	\$484,000	\$0	\$0	\$484,000
Virginia Partners in Procurement – Hardware and Software (Wave I)	\$12,098,000	\$14,576,000	\$14,576,000	\$84,978,000
Virginia Partners in Procurement – Computer Peripherals and Enterprise Storage (Wave II)	\$174,000	\$558,000	\$558,000	\$2,964,000
<b>Subtotal, Savings</b>	<b>\$15,665,000</b>	<b>\$25,130,000</b>	<b>\$26,316,000</b>	<b>\$146,059,000</b>

Note: These figures included calculated savings from a variety of sources including, but not limited to, federal funds, state general fund dollars, and special funds.

In addition to the above cost savings, VITA's initiatives have resulted in estimated cost avoidances in the areas shown in Exhibit B. VITA has reduced the cost of doing business so that state agencies can avoid paying higher costs for equipment or services they would have otherwise had to purchase.

### Exhibit B Projected Cost Avoidances (as of October 1, 2004)

Initiative	FY 04 Savings	FY 05 Savings	FY 06 Savings	Six-Year Baseline Benefit
Software Licenses	\$495,000	\$615,000	\$615,000	\$3,570,000
Server Acquisitions	\$380,000	\$380,000	\$0	\$760,000
<b>Subtotal, Cost Avoidance</b>	<b>\$875,000</b>	<b>\$995,000</b>	<b>\$615,000</b>	<b>\$4,330,000</b>
<b>Total, Savings &amp; Cost Avoidance</b>	<b>\$16,540,000</b>	<b>\$26,125,000</b>	<b>\$26,931,000</b>	<b>\$150,389,000</b>

## Recommended Technology Investment Priorities Report

On behalf of the Information Technology Investment Board (ITIB), VITA submitted the "Recommended Technology Investment Projects" report to the Governor and General Assembly on September 1. These recipients reference this report in setting funding priorities and making budget decisions for technology investments.

Reflecting the input of the Cabinet on business priorities, the report provides the following project listings:

- Current major IT projects for which ITIB recommends funding be maintained. The Board and Commonwealth CIO, with the support of VITA staff, continue to actively oversee these projects and their progress.
- The ITIB's 27 proposed priority IT investment projects, for which the ITIB recommends funding either be maintained (where the proponent agency already has a committed funding source) or given priority consideration for inclusion in the Governor's Executive Budget and funding in the 2005 legislative session.

The top 27 priority technology investment projects represent all Secretariats and 20 agencies. Total project costs (estimate at completion) of these top 27 projects are \$247 million. Eleven projects in the top 27 are identified as fully funded, with budgeted funds totaling \$49.2 million. Sixteen projects are un-funded, with a total project cost of \$213.4 million. These projects, if and when funded, will be subject to further CIO/ITIB review and approval before they can move forward to the development phase and ongoing oversight.

To view the report, go to <http://www.vita.virginia.gov/itib/rtip.cfm>

## Weather Events

VITA's data center was not affected by Hurricane remnants Gaston, Frances, Ivan, and Jeanne occurring between August 30 and September 28. VITA experienced no water damage or loss of power, and all systems remained operational. VITA provided support and technical expertise to a small handful of agencies that experienced service disruption or damage as a result of flooding to agency facilities.

Lessons learned during the Gaston event were immediately put into place in preparation for future storms, including the procurement of temporary cable in event of a power outage (see Portable Generator Project) and procedures for deploying a skeleton crew to VITA's out-of-state disaster recovery site. In addition, VITA has established communication and implementation plans for the orderly shutdown of small agency servers should an impending disaster warrant such action.

## Information Technology Investment Board Highlights

Significant actions of the Information Technology Investment Board (ITIB) are included in relevant topic areas throughout this Quarterly Report. In addition, the ITIB approved amended by-laws to reflect budget language passed by the 2004 General Assembly and to incorporate electronic meeting requirements. The ITIB adopted a new, bi-monthly meeting schedule. Future meetings of the Board are:

October 13, 2004  
December 8, 2004  
February 9, 2005

April 13, 2005  
June 8, 2005  
August 10, 2005



# Awards and Recognition

## Digital States Survey

The Center for Digital Government announced July 13 the Commonwealth of Virginia was awarded a third place national ranking in the 2004 Digital States Survey. Virginia was in the bottom half of the rankings prior to Governor Warner taking office, and improved to sixth place in 2002. The survey recognizes and rewards states that are using information technologies strategically in running 21st century government. The Survey measures best practices, policies, and progress in the use of digital technology to better serve citizens and streamline services. It is viewed as the nation's most recognized and respected study of IT applications in all 50 states. For more information, visit <http://www.centerdigitalgov.com/>.



## Best of The Web Award



The Center for Digital Government announced September 13 that Virginia placed third in the nation in the 2004 Best of the Web contest. The Center for Digital Government cited Virginia for its well-established reputation as a technology leader and for the continued evolution of Virginia.gov with the introduction of enterprise solutions and new features that push information to visitors in a user-friendly manner. The 2004 Best of the Web contest is an annual competition that judges state, city, county, and education Web sites on their innovation, Web-based delivery of public services, efficiency, economy, and functionality for improved citizen access. For more information, visit <http://www.centerdigitalgov.com/bestof/?loc=29>.

## NASCIO Recognition Awards

The National Association of State Chief Information Officers (NASCIO) announced September 21 that Virginia received two NASCIO Recognition Awards. The Wireless E-911 Deployment Project administered by VITA's Public Safety Communications Division won in the Communications Infrastructure category. The Virginia Base Mapping Program administered by VITA's Virginia Geographic Information Network won in the Digital Government category.

NASCIO selected nine winners from 108 nominations submitted by 34 states. The awards emphasize information technology initiatives which best assist government officials in innovatively executing their duties and providing cost-effective service to citizens. For more information on E-911 and the Public Safety Communications Division, visit <http://www.va911.org>. For more information about VGIN, visit <http://www.vgin.virginia.gov>. Learn more about NASCIO at <http://www.nascio.org>.





# Phased Agency Transitions

## Large Agency Transition

To aid large agencies with transition activities, VITA established a core team of VITA functional experts—the Large Agency Transition Team (LATT)—to work closely with agency Service Level Directors on transition deliverables. The LATT went to each agency headquarters to meet with key business and technical leaders. The transition continues on schedule, largely due to leveraging lessons learned and improving on information developed during small and medium agency integration. Early collaboration between VITA's Enterprise Service Directors (ESD) and large agency management has also proven invaluable in identifying agency-specific transition needs, building customer knowledge, and developing positive working relationships between agencies and VITA.

Consistent with the three-staged transition approach (Formation, Integration, and Transformation), VITA transition activities are clearly delineated, focusing on Integration activities as separate and distinct from later Transformation initiatives. As in previous transition plans, the Integration stage includes managing the transition of people and assets without service disruptions. Also consistent with small and medium agency integration, large agencies were required to adhere to a minimum set of technical requirements directed toward legal compliance. The VITA Technical Compliance Requirements activities sheet details technical requirements consistent with best practice and the Commonwealth Security Policy.

Legislation requires that all large-sized agencies transition to VITA support on or before January 1, 2005. Exhibit C provides the transition status as of September 30, 2004. As shown in this exhibit, large agencies are transitioning in three waves, on September 25, October 25, and November 25. (VDOT transitioned with medium agencies on July 1.) Also shown in this exhibit are the small/medium agencies transitioning with their larger brethren from whom they currently receive their IT support.

**Exhibit C**  
**Status of Agencies Transitioning to VITA by January 1, 2005**

Agency Name		Staff Transfers	VITA On-Site Workshop	VITA On-Site Deliverables Review	HR Employee Paperwork	Transition Overview Sign-off	Effective Transition Date
<b>WAVE 1</b>							
1	Social Services, Dept. of Comp. Services for At-Risk Youth & Families (Small)	55	6/25/2004 6/25/2004	Canceled - no pending issues	8/16/2004 8/16/2004	9/23/2004 9/23/2004	9/25/2004 9/25/2004
2	Conservation and Recreation, Dept. of Chippokes Plantation Farm Foundation(Small)	7	6/28/2004 6/28/2004	8/2/2004 8/2/2004	8/16/2004 8/16/2004	8/23/2004 8/23/2004	9/25/2004 9/25/2004
3	Alcoholic Beverage Control, Dept. of	7	6/29/2004	Canceled - no pending issues	8/16/2004	8/23/2004	9/25/2004
4	Health, Dept. of Aging, Dept. of (Small)	90	7/1/2004 7/1/2004	Canceled - no pending issues	8/16/2004 8/16/2004	8/23/2004 8/23/2004	9/25/2004 9/25/2004
5	Corrections, Dept. of	58	7/6/2004	8/5/2004	8/16/2004	8/23/2004	9/25/2004
6	Mental Health, Mental Ret. & Sub. Abuse Svcs., Dept. of	63	7/12/2004	Canceled - no pending issues	8/16/2004	8/30/2004	9/25/2004
<b>WAVE 2</b>							
7	Motor Vehicles, Dept of	57	7/22/2004	8/17/2004	9/2/2004	9/20/2004	10/25/2004
8	Game and Inland Fisheries, Dept. of	9	7/26/2004	Canceled - no pending issues	9/2/2004	9/20/2004	10/25/2004
9	Agriculture & Consumer Services, Dept. of	11	7/28/2004	8/27/2004	9/2/2004	9/27/2004	10/25/2004
10	Environment Quality, Dept. of	20	8/3/2004	9/2/2004	9/2/2004	9/30/2004	10/25/2004
<b>WAVE 3</b>							
11	Correctional Education, Dept. of	6	8/9/2004	Canceled - no pending issues	9/27/2004	10/18/2004	11/25/2004
12	Rehabilitative Services, Dept. of Disabilities, Virginia Board for People with (Small) Blind and Vision Impaired, Dept. for the (Medium) Deaf & Hard of Hearing, Dept. of the (Small) Protection and Advocacy, Virginia Office for (Small)	18	8/11/2004 8/11/2004 8/11/2004 8/11/2004 8/11/2004	Canceled - no pending issues	9/27/2004 9/27/2004 9/27/2004 9/27/2004 9/27/2004	10/18/2004 10/18/2004 10/18/2004 10/18/2004 10/18/2004	11/25/2004 11/25/2004 11/25/2004 11/25/2004 11/25/2004
13	Employment Commission, Virginia	26	8/16/2004	9/20/2004	9/27/2004	10/18/2004	11/25/2004
14	Taxation, Dept. of	35	8/23/2004	Canceled - no pending issues	9/27/2004	10/18/2004	11/25/2004
15	Juvenile Justice, Dept. of	16	8/24/2004	9/28/2004	9/27/2004	10/18/2004	11/25/2004
16	State Police, Dept of	37	8/30/2004	9/27/2004	9/27/2004	10/25/2004	11/25/2004
17	General Services, Dept. of	8	7/14/2004	Canceled - no pending issues	9/27/2004	10/25/2004	11/25/2004

**Legend:**

- Green: On Track or completed
- Yellow: Warning—consider corrective action or monitor closely
- Red: Problem—immediate corrective action required

## Phased Transition of Large Agency Employees

To further aid the smooth transition of the remaining 523 in-scope employees from large agencies, a secure, Internet-based tool was created to provide information and interactive forms. The Onboarding Extranet simplifies the employee onboarding process, reduces time needed to complete paper forms, and decreases paperwork. The tool also allows easy monitoring and reporting on where employees are in the onboarding process, ensuring all items are completed in a timely manner.

The first wave of large agency employees transferred to VITA effective September 25, including 240 classified and wage employees and 40 contractors and vacancies. Exhibit D below identifies the number of employees expected to transition by January 1, 2005.

**Exhibit D**  
**Employee Transitions to VITA by Phase (Agency Size)**

Agency Size	Positions Scheduled to Transition	Number of Supported Locations
Small (fewer than 100 employees)	5	82
Medium (100-400 employees)	43	149
Large (more than 400 employees)	820	1,266



# Key Initiatives

## Quick Wins

In June 2004, the Information Technology Investment Board approved fifteen “quick win” savings initiatives (Exhibit E below) designed to provide cost savings in FY05. These initiatives, shown in the following table, will provide up to \$6.7 million in savings in FY05 to offset the administrative fee VITA receives from agencies for providing Integration support. The majority of these initiatives can be implemented without major difficulty, and all but two also support infrastructure consolidation and future transformation. The six-year baseline benefit provides over \$66 million of savings and cost avoidance to the Commonwealth. These initiatives will be pursued jointly by VITA and agency teams to promote the move to shared services among Commonwealth agencies. The “XX” below indicates redacted savings estimates to preserve future competition.

**Exhibit E**  
**Quick Win Initiatives (by \$1,000)**

Project Name	FY05	FY06	6-Year Baseline Benefit	Status	Comments
Local phone service consolidation	4,675	5,861	28,119	Green	Exceeded 6-year baseline benefit target by \$5 million
Standard core desktop bulk licensing	XX	XX	XX	Yellow	
Small server consolidation	XX	XX	XX	Green	
Contractor conversions	XX	XX	XX	Yellow	
VITA host web based bus. licensing apps	XX	XX	XX	Yellow	
Relocate/Consolidate mainframe print site	248	1,235	10,995	Green	
Restructure operations shifts & coverage	193	232	1,353	Yellow	
Mainframe upgrades	XX	XX	XX	Green	
Oracle Financials application consolidation	182	516	3,234	Green	
Migrate customers to COVANET	170	432	2,825	Green	
Operations automation – prod control	122	500	3,474	Green	
ImagePort broadcast fax (VDH)	XX	XX	XX	Yellow	
Relocate 411 E. Franklin Street offices to Richmond Plaza Building	60	147	795	Red	New Richmond Plaza Building lease is not complete. 411 will not close until final resolution of lease.
Board of Elections lines consolidation	22	44	242	Red	Customer agency chose to delay movement of circuits until after Nov. election. Customer agency to designate list of circuits to be moved.
<b>Total Savings/Avoidance</b>	<b>7,492</b>	<b>11,025</b>	<b>66,083</b>		
<b>Cost Avoidance</b>	<b>785</b>	<b>1,306</b>	<b>7,331</b>		
<b>Cost Savings</b>	<b>6,707</b>	<b>9,719</b>	<b>58,752</b>		

### Legend:

- Green: On track or completed
- Yellow: Warning—at risk of not meeting savings target; consider corrective action
- Red: Problem—immediate corrective action required

## Local Phone Service Consolidation

VITA successfully negotiated and signed a new communications services contract with Verizon. The contract has a minimum value of \$135 million over an initial term of 71 months. The Commonwealth estimates that savings to citizens are expected to be more than \$33 million over the term of the contract and more than \$28 million in the 6-year window measured under Quick Wins.

## Customer Service

### VITA Customer Care Center

The VITA Customer Care Center (VCCC) handles helpdesk services and service requests received by telephone and e-mail. Exhibit F illustrates the volume of calls and e-mails received by the VCCC in 2004.

**Exhibit F**  
**VCCC Volume**  
**(April – August 2004)**

Month	Total Calls	E-mails	Number of Tickets	First Call Resolution
April	2,717	239	2,535	33
May	3,421	476	1,994	170
June	3,228	1,351	2,543	202
July	3,070	2,633	2,605	313
August	2,290	1,068	2,004	226
<b>Total</b>	<b>14,726</b>	<b>5,767</b>	<b>11,681</b>	<b>944</b>

The VCCC exceeds industry standards in terms of responsiveness and call resolution. Exhibit G illustrates VCCC goals and actual data from April through August 2004.

**Exhibit G**  
**VCCC Call Resolution**

	Goal	Actual (April – July)	Actual (August)
Answer incoming calls in less than 60 seconds	over 50%	88%	89%
Incoming calls answered	over 94.5%	99.0%	98.3%
Calls abandoned	under 5.5%	1.0%	1.7%
Average wait time for abandoned calls	under 160 seconds	45 seconds	40 seconds

The VCCC has established internal performance measures and targets for response time and resolution time for desktop and server-related problems. Exhibit H shows the percentages of desktop/server targets achieved from April through August 2004.

### Exhibit H VCCC Call Resolution

Month	# of Inquiries	% closed in time
April	332	73%
May	1,854	83%
June	2,406	83%
July	2,510	85%
August	3,358	83%

### VITA Base Services

As can be seen in Exhibit I below, the VITA Operations Center has met or exceeded all of its performance availability targets. In this Dashboard, availability measures the percentage of time the production servers supporting the environment are available (excluding scheduled maintenance and downtime). The measurements reflect the status of servers and systems at the VITA central data center or controlled by the VITA network staff—servers and networks at agency locations will be measured after the VITA Network Information Center (VNIC) and VITANet are installed and operational.

### Exhibit I Infrastructure Services Dashboard

Description	Target	-----Actual Period-----			Status
		June 2004	July 2004	August 2004	
Production Mainframes (MVS) Availability	99%	100.00%	100.00%	100.00%	Green
Production Mainframes (Unisys)	99%	99.90%	100.00%	100.00%	Green
Production VITA Central Data Center Unix Server Availability	99%	99.99%	99.99%	99.93%	Green
Production VITA Central Data Center Windows Server Availability	99%	99.93%	99.95%	99.15%	Green
Availability of VITA-installed COVANET Circuits	99%	98.90%	98.90%	99.10%	Green

- Green: Meeting or exceeding targets
- Yellow: Warning—consider corrective action to meet targets
- Red: Problem—immediate corrective action required

VITA will continue to provide additional services and service improvements even during the transition process. Activities relating to existing services that improve efficiencies or reduce

costs now and in the future are identified and acted upon in a timely manner. Below are highlights of service improvements that have been completed or are substantially underway.

## Data Center Operations

Several action items related to data center operations, as outlined below, will need to be addressed over the next two years. These scheduled actions not only offer opportunities to improve services and increase efficiencies on their own, but can also provide synergies with other activities taking place during VITA's Integration and Transformation stages. In addition, with the onset of hurricane season, VITA has been challenged by several weather events.

- **Richmond Plaza Building (RPB) lease**—VITA's current lease expires in December 2004. Negotiations continue with the building management on the current space in the Richmond Plaza to accommodate projected VITA personnel over the next three years. VITA plans to move the directors from the 411 Franklin Street location in fall of 2004 to facilitate communications within its management structure. Other VITA staff will fill the 411 location.
- **Portable Generator Project**—VITA's data center currently has no long-term alternate power source for use in emergency situations. With financial support from a recent Homeland Security grant, procurement is underway to secure a portable generator that could be moved into position outside the building when needed. VITA has awarded a contract for the portable generator guaranteed to be on site within six hours. Work has begun at the VOC to install the necessary permanent electrical connection. Temporary cabling was also positioned on site in advance of Hurricane Ivan as an additional contingency. Cabling and testing of the system is scheduled for late December, and the project is expected to be closed out in January 2005.

## Capitol Campus Construction

Much renovation and/or reconstruction of state buildings in and adjacent to Capitol Square is either underway, committed, or under consideration. Many current VITA base service customers, as well as "in-scope" customers of new VITA services, are directly impacted by these plans. Most will be moving twice, once into temporary quarters, then into one of the renovated or new structures. While VITA will be responsible for ensuring that existing services are maintained throughout these moves, the construction activities also offer opportunities for cost savings and efficiencies that extend beyond base service operations into the Integration and Transformation stages.

VITA has completed technical designs for DGS and Governor's Office server movement. VITA successfully completed the move of the Governor's Office and Cabinet Secretaries' LAN support servers to the VITA Operations Center (VOC) over the weekend of September 18 with no major service issues. The Governor's Office was the first of the data center consolidations in the Richmond area. VITA and DGS will be upgrading and expanding Metropolitan Area Network (MAN) Services in the Richmond area to support this effort. DGS servers are scheduled to move the Columbus Day weekend in October. VITA secured a contract for expanded MAN services to support server consolidation in September 2004. Technical reviews of servers on the campus are under way for other affected agencies. VITA has tasked a team of technical experts to continue this process and will be moving servers to the VOC in support of this consolidation effort.



## Small, Women- and Minority-Owned (SWAM) Initiative

VITA, through its Supply Chain Management Division, is continuing to fulfill its commitment to increase IT procurement opportunities for small, women- and minority-owned (SWAM) businesses in the Commonwealth. As part of this commitment, VITA has set a target of \$7.5 million of increased IT spend (dollars) for SWAM businesses. During the past quarter, VITA has advertised for a Supplier Outreach position which will work directly with VITA's SWAM IT suppliers to increase awareness of VITA's procurement processes and provide education and assistance on opportunities for these suppliers to provide IT goods and services to the Commonwealth. One part of that outreach is VITA's new SWAM resource Web page that has been developed to provide information for SWAM businesses desiring to do business with VITA. The Web site is available at <http://www.vita.virginia.gov/procurement/DoingBusinessW-VITA.cfm>. VITA will also be participating in at least two supplier fairs this year in its continuing effort to reach out to the SWAM supplier community.

## PPEA Opportunities

With the scope of IT infrastructure consolidation that lies ahead, acquiring appropriate outside expertise will be a key component of planning and executing successful Transformation initiatives. The capital-intensive nature of prospective cost-savings and service improvement initiatives also provides incentive to look at the potential gain-sharing aspects of public/private partnerships. The Commonwealth's current fiscal situation creates strong additional impetus to seek alternative capital funding opportunities.

In this context, the Public-Private Educational Facilities and Infrastructure Act of 2002 (referred to as PPEA) is one promising vehicle for approaching future Transformation initiatives. This act allows the Commonwealth's public bodies to consider unsolicited and solicited proposals for innovative approaches to a wide variety of projects, including technology infrastructure initiatives.

On June 1, VITA posted four unsolicited proposals along with an invitation for competing proposals and a listing of VITA PPEA Attributes. While no additional, competing proposals were received, the original proposers submitted updated proposals on August 2. Conceptual Review of those proposals is nearing completion. Any recommendation to go forward resulting from the Conceptual Review recommendation must be approved by the ITIB and the Secretaries of Technology, Administration, and Finance as provided by the Commonwealth's Model Procedures for PPEA, before initiating the Detailed Review phase.

## Exhibit J PPEA Opportunities Timetable

Milestone	Timetable
Establish VITA PPEA Management and Governance Process—Presentation to ITIB	Completed
Complete Organization and Implementation of New Enterprise Projects Office	Completed
Award PPEA Consulting Services Contract	Completed
Complete Initial Internal Review of PPEA proposals submitted to VITA	Completed
Establish full review committee for PPEA reviews	Completed
Review and post PPEA proposals	Completed
IT Investment Board PPEA review and update	Completed
VITA PPEA Review Committee Kick-off Meeting	Completed
Deadline for Submission of Competing Proposals	Completed
Complete Conceptual Review	Completed
Develop and Submit Course(s) of Action for approval (if one or more proposals is accepted for Detailed Review)	Oct 2004
Secretaries of Technology, Administration and Finance Approval to Proceed	Oct 2004
Complete Detailed Review (Pending Course of Action Approval)	1 <sup>st</sup> Quarter 05
Complete Comprehensive Agreement (Pending Course of Action Approval)	2 <sup>nd</sup> Quarter 05



## Enterprise Opportunities

### Learning Management System (LMS)

On June 15, the Commonwealth and Meridian Knowledge Solutions, Inc. entered into an agreement to deploy an enterprise learning management system (LMS). The Department of Human Resource Management is the business owner, VITA is the contract holder, and the effort involved participation from six other agencies to leverage the collective buying power of the Commonwealth. The LMS promotes inter-agency sharing of training best practices and course materials and access to learning opportunities through a common portal. Employees across the Commonwealth will login and access Web-based training, enroll in instructor-led training, and access online libraries and references. The system also features content management, knowledge mapping, and promotes collaboration.

The eight participating agencies are collaborating over a six-month period to define and customize the system, provide demonstrations to pilot groups, and implement full functionality. The "go live" date for the system is on schedule for all eight agencies for January 2005.

### Statewide Alert Network (SWAN)

The purpose of the SWAN is to:

1. Establish a secure, state-wide alert notification system that will provide automated alert messages to users through a variety of formats and media, such as telephone, fax, e-mail, pagers, and other wireless devices.
2. Maximize the ability to connect with other local, state and federal entities and citizens through technology to improve leadership and response to all emergencies.

Installation of SWAN in VITA, originally scheduled for the week of July 26, was postponed until the week of August 23 due to the Determined Promise 2004 (DP04) Federal emergency drill that took place the week of August 2, which required the full attention of all parties involved in SWAN. During the DP04 drill, a test version of SWAN was installed and operated at the supplier's facility for use by the Virginia Department of Health (VDH).

In September, SWAN was placed in an acceptance test phase during which the computer and telecommunications hardware and software that comprise SWAN are being tested by VDH, VITA, and the supplier to ensure that:

- All functions of the hardware and software are understood and function properly.
- All personnel involved in the use, support and operation of SWAN are trained.
- VDH, VITA, and the supplier understand and agree with the roles and responsibilities that each entity has for the use, support, and operation of SWAN.

These activities are estimated to be completed by October 1, 2004, whereupon SWAN will be placed in production at VITA for use by VDH. Once in production, the next steps for SWAN will be for VITA to develop a service package defining the SWAN services (and related fees) for use by other Commonwealth entities.

## Enterprise Licensing

Within the Commonwealth there are 32 state regulatory entities tasked with providing professional/occupational licensing, permitting, certification and/or registration services to approximately 1.5 million customers. Currently, only three agencies offer online licensing solutions. Consequently, a substantial market opportunity exists for an enterprise solution—all the more compelling when considering Virginia's local governments.

VITA and VIPNet have worked with the Department of Professional and Occupational Regulation (DPOR) and other interested agencies to select System Automation's License 2000 product as an enterprise solution. This offers the Commonwealth:

- The flexibility to take advantage of the statewide perpetual right to use license.
- The ability to add other modules for enterprise use at reduced cost.
- The ability to achieve lower costs on professional services.

This enterprise approach provides a single enterprise solution, available to all regulatory agencies and local governments for any licensing, permitting, and certification needs. It also leverages the Commonwealth's existing investment in System Automation software to reduce maintenance costs for current users and to greatly reduce costs of entry for new users. As more agencies participate, the savings grow exponentially.

This project consists of multiple parallel tracks. The first is the implementation of the enterprise solution and technical infrastructure. VITA will host the solution and VIPNet will provide a common payment portal to enable customers to pay for the licensing services online via credit card, debit card, or electronic check.

Since business processes are owned and managed by the agency, the second track is individual projects at agencies to implement licensing solutions. The Department of Professional Regulation (DPOR) is the initial agency to begin development. The proposed completion and implementation for DPOR is June 30, 2005. Completion of the enterprise contract is scheduled for early October, after which time other interested agencies will be invited to take advantage of this new enterprise solution.

## Enterprise Geographic Information Systems (GIS)

Geographic Information Systems (GIS) has been designated as an enterprise application by the Information Technology Investment Board. To kick off the development of a business plan for providing an Enterprise GIS Service, CIO of the Commonwealth Lem Stewart hosted a GIS Town Hall on September 9. During this session, the CIO explained why GIS was an excellent candidate for cost savings and improved services via a "shared services" approach, as well as opportunities for state agencies to participate in the business planning process. More than 30 representatives from 14 state agencies with current or proposed GIS operations, including agency heads, deputies, and GIS managers, participated in the session.

A subsequent September 23 GIS Town Hall addressed technology and security issues, with additional sessions to be held on the evaluation of current GIS resources and services, best practices in GIS services from other states, and finally, the proposed business plan for Virginia's Enterprise GIS. The business plan effort is scheduled to be completed in early November, with implementation of recommendations to occur in the coming calendar year.

## **Government to Government (G2G) Enterprise Systems Interface (GESI)**

With the Government to Government (G2G) Enterprise Systems Interface (GESI) project, VITA is collaborating with localities and the Department of Social Services (DSS) to provide a secure server environment and technical infrastructure in which to host shared applications that facilitate data exchanges between localities and multiple state systems. The pilot application to be hosted under GESI is the Human Services Interface (HSI). DSS is participating as the Commonwealth business owner and VITA as the service provider for the enterprise initiative.

Currently, each local user must manually log into each of several systems and run queries to obtain the data required to support provision of social services to citizens. With HSI, a local eligibility worker will log into a single system. The HSI will collect the information, format the queries, log into the necessary state systems, transmit the queries, receive individual responses, and present a consolidated response to the worker. HSI will be "non-intrusive" in that it requires no changes to the state systems. The system is expected to radically improve the efficiency of those users who must gather data from multiple state systems and result in significant cost savings.

VITA is in the process of developing service rates and service agreements, and expects to have the service available in December.

## **E-Mail Consolidation**

VITA is approaching the e-mail consolidation effort in three distinct phases. Phase 1 will create a centralized shared email service for small agencies. This service will offer advanced features many small agencies do not currently enjoy including shared calendaring, remote email access, and Blackberry wireless service. This project has completed internal VITA security and project authorization and is entering into development, with expected implementation before the end of calendar year 2004.

Phase 2 will be a detailed enterprise due diligence study to reveal specific attributes about the Commonwealth's current e-mail usage. Study components will include agency-specific software packages, support structures, level of integration, total service cost, and possible implementation strategies. A statement of work is currently being generated to identify a consultant-partner to conduct this study.

Phase 3 of the email consolidation project will consider the results of the Phase 2 study and select an implementation strategy for execution.



## Strategic Planning and Portfolio Management

The *Code of Virginia* requires a process for the submission and CIO approval of agency IT plans. The *Code* also calls on the ITIB to report its recommendations for funding priorities for major IT projects to the Governor and General Assembly every September 1. Agencies' IT strategic plan submissions provide input into the ITIB's September 1 report.

### Exhibit K Proposed Major IT Projects Timetable

Milestone	Timetable
Deliver "Recommended Technology Investment Projects Report" to ITIB	Completed
Deliver "Recommended Technology Investment Projects Report" to Governor and General Assembly	Completed
Procure an IT Investment Portfolio Application	November 2004
Implement IT Investment Portfolio Application	April 2005

## Commonwealth IT Project Portfolio

The Commonwealth IT Project Portfolio is a dynamic collection of proposed and active major technology projects. Previously, projects within the IT Project Portfolio were divided into ten categories to support analytical review and life-cycle management of the portfolio. An additional category has been added for projects determined to be Instructional or Research oriented. Exhibit L is a tabular depiction of the project portfolio showing the number of projects in, and dollar value of, each category.

Dividing the IT Project Portfolio into these categories facilitates tracking projects through the project life cycle and periodic reporting to the ITIB. The projects in the "Approved for Development" category are delineated separately to specifically highlight quarterly actions by the ITIB.

**Exhibit L**  
**Commonwealth Major IT Project Portfolio Summary**  
**as of September 15, 2004**

	No. of Projects	Project Cost (Estimate At Completion)
Identified for Preliminary Planning	7	\$15,623,000
Recommended for Planning	0	\$0
Approved for Planning (by CIO)	62	\$353,204,195
Recommended for Development Approval (by Secretarial Oversight Committee & CIO)	0	\$0
Approved for Development (by IT Investment Board)	2	\$13,054,118
Active Projects	34	\$1,060,713,415
Suspended Projects	1	\$1,400,000
Completed Projects (previously Projects Pending Closeout)	0	\$0
Cancelled Projects	0	\$0
ITIB Terminated Projects	0	\$0
Instructional/Research	9	\$15,711,823
<b>Commonwealth Totals</b>	<b>115</b>	<b>\$1,459,706,551</b>

Exhibit M provides summary statistics by category of net changes to the IT Project Portfolio between June 15 and September 15, 2004. Projects that were moved from the Preliminary Planning category were either Approved for Planning, reclassified as non-major projects/procurements, or withdrawn by the submitting agency. Projects that were moved from the Approved for Planning category have been reclassified or Approved for Development.

**Exhibit M**  
**Changes in the IT Project Portfolio**

Portfolio Category	Net Change in # of Projects	Net Change in \$\$ Value* (in millions)
Identified for Preliminary Planning	-28	-\$230.02
Recommended for Planning	-2	-\$6.90
Approved for Planning (by CIO)	-22	+\$110.29
Recommended for Development Approval (by Secretariat Oversight Committee & CIO)	0	\$0.00
Approved for Development (by IT Investment Board)	0	-\$3.56
Active Projects	-1	+\$119.98
Suspended Projects	-2	-\$19.81
Completed Projects (previously Projects Pending Closeout)	-6	-\$77.06
Cancelled Projects	0	\$0.00
ITIB Terminated Projects	0	\$0.00
Instructional/Research	+9	+\$15.71

- Change in Total Dollar Value of Project Cost (Estimated at Completion)

On July 7, the ITIB approved a resolution delegating authority for major IT project development and procurement approval and disapproval to the CIO of the Commonwealth. The CIO is required to notify the full Board of his intent to approve or disapprove a major IT project development or procurement at least five working days in advance of taking action. The CIO will report at each Board meeting on all actions taken since the last regularly scheduled meeting of the Board.

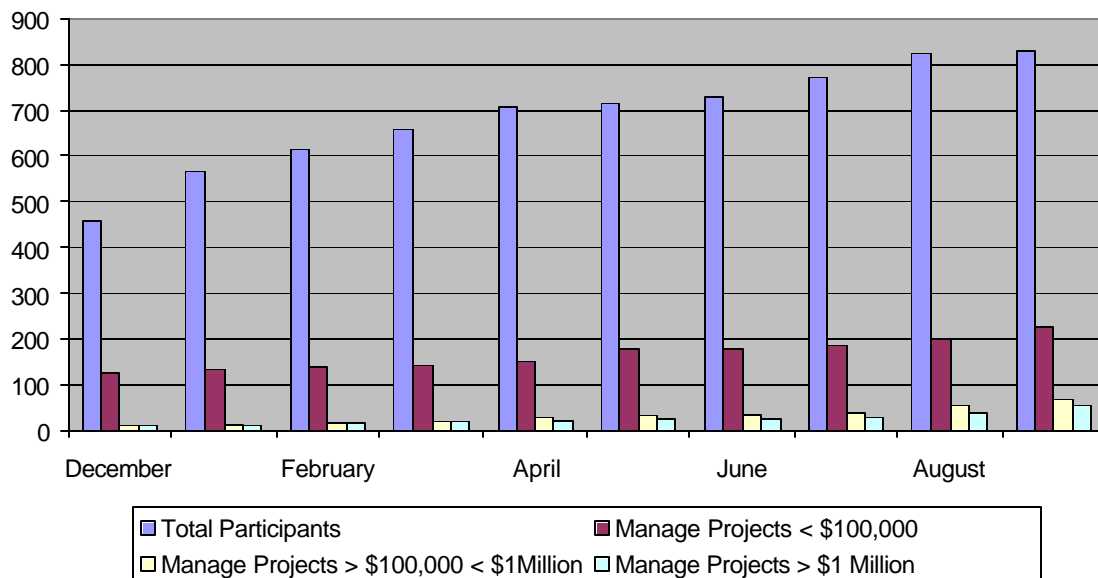
## Program Management

Over the last quarter, VITA staff has continued to refine the various components of Program Management to meet specific *Code* mandates, including:

- A very cost-effective Project Manager Development Program (PMDP), with over 800 participants registered to date, an increase of more than 100 participants since July 1. (see <http://www.vita.virginia.gov/ittrain/pmdev/pmdev.cfm>);
- A business-based approach to evaluating proposed major IT projects, including use of a “balanced scorecard” (see <http://www.vita.virginia.gov/projects/IntBalScorcdDecCriteria.v4.pdf>);
- An Information Clearinghouse for best practices and lessons learned in project management (see <http://www.vita.virginia.gov/itTrain/pmDev/PrjMgmtClearingHouse.cfm>).

Participation in the Project Manager Development Program continues to grow steadily. Results to date, in terms of numbers of participants and those meeting qualification requirements for various levels of projects, are shown in Exhibit N. A similar growth pattern in meeting the various levels of qualification requirements is expected over the next quarter.

**Exhibit N**  
**Participation in the Project Manager Development Program**





The *Commonwealth Project Manager Selection and Training Standard* was promulgated in September 2003 with implementation starting in October 2003. The standard recognized the need to phase in qualification requirements for all project managers. On February 28, 2004, all new major IT projects were required to have project managers selected in accordance with this standard.

Incumbent project managers of active major IT projects were given an extended period to meet the qualification requirements. On September 1, all project managers of major IT projects, including those that began on or before February 28, were required to comply with the standard. All major IT projects now have a project manager with the required qualifications or a limited waiver granted by the CIO. Waivers granted by the CIO were six months or less and were based on the projects status, lifecycle phase, and project manager's progress in completing the mandatory qualification requirements.

Remaining Program Management milestones are listed in Exhibit O. As noted below, the timetable for achieving several milestones has been impacted by resource constraints, including both the availability of general funds and the assignment of personnel to high priority Integration and PPEA activities.

**Exhibit O**  
**Remaining Program Management Milestones**

Milestone	Timetable
Publish Commonwealth Project Management Standard	Sep-04
Develop and Implement Web-based Project Proposal and Charter Submission process	Jan-05 to April-05
Review and Revise PM Guidelines	Dec-04
Review and Revise PM Selection and Training Standard	TBD - Resource Constraints
<b>Continue Development and Implementation of Information Clearing House:</b>	
Deliver best practices and lessons learned capability	Completed
Deliver project manager bulletin board	Completed
Deliver PM news and recognition page	Completed
Deliver major projects information search capability	TBD - Resource Constraints
Deliver vendor information search capability	TBD - Resource Constraints
Deliver new developments page	TBD - Resource Constraints
Deliver project mentor page	TBD - Resource Constraints
<b>Project Manger Development Program:</b>	
Revise Commonwealth PM Overview Training	Oct-04
Provide Commonwealth PM Overview Training	Oct-04
Provide Commonwealth PM Overview Training	Jan-04
Implement Project Mentorship Component of PMDP	TBD - Resource Constraints
Complete Phased Implementation of PM Selection and Training Standard	May-05

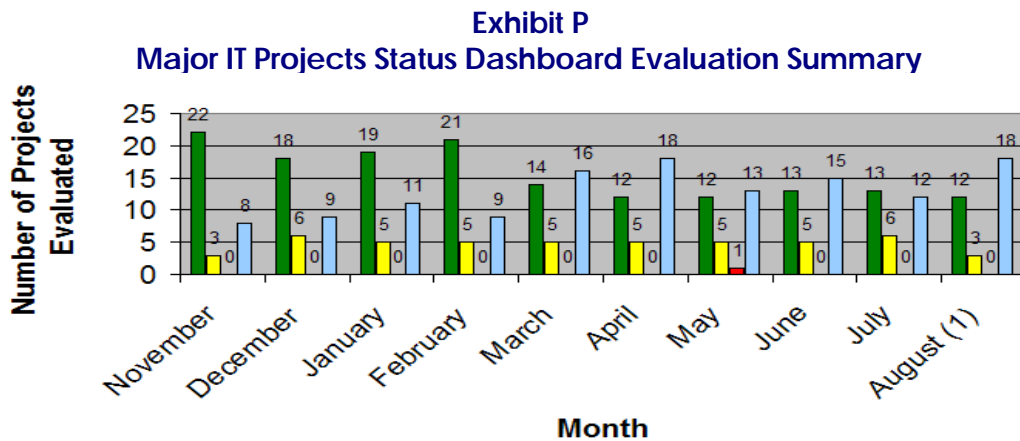
# Project Oversight and Reporting

The Commonwealth Major IT Project Status Report Dashboard continues to be the primary management tool for supporting the oversight of major IT projects at all management levels. The Dashboard presents the CIO, sponsoring Secretariats, and proponent agencies with a succinct and timely summary of the status of their major projects.

Each month the overall status of a project is evaluated as either:

- Green: On Track
- Yellow: Warning—consider corrective action or monitor previous corrective action
- Red: Problem—immediate corrective action required
- Blue: Not Evaluated

Exhibit P indicates the status of Dashboard projects for the latest reporting period. Due to lag time in the reporting chain from project manager through agency head to cabinet secretary, later months tend to show higher “Not Evaluated” totals.



(1) Current reporting period; August status reports are received throughout September.

Several factors contribute to the number of projects shown as Not Evaluated. These factors are being addressed in a currently ongoing audit of the Dashboard entries being conducted by the Project Management Division, which will produce recommended refinements to the Dashboard process.

## Independent Verification and Validation (IV&V)

As a key refinement in project oversight activities, the IT Investment Board has directed the development of a more consistent and comprehensive Independent Verification and Validation (IV&V) program for major IT projects. CACI, Inc. has been retained to develop the procedures and templates for this program, including reviewer qualifications and reporting requirements. A complement of qualified reviewers will then be selected from among the firms/ subcontractors on the current Advanced Services contracts to conduct periodic IV&V reviews of major IT projects, utilizing those procedures and templates. Sponsor agencies will be billed for these IV&V services under an existing approved service rate.

The CIO has directed that all current major projects receive a review under these new procedures by January 11, 2005. It is anticipated that this revised IV&V program will both reinforce and increase confidence levels in the timeliness and accuracy of Dashboard reporting.

Version 2 of the Dashboard, containing a number of requested enhancements, is scheduled for rollout in December 2004. Exhibit Q includes the proposed timetable for project oversight and reporting.

### Exhibit Q Project Oversight and Reporting Timetable

Milestone	Timetable
Implement Revised Public View of Commonwealth Major IT Project Status Report Dashboard	Completed
Implement Revised Project Management Division/Supply Chain Management APR Process and Tool	Nov 2004
Complete Commonwealth Major IT Project Status Report Dashboard Audits	Completed
Implement Version 2 of the Commonwealth Major IT Project Status Report Dashboard	April 2005

## IT Resource Management Standards and Guidelines

The ITIB approved a resolution at its July 7 meeting assigning authority to the CIO for the approval and disapproval of IT resource management standards and guidelines, with the exception of any standards or guidelines that affect the operation of the ITIB. The ITIB did not delegate authority for approving or disapproving policies to the CIO. The CIO will notify the full Board of his intent to approve or disapprove an IT resource management standard or guideline at least five working days before taking such action. The CIO will not proceed with any action if any Board member requests that the action be presented for review at a meeting of the ITIB.



## Finance Council

VITA's Chief Financial Officer established the VITA Finance Council to provide a forum for communication among agency fiscal officers concerning VITA financial, accounting and procurement issues. Members of the council, which is made up of senior finance staff from customer agencies and from VITA, will identify and discuss related issues and assist VITA in determining solutions. The first council meeting was held on July 28 to organize the group of ten agency fiscal officers from across all Secretariats and small, medium and large-size agencies. The second meeting was held on August 12 when VITA's savings methodology and billing topics were discussed. The next meeting is scheduled in late October.

A section on VITA's homepage is devoted to the Finance Council where the council agendas and minutes can be found: <http://www.vita.virginia.gov/financeCouncil/financeCouncil.cfm>

## Online Billing Initiative

VITA's customers expect the best and VITA's values include value-add, teamwork and accountability. One way VITA is meeting these goals is through the development and implementation of an online bill access application for Direct Billing Services. These services are those new services VITA manages resulting from the agency integration efforts—servers, desktops and other infrastructure support.

Starting with the July billing period, the VITA Direct Billing Services bill and Invoice Detail reports will be available online for customers to access. This is an Internet application that can be accessed by VITA customer billing contacts and other designated personnel to view and download their agency's monthly bill and detailed invoice reports.

Each state agency designates its primary billing contact. This contact receives an e-mail notice when the current month's bill is available on the VITA website. Those employees authorized by the agency to access the bill can then download the detail information. This method of bill delivery is more efficient and cost effective than paper. In addition, it allows for easier payment processing by VITA's customer agencies allowing them to electronically analyze and allocate each line item to appropriate funding sources.

## VITA Performance Measures

A major effort is underway in VITA to develop a comprehensive performance measurement system to manage agency operations. Lynne Wasz, a specialist in strategic planning and performance measurement, was hired in July to undertake this effort. Performance measurements for each VITA Directorate and overall agency measurements are being

developed under her leadership. After the pertinent data is collected for each measure, this information will be published on either VITA's Internet website or its Intranet, with agency-wide and directorate-specific reports. The agency's initial set of measurements will be presented to the ITIB at their October 13 meeting. Following baseline data collection, VITA will prioritize those processes in need of improvement and initiate steps to increase productivity.

## Records Management

In conjunction with the General Assembly Commission, which is amending the state's Public Records Act, VITA is taking this opportunity to develop a state of the art Records Management policy and retention schedule. Agency-wide Record Coordinators have been designated and will receive training by The Library of Virginia in October. The initiative's work plan extends through December 2005. Upcoming milestones include a revised VITA Records Management policy in January 2005 and retention schedules in March 2005.

## FY 2005 Operating Budget

VITA's approved FY 2005 budget includes projected revenues of \$292 million and expenses of \$295 million, an increase of \$97 million and \$93 million over FY 2004 levels, respectively. This increase is generally due to the anticipated increases in VITA's internal service funds associated with the transitioned agencies.

Expenses, in total, are expected to exceed revenues due to activity in the enterprise funds and federal grant funds; retained earnings are in place to meet these requirements, as anticipated.

### Exhibit R FY 2004 - 2005 Funding Summary All Funds

	<i>FY 2004 Actual</i>	<i>FY2005 Approved Budget</i>	<i>Change</i>
Operating Revenues, incl transfers in	\$194,970,638	\$290,615,187	\$95,644,549
Expenses, incl transfers out	<u>\$202,795,091</u>	<u>\$295,155,701</u>	<u>\$92,360,610</u>
Net Change	<b>(\$7,824,453)</b>	<b>(\$4,540,514)</b>	\$3,283,939
Retained Earnings, July 1	<u>\$54,236,730</u>	<u>\$46,412,277</u>	<b>(\$7,824,453)</b>
Ending Retained Earnings	<u><u>\$46,412,277</u></u>	<u><u>\$41,871,763</u></u>	<u><b>(\$4,540,514)</b></u>

Exhibit S provides details of the FY 2005 approved budget by fund. A small surplus (0.17%) is projected in the internal service funds while enterprise funds and federal grant funds show negative balances based on projected spending from retained earnings, as planned.

### Exhibit S FY 2005 Approved Budget, All Funds

	Total, All Funds	Internal Service Funds	Enterprise Funds	General Funds	Special Revenue Funds	Federal Grant Funds
Operating Revenues, incl transfers in	\$290,615,187	\$211,265,316	\$74,400,000	\$2,527,822	\$2,422,049	
Expenses, incl transfers out	\$295,155,701	<u>210,904,274</u>	<u>77,308,485</u>	<u>2,527,822</u>	<u>2,422,049</u>	<u>1,993,071</u>
Net Change	(\$4,540,514)	361,042	-2,908,485	0	0	-1,993,071
Retained Earnings, July 1	\$46,412,278	<u>27,788,000</u>	<u>15,548,913</u>	<u>0</u>	<u>1,082,294</u>	<u>1,993,071</u>
Ending Retained Earnings	\$41,871,764	<u>\$28,149,042</u>	<u>\$12,640,428</u>	<u>\$0</u>	<u>\$1,082,294</u>	<u>\$0</u>

## FY 2004 Financial Results

VITA's financial performance in its internal service funds for fiscal year 2004 was as expected. During the fourth quarter rates were reduced for Unisys services; however, revenues were larger than expected due to an increase in usage. Therefore, VITA ended the fiscal year with an overall increase in net assets of \$1.3 million, for a total of \$27.8 million, in its internal service funds. These funds account for the majority of VITA's revenues and expenses, including telecommunications, computer and consulting services.

Enterprise funds ended the year with a decrease in net assets due primarily to a \$10.7 million General Assembly mandated transfer to the Commonwealth's general fund. These funds account for revenues and expenses incurred in the administration of the Commonwealth's E-911 and Virginia Web Portal activities. The E-911 fund experienced an expected loss of \$1.9 million and the Portal fund realized a gain of \$938,000, both before transfers.

General funds were used for start-up and strategic management expenses. By their nature these funds must be spent prior to fiscal year end. VITA's general fund ended the year with a balance of \$1,314.

Special revenue funds are a mix of small activities. The only activity with any notable activity was the Industrial Funding Account. Revenues are the result of contractual

payments made by the state's information technology vendors. This account funds general government activities, including support to the Governor's Office, that should not be billed to state agencies and other customers. The fund has revenues of \$1.9 million and expenditures of \$1.7 million leaving a year end balance of just over \$100,000.

VITA received almost \$2 million in federal grant funds in fiscal year 2004. These funds were transferred from the Virginia Department of Emergency Management and the Virginia Department of Health. They will be used to build a statewide alert network for bioterrorism and to address other threats to the security of the citizens of the Commonwealth.

## Financial Statements

Financial statements for the Virginia Information Technologies Agency as of June 30, 2004, are provided on the following pages:

- Combined Balance Sheet for Internal Service Funds (FY 04)—Exhibit T
- Combined Statement of Revenues, Expenses, and Changes in Net Assets for Internal Service Funds (FY 04)—Exhibit U
- Combined Statement of Cash Flows for Internal Service Funds (FY 04)—Exhibit V
- Combined Statement of Revenues, Expenses, and Changes in Net Assets for Enterprise Funds—Exhibit W
- Combined Statement of Revenues, Expenses and Changes in Net Assets for General and Special Revenue Funds—Exhibit X

**Exhibit T**  
**Combined Balance Sheet**  
**Internal Service Funds**

	<b>Totals 2004</b>	<b>Totals 2003</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash with Treasurer of Virginia	\$ 20,011,366	\$ 14,060,971
Petty Cash and Travel Advances	8,000	8,000
Accounts Receivable	15,805,664	16,596,576
Due From Other Funds	-	-
Due from Commonwealth of Virginia	-	-
Prepaid Expenses	2,816,219	3,492,988
<b>Total Current Assets</b>	<b>38,641,249</b>	<b>34,158,535</b>
<b>Noncurrent Assets</b>		
Depreciable Capital Assets, Net	18,777,835	22,089,706
<b>Total Assets</b>	<b>\$ 57,419,084</b>	<b>\$ 56,248,241</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 10,059,534	\$ 7,813,213
Notes Payable	6,012,119	4,990,872
Advances from Treasurer of Virginia	1,723,294	1,605,172
Accrued Compensated Absences	-	-
Other Deferred Revenue	405,335	171,517
Due to Federal Government	842,775	679,200
Other Liabilities	-	616,590
<b>Total Current Liabilities</b>	<b>19,043,057</b>	<b>15,876,564</b>
<b>Noncurrent Liabilities:</b>		
Notes Payable	9,005,384	12,437,328
Accrued Compensated Absences	1,582,644	1,474,163
<b>Total Noncurrent Liabilities</b>	<b>10,588,028</b>	<b>13,911,491</b>
<b>Total Liabilities</b>	<b>29,631,084</b>	<b>29,788,055</b>
<b>Net Assets</b>		
Investment in Capital Assets, Net of Related Debt	7,137,531	9,742,188
Unrestricted	20,650,469	16,717,998
<b>Total Net Assets</b>	<b>27,787,800</b>	<b>26,460,186</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 57,419,084</b>	<b>\$ 56,248,241</b>



**Exhibit U**  
**Combined Statement of Revenues, Expenses, & Changes in Net Assets**  
**Internal Service Funds**

	<b>Totals</b>	<b>Totals</b>
	<b>2004</b>	<b>2003</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 112,717,161	\$ 113,973,249
Total Operating Revenues	112,717,161	113,973,249
<b>Operating Expenses</b>		
Personal Expenses	28,620,007	26,993,581
Contractual Services	63,603,282	63,756,143
Supplies and Materials	356,063	312,800
Educational Assistance and Transfer Payments	-	8,543
Rent, Insurance & Other Related Charges	8,642,019	8,379,791
Depreciation	7,879,929	7,274,862
Expendable Equipment/Improvements	1,194,823	5,668,068
Total Operating Expenses	110,296,123	112,393,788
<b>Operating Income (Loss)</b>	2,421,037	1,579,461
<b>Nonoperating Revenues (Expenses)</b>		
Interest	(492,449)	(473,387)
Reimbursement to Federal Government	(163,575)	(111,500)
Revenue from the Sale of Recyclable Materials	1,287	10,231
Proceed from Insurance Recoveries	9,277	-
Sale of Surplus Property	-	-
Loss on Fixed Asset Disposal	-	(1,672)
Total Nonoperating Expenses	(645,461)	(576,328)
<b>Income (Loss) Before Transfers</b>	1,775,577	1,003,133
<b>Transfers</b>		
Transfers from Other Funds	25,220	-
Transfers to the General Fund of the Commonwealth	(472,983)	(905,823)
Transfers from the General Fund of the Commonwealth	-	-
Total Transfers	(447,763)	(905,823)
<b>Increase (Decrease) in Net Assets</b>	1,327,814	97,310
<b>Total Net Assets, July 1</b>	26,460,186	26,362,876
<b>Total Net Assets, June 30</b>	\$ 27,787,800	\$ 26,460,186

**Exhibit V**  
**Combined Statement of Cash Flows**  
**Internal Service Funds**

	<b>2004</b>	<b>2003</b>
<b>Cash Flows from Operating Activities</b>		
Receipts for Sales and Services	\$ 8,003,842	\$ 6,167,230
Internal Activity - Receipts from Other Funds	108,600,148	115,077,719
Internal Activity - Payments to Other Funds	(2,072,960)	(1,772,752)
Payments to Suppliers for Goods and Services	(5,854,670)	(8,944,594)
Payments for Contractual Services	(65,550,537)	(66,303,986)
Cash Payments to Employees for Services	(29,394,213)	(26,790,567)
Other	10,564	10,231
 Net Cash Provided by Operating Activities	 13,742,174	 17,443,281
 <b>Cash Flows from Noncapital Financing Activities</b>		
Transfers In from Other Funds	25,220	-
Transfers Out to Other Funds	(472,983)	(905,823)
Other Noncapital Financing Disbursements - Payment to Fed Govt	-	(703,424)
 Net Cash Used in Noncapital Financing Activities	 (447,763)	 (1,609,247)
 <b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Equipment	822,710	-
Acquisition of Capital Assets	(2,295,664)	(2,397,412)
Principal Paid on Notes Payable	(5,378,613)	(2,715,034)
Interest Paid on Notes Payable	(492,449)	(473,387)
 Net Cash Used in Capital and Related Financing Activities	 (7,344,016)	 (5,585,833)
 Net Increase (Decrease) in Cash	 5,950,395	 10,248,201
Cash, July 1	14,068,971	3,820,770
 Cash, June 30	 \$ 20,019,366	 \$ 14,068,971

**Exhibit W**  
**Combined Statement of Revenues, Expenses, & Changes in Net Assets**  
**Enterprise Funds**  
**For Period Ended June 30, 2004**

	<b>Totals</b>	<b>Totals</b>
	<b>2004</b>	<b>2003</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 70,016,785	\$ 64,360,487
Total Operating Revenues	70,016,785	64,360,487
<b>Operating Expenses</b>		
Personal Expenses	419,884	417,913
Contractual Services	5,832,050	11,831,128
Supplies and Materials	5,400	4,727
Rent, Insurance & Other Related Charges	33,496	32,416
Depreciation	-	407
Non-recurring Cost Estimate Payments to Providers	35,378,255	35,076,450
Expendable Equipment/Improvements	29,586,205	28,302,873
Total Operating Expenses	71,255,290	75,665,914
<b>Operating Income (Loss)</b>	(1,238,505)	(11,305,427)
<b>Nonoperating Revenues (Expenses)</b>		
Interest	295,988	1,510,444
Expenses from Security Lending Transactions	(8,595)	(62,354)
Loss on Fixed Asset Disposal	(5,160)	-
Total Nonoperating Expenses	282,233	1,448,090
<b>Income (Loss) Before Transfers</b>	(956,272)	(9,857,337)
<b>Transfers</b>		
Transfers to the General Fund of the Commonwealth	(10,745,098)	(11,853,592)
Total Transfers	(10,745,098)	(11,853,592)
<b>Increase (Decrease) in Net Assets</b>	(11,701,370)	(21,710,929)
<b>Total Net Assets, July 1</b>	27,250,283	48,961,212
<b>Total Net Assets, June 30</b>	\$ 15,548,913	\$ 27,250,283

NOTE: The Enterprise Funds include E-911 and VIPNet services.

**Exhibit X**  
**Combined Statement of Revenues, Expenses, & Changes in Net Assets**  
**General and Special Revenue Funds**  
**For Period Ended June 30, 2004**

	<b>General Funds</b>	<b>Special Revenue Funds</b>
Revenues	\$ 7,519,795	\$ 2,402,618
Expenditures	7,518,481	1,822,680
Revenues Over (Under) Expenditures	1,314	579,938
Other Financing Sources/(Uses)		
Transfers in/(out)		1,967,851
Net Change in Fund Balance	1,314	2,547,789
Fund Balance, July 1	-	527,576
Fund Balance, June 30	\$ 1,314	\$ 3,075,365

The main components of the Special Revenue Funds are the IFA, PPEA, GIS, Virginia Technology Infrastructure and Federal funds with fund balances of \$129,000, \$200,000, \$325,000, \$299,000 and \$1,993,000, respectively.

