



COMMONWEALTH of VIRGINIA

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April 1, 2005

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 April 1, 2005, covering activities occurring from December 16, 2004 to March 15, 2005 (except where noted).

I am pleased to report the Virginia Information Technologies Agency (VITA) continues to make substantial progress in all areas of operations. This edition of the Quarterly Report highlights steps taken to transform Commonwealth's IT infrastructure, summaries of Information Technology Investment Board activities, an update on the Public Private Educational Facilities and Infrastructure Act (PPEA) process, enterprise opportunities, technology management, and finances.

As always, I would welcome the opportunity to discuss with you any aspects of VITA and the IT integration efforts underway.

Attachment

c: The Honorable Mark R. Warner
The Honorable William H. Leighty
The Honorable Eugene J. Huang
Information Technology Investment Board Members
The Honorable William J. Howell, Speaker of the House
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

April 1, 2005



expect the best

December 2004 – March 2005

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 VITACOMMS@vita.virginia.gov.

Please submit written correspondence to:

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This report is available online at:
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): Christopher Eaton, Desktop Support Engineer serving the Virginia Department of Transportation; Cathy Nott, Service Level Director for the Virginia Department of Agriculture and Consumer Services; Renea Dickerson, Security Services; and Charles Green, Media Specialist. Their combined state service represents more than 40 years of contributions to the Commonwealth.



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Strategic Plan Update

Efforts are underway to update *Virginia in the Global Digital Economy: Commonwealth of Virginia Strategic Plan for Technology*, published in September 2002 by the Office of the Secretary of Technology on behalf of Governor Warner. That document set out bold transformational initiatives covering eight topic areas, of which four are now under the purview of the Chief Information Officer (CIO) of the Commonwealth and the IT Investment Board, and will be addressed by the update now in progress. The remaining four have been championed by Virginia's Center for Innovative Technology (www.cit.org) and incorporated into that agency's business plan.

As per the requirements in §2.2-2007(1) of the *Code of Virginia*, the update process is being directed by CIO of the Commonwealth Lemuel C. Stewart, Jr., with input from the Council on Technology Services (COTS). Final approval will be rendered by the IT Investment Board.

To synchronize statewide IT strategic planning with the new statewide strategic planning process outlined by the Council on Virginia's Future (CVF) and promulgated and executed by the Department of Planning and Budget (DPB), the plan update will be presented for IT Investment Board approval at its April 13 meeting. This schedule allows Executive Branch agencies appropriate opportunity to use this update in preparing their individual agency strategic (business) plans and strategic IT plans in advance of the June 15 due date.

The advent of the current organizational structure for Commonwealth IT operations and governance—VITA, the CIO of the Commonwealth, and the IT Investment Board—has created new venues and channels for IT strategic planning in Virginia. To take full advantage of those new opportunities, a comprehensive, inclusive process for creating the next Commonwealth IT Strategic Plan, covering the period 2007-2010, is being developed. That process, to be initiated in early fall 2005, will involve both top-down policy direction from the IT Investment Board as well as bottom-up input and initiative development from customer groups and other stakeholders. To remain synchronized with the new CVF/DPB statewide strategic planning process, IT Investment Board approval and publication of the new IT Strategic Plan is targeted for April 2006.

Information Technology Investment Board Highlights

During this quarter, the IT Investment Board met on February 9. The IT Project and Review Committee if the Board held two, day-long sessions focused on strategic issues, including the development of the 2005 Recommended Technology Investment Projects (RTIP) report and understanding the business needs of state agencies via Secretariat presentations on January 19 and March 16. These latter meetings are discussed in greater detail in the Technology Management section.

Internal Audit Director

At its February 9 meeting, the Board introduced Margaret "Peggy" B. Ward as Internal Audit Director for VITA. She brings 22 years of audit experience to VITA, including service with the Departments of General Services, Transportation, and the Office of the State Internal Auditor. The VITA Internal Audit Director is responsible for providing independent, objective assurance and consulting services to add value and improve VITA's operations. The Internal Audit Director will work independently at the direction of the Board and CIO of the Commonwealth to develop and implement a flexible, annual audit plan; evaluate and assess significant agency functions services processes, operations, and controls; and evaluate and improve the effectiveness of risk management, control, and governance processes.



Auditor Of Public Accounts (APA) Reports

The IT Investment Board reviewed and approved the VITA Summary Action Plan developed in response to the APA Performance Audit Report issued December 15, 2004. The APA Conclusion was: "Overall we found that the Project Management Division is fulfilling their statutory responsibilities, VITA's systems have adequate internal controls and provide reliable information; Security Services has not established understanding with agencies regarding security roles but does comply with their statutory responsibility to audit database security; VITA's management has a methodology to identify savings; and management has taken adequate corrective action to address prior audit findings." The audit also included 15 recommendations focused on Strategic vision (1), Project Management (6), Security (5), Asset Management (2) and cost savings methodology (1). Progress against the action plan will be reported to the Board on a bi-monthly basis. The plan is available at <http://www.vita.virginia.gov/ITIB/docs/050209/APADraftActionPlan-February2005.pdf>

The Auditor of Public Accounts' 2004 Statewide Single Audit Report issued in March 2005 included the one finding and 4 recommendations from the APA SAS 70 Audit Report for VITA issued April 1, 2004.

The SAS 70 is a service organization review focusing on VITA's IT operations and related policies and procedures including tests of operating effectiveness. The one finding is titled: "Improve and Implement Security Standards for Client Agencies." Progress for completing the four recommendations are listed in Exhibit A below.

Exhibit A Status of APA SAS 70 Audit Recommendations

Recommendation	Status
Create & Distribute Security Checklist	Completed
Develop Configuration Standards	In Progress
Use Configuration Standards	Completed
Correct Tax Server Configuration	Completed

Progress against the action plan will be reported to the ITIB on a bi-monthly basis.

Strategic Planning

At the recommendation of the CIO of the Commonwealth, the ITIB approved the establishment of a new Committee to oversee development and updates of the statewide, four-year strategic plan for technology. In subsequent discussions among the Chairman, CIO of the Commonwealth, and IT Project Review Committee Chairman, it was determined this function and set of tasks was best suited to the IT Project Review Committee. The chair assigned the strategic planning function to the Committee, in lieu of establishing a new committee.

To incorporate the Committee's focus on strategic issues and planning, the committee voted on March 16 to change its name to *Strategic Planning and Review Committee (SPaRC)*. This recommendation of the Committee will require Board action at its April 13 meeting.

Future meetings of the Board for the remainder of 2005 are

April 13
June 8

August 10
October 12

December 14

Council on Technology Services

The Council on Technology Services (COTS), an advisory board to the CIO of the Commonwealth, met on March 7. The COTS established two Workgroups, including the IT Strategic Planning Workgroup and the Public Private Educational Facilities and Infrastructure Act (PPEA) Review Workgroup. The IT Strategic Planning Workgroup is a companion Workgroup to the IT Investment Board IT Project Review Committee and was created to provide input into the 2005 Strategic Plan "refresh" and provide recommendations and advice on the expanded planning process for the 2006 strategic planning cycle.

The PPEA Review Workgroup was created to provide advice and recommendations to the CIO of the Commonwealth and the Infrastructure PPEA Steering Committee on the detailed proposals. The Workgroup will provide opportunity for institutions of higher education, independent agencies, and localities to participate in the PPEA process.

Investment in Enterprise Solutions

On behalf of the IT Investment Board, the CIO of the Commonwealth released guidance to the Governor's Cabinet and agency heads to focus resources on collaborative, enterprise solutions and to curtail further investment into duplicative, stand-alone systems. As such, agency requests for planning approval for major projects and procurements that have enterprise implications or potential conflict with either set of PPEA proposals will be tentatively identified for preliminary planning until the outcomes of the PPEA review process are known or an enterprise-wide standard has been established. The goal is not to disrupt agency business processes—projects and procurements that are considered emergencies or mission critical by the IT Investment Board will go forward.

The CIO also directed staff to limit contract terms to one or two years in areas such as desktop management, helpdesk services, and enterprise applications to avoid long-term commitments and limit the potential for conflict with or rework as a result of the PPEAs.

While these measures impose some level of inconvenience on agencies, the cost and inconvenience of doing otherwise would be far greater.

Government Performance Project

Government Performance released results ranking Virginia as the top managed state in the nation. Virginia is the only state with straight A's across the board in four categories: money, people, infrastructure, and information. Virginia was tied with five other states for the top grade in the information management category in *Grading the States 2005*, designed to show leaders how to identify their state's strengths and weaknesses and how to compare their performance with other states. For more information, visit <http://results.gpponline.org/>.



PPEA Initiative

The Public-Private Educational Facilities and Infrastructure Act of 2002 (referred to as PPEA) continues to be a promising vehicle for approaching future Transformation initiatives. During the current quarter, the review of the IBM, Northrop Grumman, and CGI-AMS proposals moved into the Detailed Review Stage of the PPEA process. VITA did not receive any new PPEA proposals in this reporting period.

PPEA Detailed Review Stage

As directed by the Secretary of Technology, the three proposals currently under review have been divided into two categories; Infrastructure (IBM and Northrop Grumman) and Enterprise Applications (IBM and CGI-AMS). VITA is the primary coordinating agency for both tracks.

Infrastructure PPEA Status

As the first step of the Infrastructure Detailed Review Phase, IBM and Northrop Grumman teamed with functional and technical subject matter experts in VITA to document the baseline operations of the agency. Working in a cooperative partnership, the team established the "as-is" environment across eleven "towers," or potential service categories.







VITA is developing a preliminary version of the Comprehensive Agreement (CA) that includes Statements of Work (SOW) and Service Level Requirements (SLR) for the services that VITA may choose to procure from its partner(s), as well as the terms and conditions that will govern the partnership. VITA is being assisted in this effort by several well-known industry sourcing consultants, including Gartner, Gordon & Glickson, and CN Johnson Associates.

The base-lining effort and development of the draft SOW/SLR/terms and conditions are projected for completion in mid-April. At that time, IBM and Northrop Grumman will begin development of their Detailed Proposals, which will be due to VITA by early June. When received, those proposals will be reviewed and evaluated by the VITA team and the Infrastructure PPEA Steering Committee.

VITA, in close coordination with Gartner, is developing a detailed approach to the evaluation and recommendation of the vendor proposals. Led by representatives from the VITA Supply Chain Management directorate, this effort includes the development of a detailed evaluation tool, scoring process, and plan for the conduct of the proposal review.

Building on the PPEA Review Committee that served during the Conceptual Review Stage, an Infrastructure PPEA Steering Committee has been formed to oversee the review of the proposers' detailed submissions. Its 15 members represent customer agencies and VITA, as well as the IT Investment Board. The kickoff meeting of the Steering Committee was held February 18. The status of the Infrastructure PPEA initiative is in Exhibit A below.

Exhibit A Infrastructure PPEA Status Dashboard

Milestone	Start Date	End Date	Status	Comments
Program Planning	Jan 10	Jan 27		Develop plan for the detailed review of the VITA PPEA infrastructure proposals. Conduct initial planning meetings. Establish Infrastructure PPEA Steering and Finance Review Committees.
Due Diligence	Jan 27	Apr 15		Establish the base case/current processes and automated systems which support them. YELLOW - Due Diligence (DD) teams have encountered difficulty in gathering the data required to complete the base case templates. The DD Finance Team is waiting on input from the technical teams to provide asset counts and other information necessary to complete the Finance portion of the base case. Schedules, particularly those relating to data gathering interviews are being intensively managed.
Draft SOW/SLA/Ts & Cs	Mar 28	May 20		Develop Statements of Work (SOW), Service Level Agreement (SLA) expectations and draft terms and conditions (Ts & Cs). Provide to proposers for completion of detailed proposals.
Develop Detailed Proposals	May 23	Jul 1		Proposers develop detailed proposals in response to base case, SOW/SLA and Terms & Conditions
Review Detailed Proposals	Jul 5	Aug 17		Commonwealth team reviews detailed proposals
Negotiate Comprehensive Agreement	Aug 18	Nov 1		Negotiate Comprehensive Agreement (CA) for infrastructure services.

Enterprise Applications PPEA Status

The Secretaries of Administration and Finance (the Commonwealth business owners), in coordination with the Secretary of Technology and VITA, are responsible for the Enterprise Applications (EA) PPEA initiative. Only limited activity occurred in Enterprise Applications, due, in part, to the General Assembly session that occurred during this quarter.

To get the initiative jump-started, Tim Bass, Chief Technology and Security Officer for the Virginia Retirement System, has been designated interim project director, effective April 8. He will assist in launching the Detailed Review stage, including establishing the EA PPEA Steering Committee and Detailed Review team, similar to the Infrastructure PPEA Steering Committee and team structures. Increased activity for Enterprise Applications is anticipated during the upcoming quarter. VITA continues to support initial EA planning and will provide Project Management Office support to the EA project director.

Department of Social Services PPEA Status

The Department of Social Services (DSS) continued the review of the PPEA proposal that it received addressing modernization of business processes, technology, and applications. The VITA Enterprise Projects Office is consulting with DSS on their agency PPEA review process with respect to IT infrastructure components. It is anticipated that VITA staff will participate in the Conceptual Review Phase for infrastructure components during the coming quarter.



Collaborative Solutions

From its inception, the Information Technology Investment Board (ITIB) has focused significant attention upon the identification and pursuit of multi-agency and intergovernmental collaboration initiatives. Outlined below are four such collaborative solutions, either already in operation or well along in their planning and development. As further collaborative solutions are identified and agencies' efforts marshaled around them, additional initiatives will be added to this growing list.

Learning Management System (LMS)

The enterprise Learning Management System (LMS) promotes inter-agency sharing of training best practices; on-line courses; access to learning opportunities and knowledge sharing through a common portal. Eight agencies, including VITA, are participating in this enterprise collaborative system. VITA successfully launched its LMS on March 1, branded as the VITA Knowledge Center (VITA KC). The remaining seven agencies will launch on a staggered basis over the next quarter.

This unprecedented investment in training and knowledge sharing will have an increasingly significant impact as other agencies procure an LMS and load courses that have value across the Commonwealth. For example, the VITAKC includes access to more than 900 online courses in IT and project management. Access to these courses is currently limited to VITA staff. A feasibility study is in progress to evaluate access to these courses for other state agencies and local government.

Enterprise Licensing

VITA and VIPNet continue to work with the Department of Professional and Occupational Regulation (DPOR) and other interested agencies on an enterprise licensing solution, based on System Automation's License 2000 product. 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.

The enterprise contract with System Automation was signed in October. The VITA enterprise hosting environment is scheduled for testing in summer 2005. DPOR is the initial agency to begin development, with a projected December 2005 implementation. The Department of Charitable Gaming is currently defining requirements with a phased implementation beginning in July 2005.

Enterprise Geographic Information Systems (GIS)

Following the completion of the Enterprise GIS Business Plan last quarter, VITA is now implementing a detailed implementation plan for the establishment of a shared GIS service. Implementation activities are focused in two distinct areas:

1. A participatory GIS governance process, involving state agency stakeholders in determining the specifics of the services to be provided; and
2. Stand-up of an initial GIS technology to support a shared services model.

In the governance arena, several multi-agency workgroups are pursuing the details of identifying specific redundancies, overlapping responsibilities, and opportunities for value-add, and then helping develop the detailed implementation tasks. These workgroup forums will also give every agency the opportunity to provide more detail on their GIS operational needs and existing processes. Workgroup responsibilities were divided to focus on both the *Demand* and *Supply* sides of providing GIS as a shared service.

- On the *Demand* side, focus groups of agencies with geospatial product and service needs (users) are identifying end-users' current and potential service needs, priorities, and requirements.
- On the *Supply* side, agencies currently invested in geospatial technologies are participating in workgroups focused on evaluating user needs and requirements, prioritizing service solutions, and determining supplier responsibilities. The *Supply* workgroups are divided into three thematic areas: Natural Resources, Base Mapping, and Socio-Economic.

Stand-up of the underlying GIS technology to support a shared services approach is also proceeding with input from a stakeholder-based *Technology* workgroup, which is responsible for assessing technical requirements and solutions. This technology is designed to meet the technical requirements of the essential service areas identified in the just-completed Enterprise GIS Business Plan:

1. Information Services
2. Metadata Clearinghouse
3. Data Library, and
4. Internet Map Services.

Hardware and GIS software acquisition are underway. A base-level Enterprise GIS technology platform should be fully installed by April 1. Data loading and testing of base-level GIS data layers should be complete by June 1.

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

VITA continues its collaboration with localities and the Department of Social Services (DSS) to provide the Government to Government (G2G) Enterprise Systems Interface (GESI)—a secure server environment and technical infrastructure in which to host shared applications that facilitate data exchanges between localities and multiple state systems.

The service was implemented in March in Arlington County, making the Commonwealth the first state in the nation to implement, launch, and host this service, projected to save more than \$20 million in worker time and paper costs annually. The service will also provide for substantial improvements in the quality and speed of service to social services recipients and increases to data quality and integrity.



Strategic Planning and Portfolio Management

The *Code of Virginia* requires a process for the submission to, and Commonwealth CIO approval of, agency IT strategic plans. The *Code* also calls on the IT Investment Board to report its recommendations for funding priorities for major IT projects to the Governor and General Assembly every September 1.

On January 19, a workshop was held for the IT Investment Board IT Project Review Committee (ITPRC) to define and establish the IT Portfolio analysis and evaluation criteria, and to identify the desired outcomes for the September 2005 *Recommended Technology Investment Projects* (RTIP) report. The annual RTIP development schedule was submitted, with proposed major IT project selection criteria, at the February Board meeting. Data collection will begin once the RTIP reporting requirements have been approved by the IT Investment Board. The proposed timetable for the overall process is outlined in Exhibit B below.

Exhibit B
Proposed Major IT Projects Timetable

Milestone	Timetable
Present RTIP Structure and Process to the ITPRC for Review and Discussion	Completed
Conduct RTIP Development Workshop	Completed
Approve RTIP Schedule and Criteria	February 2005
Approve RTIP Report and Content	April 2005
Deliver RTIP Draft Report for Review	June 2005
Approve RTIP Final Report	August 2005
Deliver RTIP Final Report	September 2005
Conduct RTIP Lessons Learned	October 2005

As additional input to the RTIP process, the ITPRC is looking to improve its understanding of the business needs of state agencies via a series of Cabinet Secretariat presentations. The second such presentation, at the committee's February 9 meeting, was provided by the Secretariat of Transportation. Additional presentations by the Secretariats of Education, Natural Resources, and Agriculture were completed at a special meeting of the ITPRC on March 16. The presentations addressed agency lines of business, their critical business issues and priorities, and major technology initiatives. Similar presentations covering the remaining Secretariats are scheduled for April 12.

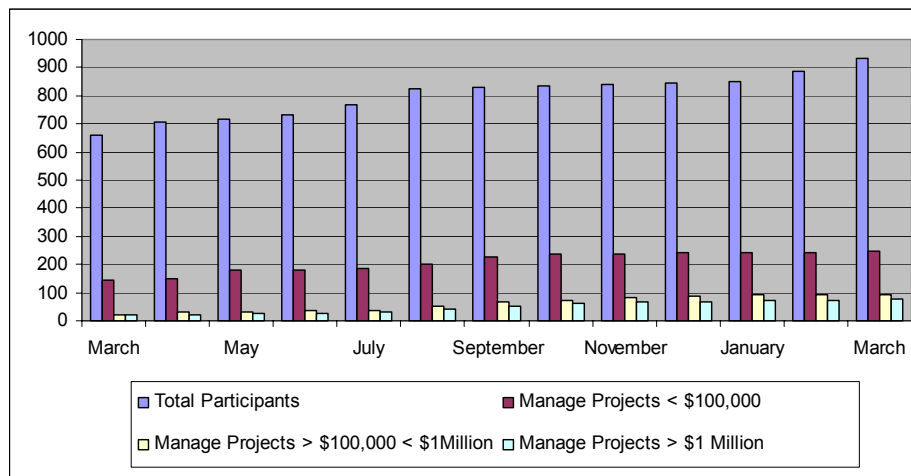
Also this quarter, the IT Investment Board unanimously approved the *Platform Architecture Policy* at its February meeting. The purpose of the Policy is to establish platform policy

requirements, which govern the acquisition, use, and management of personal computing, server, and storage technologies by Executive branch agencies. The policy is available at <http://www.vita.virginia.gov/docs/psg.cfm>.

Program Management

Participation in the Commonwealth Project Manager Development Program (PMDP) has continued to grow at a steady rate. Results to date, including the total number of PMDP participants and identification of those meeting qualification requirements for various project categories, are shown in Exhibit C. Growth in program participation and achievement of project management qualification standards is expected continue into the next quarter.

Exhibit C
Participation in the Project Manager Development Program



Project Oversight and Reporting

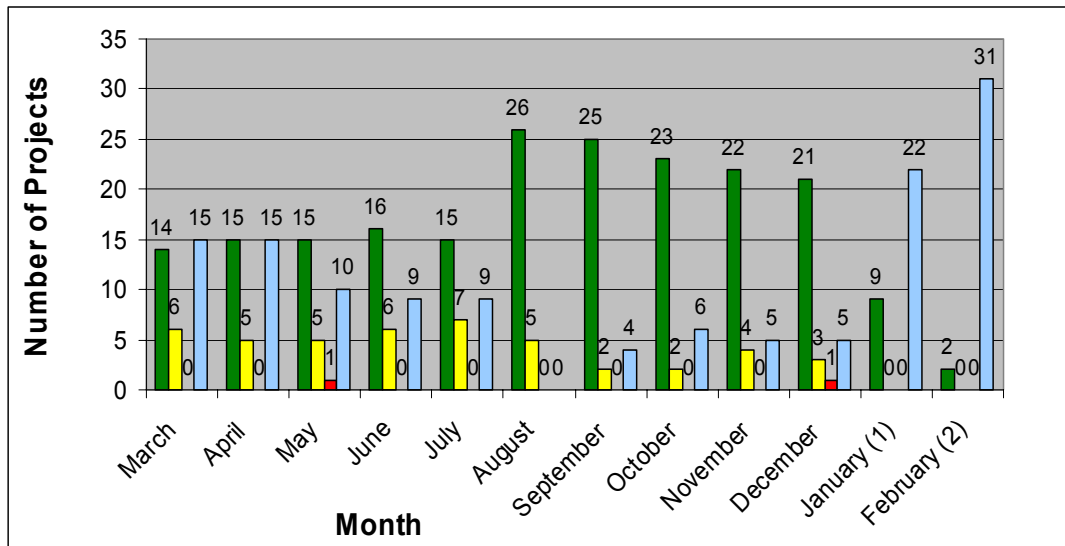
The Commonwealth Major IT Project Status Report Dashboard continues to be the primary management tool for supporting the oversight of major IT projects at all management levels. The Dashboard presents the CIO, sponsoring Secretariats, and proponent agencies with a succinct and timely summary of the status of their major projects. For each meeting of the IT Investment Board, information from the Dashboard is summarized in the ITIB Major IT Project Status Report.

Each month the status of a project is evaluated by the Chair of the proponent Secretariat Oversight Committee 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 D indicates the status of Dashboard projects through the latest reporting period.

**Exhibit D
Major IT Projects Status Dashboard Evaluation Summary**



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. was retained to assist VITA with development of the procedures and templates for this program, with implementation beginning in the fourth quarter of FY 2005 and full implementation projected for FY 2006.

The CIO of the Commonwealth directed that selected major IT projects receive a review under these new procedures by January 12. Five teams, engaged through the Advanced Services Contract, conducted the initial IV&V reviews. Of the 21 projects reviewed on the Major IT Projects Status Report Dashboard, 18 were rated green, 2 were rated yellow, and 1 was rated red. Agency corrective action plans have been approved by the CIO for those projects rated yellow or red. The VITA Project Management Division is monitoring agency completion of the action plans in order to return all projects to a green rating.

**Exhibit E
Major IT Projects Rated Yellow or Red by IV&V**

Organization	Project	IV&V Rating	Status
VA Dept. of Transportation	Asset Management	Y	G
VA Dept. of Transportation	Web Inventory Management System	Y	Y
Virginia State University	Business Process Reengineering	R	Suspended



December 2004 Financial Results

Financial activity through the first half of fiscal year 2005 in all funds, as shown in Exhibit F, was as expected.

Exhibit F December 2004 Financial Results

	<i>FY2005 Adjusted Budget</i>	<i>December 2004 Actual Results</i>
Operating Revenues, including transfers	\$258,062,096	\$102,684,263
Expenses, including transfers	<u>261,828,742</u>	<u>103,382,505</u>
Net Change	(3,766,646)	(698,242)
Ending Retained Earnings		<u>\$44,568,987</u>

VITA's absorption of 90 agencies' IT infrastructure expenses requires VITA to pay salaries and vendor invoices for transitioned agency IT goods and services and then bill these costs back to the agencies. This resulting lag between payment for goods and services and receipt of customer revenues has caused a significant, but anticipated, drain on cash balances. VITA is working with the Department of Planning and Budget and Department of Accounts to address this situation.

Detailed information on VITA's finances as of December 2004 can be found at http://www.vita.virginia.gov/ITIB/committees/Finance/docs/050201/F-February_Finance_Report1-31-05.pdf.

Shared Rates Development

Today, for all new services absorbed by VITA during the integration of the 90 in-scope agencies, VITA bills agencies for the direct costs of providing services plus an additional fee that covers the administrative costs. This interim "direct bill" methodology was approved and implemented in early 2004 to allow VITA to transition the 90 agencies without significantly changing their costs for IT services.

Transitioning all IT infrastructure responsibilities to VITA laid the groundwork for transformation activities. These activities will, among other things, standardize products across the enterprise in order to reduce costs and improve services. The first step in this

process is to develop a set of shared rates that allows VITA to begin charging for *services* and move away from charging for *people and equipment* as is the case under direct bill.

VITA is developing these shared rates in coordination with agency-based staff. A key component will be to implement a rate structure that limits the disruption to agency budgets while moving VITA closer to a standardized set of products and services. The Department of Planning and Budget will assist in addressing any financial implications related to these rates. Draft rates will be available in June 2005 and JLARC's approval will be requested at its September 2005 meeting.

Savings Update

VITA has implemented twenty cost savings and cost avoidance initiatives to date, resulting in the estimated savings shown in Exhibit G. Fifteen "Quick Win" initiatives were begun in FY 2005, the savings of which will be retained by the agencies to offset the 5.52 percent administrative fee, estimated at an annual total of \$6.7 million. It is important to note that the majority of the savings are retained by public bodies that are not in-scope to VITA services, including local government, higher education, K-12 schools, libraries, and independent agencies, as a result of VITA leveraging statewide contracts for IT goods and services.

Exhibit G
VITA Cost Savings and Cost Avoidances
(\$000)

	FY04	FY05	FY06
Savings	\$15,858	\$26,352	\$28,011
Cost Avoidance	875	1,530	720
Total	\$16,733	\$27,882	\$28,731