



# COMMONWEALTH of VIRGINIA

Lemuel C. Stewart, Jr.  
CIO of the Commonwealth  
Email: lem.stewart@vita.virginia.gov

## Virginia Information Technologies Agency


110 South 7<sup>th</sup> Street  
Richmond, Virginia 23219  
(804) 225-VITA (8482)

TDD VOICE -TEL. NO.  
711

December 28, 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. 

SUBJECT: VITA Quarterly Report

Item 463.B.4, 2004 Appropriations Act, directs the Chief Information Officer (CIO) to prepare Quarterly Reports providing the status of IT reform implementation in the Commonwealth. This document represents the quarterly submission due January 1, 2006, covering activities occurring from September 16, 2005, to December 15, 2005 (except where noted).

I am pleased to report that the Virginia Information Technologies Agency (VITA) continues to make substantial progress in all areas of operations. This edition of the Quarterly Report highlights the Infrastructure Partnership announcement and structure, Information Technology Investment Board activities including the addition of a new member and executive director, a new web accessibility standard, supplier managed staff augmentation, VITA organizational change, collaborative solutions, technology management, finances, rates structure and audit activities.

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

#### Attachment

c: The Honorable Mark R. Warner, Governor of Virginia  
The Honorable William H. Leighty, Chief of Staff  
The Honorable Eugene J. Huang, Secretary of Technology  
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, Member, Senate of Virginia  
The Honorable Janet D. Howell, Member, Senate of Virginia  
The Honorable Samuel A. Nixon, Jr., Member, Virginia House of Delegates

Virginia Information Technologies Agency



# VITA Quarterly Report

January 1, 2006



*expect the best*

*September 16 – December 15, 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](mailto:VITACOMMS@vita.virginia.gov).

Please submit written correspondence to:

Lemuel C. Stewart, Jr.  
Chief Information Officer of the Commonwealth  
Virginia Information Technologies Agency  
110 South Seventh Street  
Richmond, VA 23219

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 in our agency who make VITA a success seven days a week, 365 days a year. We currently are featuring the following outstanding VITA employees in our logo (from left to right): Barry Condrey, Regional Service Director, Capital Region; Debbie Secor, Enterprise Business Director, Health and Human Services and Transportation Secretariats; George Frick, Facilities Coordinator; and Linda Smithson, Enterprise Business Director, Natural Resources and Education Secretariats. Their combined state service represents more than 57 years of contributions to the Commonwealth.



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## Quarterly Highlights

### Infrastructure Partnership Announcement

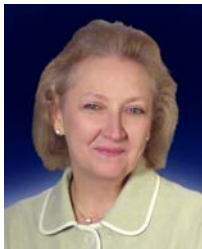
On November 14, Governor Mark R. Warner approved an interim agreement with Northrop Grumman to modernize the state's information technology infrastructure. The agreement will result in more than \$270 million in capital investments in the Commonwealth. The 10-year, \$2 billion contract will create a partnership that will bring 433 new high-tech jobs to Southwest Virginia and 631 jobs to Chesterfield County. Simultaneous announcements were made by state officials and Northrop Grumman executives in Russell and Chesterfield counties. More information about the innovative infrastructure partnership is in the "IT Transformation" section.

### Information Technology Investment Board (ITIB) Highlights

During this quarter, the ITIB met on October 25 and December 8. At the October meeting, the Board welcomed new member Alexander Y. Thomas, who was appointed by Governor Warner. Mr. Thomas is a partner at Reed Smith LLP and focuses his practice on commercial litigation with an emphasis on antitrust and trade regulation and intellectual property matters.



**Thomas**



**Williamson**

Marcella Williamson was named Executive Director of the Board and Director of Public Information and Communications. Prior to joining VITA, Ms. Williamson was Director of Public Affairs for the Virginia Department of Social Services and Assistant Director of Public Affairs for Chesterfield County.

At the December meeting, the Board recognized Secretary of Technology Eugene J. Huang for his accomplishments and achievements, and passed a resolution in his honor.

Significant actions of the Board for this quarter included:

- Voted unanimously to select Northrop Grumman for a 10-year partnership agreement valued at \$2 billion to modernize the Commonwealth's IT infrastructure and services.
- Approved the adjusted FY 2006 operating budget for VITA.
- Approved rates for investment management and security management for submission to the Joint Legislative Audit and Review Commission (JLARC).
- Adopted the Chief Information Officer (CIO) Evaluation Policy and Procedure, which provides the overall course of actions for establishing objectives for and evaluating the performance of the CIO of the Commonwealth.
- Approved the technology accessibility policy to improve access to Web sites and information technology.

Meetings for 2006 are:

February 9

June 8

October 12

April 20

August 10

December 14

## Accessibility Guidance

The IT Accessibility Standard was approved by the CIO of the Commonwealth November 4. It requires that individuals with disabilities, who are Commonwealth employees or members of the public seeking information or services from State agencies, have access to and use of information and data comparable to that provided to Commonwealth employees or members of the public who do not have disabilities.

To improve access and ease of use across state agencies, the Commonwealth adopted a common Web design and navigation. The Web Site Standard for information technology architecture components complies with initiatives to encourage greater efficiencies and effectiveness in the use of technology to accomplish government business. Together with the Accessibility Standard, the Web Site Standard helps to fulfill Governor Warner's vision of citizen-centric government using information technology. This standard was approved by the CIO on November 4.

## Supplier Managed Staff Augmentation (SMSA)

VITA awarded a statewide contract to Computer Aid Inc. (CAI) on November 23 to implement an enterprise solution for the hiring and management of temporary IT staff resources. This service utilizes a Web-based solution to manage a resource pool of qualified IT service providers, enabling IT hiring managers to post their staffing needs and receive resumes of qualified candidates. CAI's solution will also provide the Commonwealth with consolidated invoicing and reporting. Supplier Managed Staff Augmentation (SMSA) reduces VITA's management of more than 60 staff augmentation suppliers to one.

Representatives from executive branch agencies and other public bodies collaborated in the requirements and selection of CAI. Additionally, a working rules group was formed to collect and document agency business rules and the output of that effort is being utilized during SMSA implementation. Timing of the implementation is as follows:

- New staff resource needs transition to SMSA, beginning in mid-January 2006.
- Existing resources transition follows, with attention to continuity of business.

VITA is serving as the test agency for SMSA implementation, refining and testing the Web-based system internally. SMSA will reduce the burden on agency hiring managers while leveraging competition for each request - bringing the best of the market skills to the Commonwealth. SMSA will provide the following benefits:

- Increased access to a broader talent pool, reduced time to fill orders and increased ability to make effective hiring decisions.
- Standardized job descriptions and defined, competitive market rates.
- Streamlined timesheet and expense approvals, consolidating monthly invoices.
- Visibility through effective, consolidated management and reporting across the enterprise.

## NASCIO Enterprise Architecture Brief

The National Association of State CIOs (NASCIO) released a research brief in November entitled *IT Procurement & Enterprise Architecture: Recognizing the Mutual Benefits*. Within the brief, which gained wide national attention, the Commonwealth was the only state featured as an example of best practice implementation. VITA was specifically recognized for its development of an Enterprise Architecture Value and Benefits Statement, which is quoted verbatim in the brief, as a way to "give credence to the benefits of enterprise architecture's alignment with IT procurement."

## Awards and Recognition

### 2005 Digital Cities Survey

The Center for Digital Government released the results of the 2005 Digital Cities Survey in December, ranking the City of Roanoke first in the nation in its population category. The Digital Cities Survey examined and assessed how city governments are using information technology to operate and deliver quality service to their customers and citizens. Eight Virginia cities and towns (Exhibit A) ranked in the top 10 of their respective population categories - more than any other state - with five localities ranked in the top four slots.



**Exhibit A**  
**2005 Digital Cities Survey Results**

Population Category			
250,000 +	125,000 – 249,999	75,000 – 124,999	30,000 – 74,999
9. Virginia Beach	2. Richmond 4. Alexandria 7. Hampton	1. Roanoke	2. Blacksburg 3. Charlottesville 6. Lynchburg

### Spirit of Discovery Award

VITA was recognized at the official launch of the Central Virginia Pilot of the Community-based Coordinated Services System on December 1 by Governor Warner. VITA was a recipient of the Spirit of Discovery Award for working with SeniorNavigator on investigating technical requirements, security, and policies and procedures.



# IT Transformation

## IT Services Transformation

VITA has taken full advantage of the Public-Private Educational Facilities and Infrastructure Act (PPEA) as the path to IT services transformation. During the course of the six-month detailed review and comprehensive agreement negotiation PPEA phases, 60 staffers from 14 agencies reviewed more than 3,000 pages of vendor proposals and draft contract documents. Details on proposals VITA received under the auspices of PPEA and VITA's extensive proposal review process can be found at <http://www.vita.virginia.gov/ppea/ppea.cfm>.

On November 14, Governor Warner approved the Interim Comprehensive Infrastructure Agreement with Northrop Grumman, a \$30 billion a year defense contractor and systems integrator. Northrop Grumman is the largest private, non-retail employer in Virginia, with nearly 33,000 employees in 14 primary locations in Virginia. Three of its seven sectors are headquartered in Virginia, including IT, Mission Systems, and Newport News.

Valued at \$2 billion over 10 years, the partnership highlights are:

- \$272 million total capital investment by Northrop Grumman.
- Job creation.
- Excellent employee opportunities.
- Extensive and proactive technology refresh.
- New, state-of-the-art facilities in Chesterfield and Russell Counties.
- Innovative and flexible service contract model.
- A reliable and agile 21st century infrastructure.

## Employees - Our Most Important Asset

The knowledge and abilities of VITA's IT infrastructure workforce will be essential to the success of Transformation. The partnership arrangement offers approximately 900 VITA employees the opportunity to pursue careers with a world-class technology firm. In assuming its partnership role, anticipated in spring 2006, Northrop Grumman will offer to all VITA staff supporting IT infrastructure services the following:

- Employment in comparable positions and locations, with an immediate 4 percent salary increase and signing bonus of up to 6 percent of the new salary.
- Benefits packages comparable to or better than current state benefits.
- Opportunities for future professional education and advancement.

VITA employees who receive Northrop Grumman offers have 120 days to decide whether to accept them or remain Commonwealth employees. Staff who choose to remain VITA employees will receive technical direction and training from Northrop Grumman. Employees will receive detailed information



and invitations to participate in information sessions prior to offers. Approximately 200 employees will be retained as VITA staff to administer the agency, oversee the partner, and carry out VITA's IT governance responsibilities on behalf of the CIO and ITIB.

The increased efficiencies of a transformed environment will allow NG to provide improved services with fewer staff. Via normal attrition, retirements, and employee retraining, VITA and Northrop Grumman will collaborate to make the partnership a "win/win" opportunity for VITA employees and Commonwealth taxpayers.

## Facilities and Economic Development

The partnership with Northrop Grumman represents approximately \$38.3 million in total estimated economic benefits to the Commonwealth and significant job creation. Northrop Grumman proposes building two new facilities in support of the partnership. The Meadowville Enterprise Solutions Center (Exhibit B) will be a new, Tier III primary data center in Meadowville Technology Park in Chesterfield County. The Meadowville Center represents a \$240 million capital investment - the single largest investment in Chesterfield County's history. It will house 631 VITA and Northrop Grumman employees. The Meadowville site will include VITA headquarters and Northrop Grumman's Richmond operations and serve as the secondary Security Operations Center.



**Exhibit B**  
**Meadowville Enterprise Solutions Center**

The Southwest Enterprise Solutions Center (Exhibit C) represents a capital investment of \$22.8 million and 433 jobs. The center will be constructed in the Town of Lebanon in Russell County, and will include the back-up data center, enterprise help desk, and primary Security Operations Center. The "live" back-up data center will allow disaster recovery to occur within five to 24 hours, a significant improvement over the current disaster recovery window of 72 hours by back-up tapes.



**Exhibit C**  
**Southwest Enterprise Solutions Center**

Approximately 90 percent of the labor pool for the Southwest Center will be drawn from localities in the southwest region of the state. Northrop Grumman will support technology education at University of Virginia's College at Wise, through internships, student recruitment efforts, and a satellite office for the Russell facility.

Northrop Grumman also proposes a Project Support Center in Dinwiddie County that will house 34 employees and represents \$1.8 million in capital investment.

## IT Infrastructure Partnership Goals

Transforming the Commonwealth's IT infrastructure will provide multiple benefits:

- Modernize and standardize aging IT networks, computers, data centers, and help desks - all within current expenditure levels of \$236 million annually.
- Provide basic IT services to all agencies at consistent service levels and predictable costs.
- Improve the IT services that support the state's workforce, increasing efficiency and productivity.
- Ensure the security of state assets, including a central data center and back-up site meeting "post-9/11" security standards.
- Achieve personnel savings via natural attrition and retirement.
- Enhance economic development in the Commonwealth.
- Reduce costs over the long-term by spending taxpayer dollars more wisely.

## Sound Contract Management Ensures Results

Any complex service contract requires sound management and risk mitigation processes to ensure the desired results. The Interim Comprehensive Infrastructure Agreement contains numerous such provisions, among which are:

- Significant portions of partner payments are tied to completion of specific transition milestones.
- Benchmarking and most-favored customer evaluations ensure that fees paid the partner over the 10-year contract period are competitive with market rates.
- Variations of up to 15 percent in annual baseline fees allow accommodating potential fluctuations in state budgets.
- Up to \$2.3 million in penalties for failure to meet job creation targets.
- Favorable terms for exiting the agreement under a number of conditions, as well as the option to extend for an additional three years.

## The Bottom Line: Transformed IT, No Additional Cost

Consistent with the intent of PPEA, VITA's partnership with Northrop Grumman will modernize the state's IT infrastructure at no increase in total costs over current annual infrastructure expenses. Simply continuing with current operations would cost the Commonwealth \$234 million in projected additional expenses over the next 10 years. The partnership will result in cost avoidance of that \$234 million.

Once the costs of Transformation are fully paid during the 10-year contract, future annual fees are projected to decrease to by over \$30 million - a 13 percent ongoing savings.

## Next Steps

As permitted by the PPEA legislation, the Interim Comprehensive Infrastructure Agreement allows time for detailed plans and financing to be worked out, prior to beginning actual Transformation activities. Upon successful completion of those interim activities, including necessary legislative approvals, the agreement permits VITA and Northrop Grumman to then proceed to Transformation. The major milestones and anticipated completion dates are in Exhibit D below.

### Exhibit D Transformation milestones

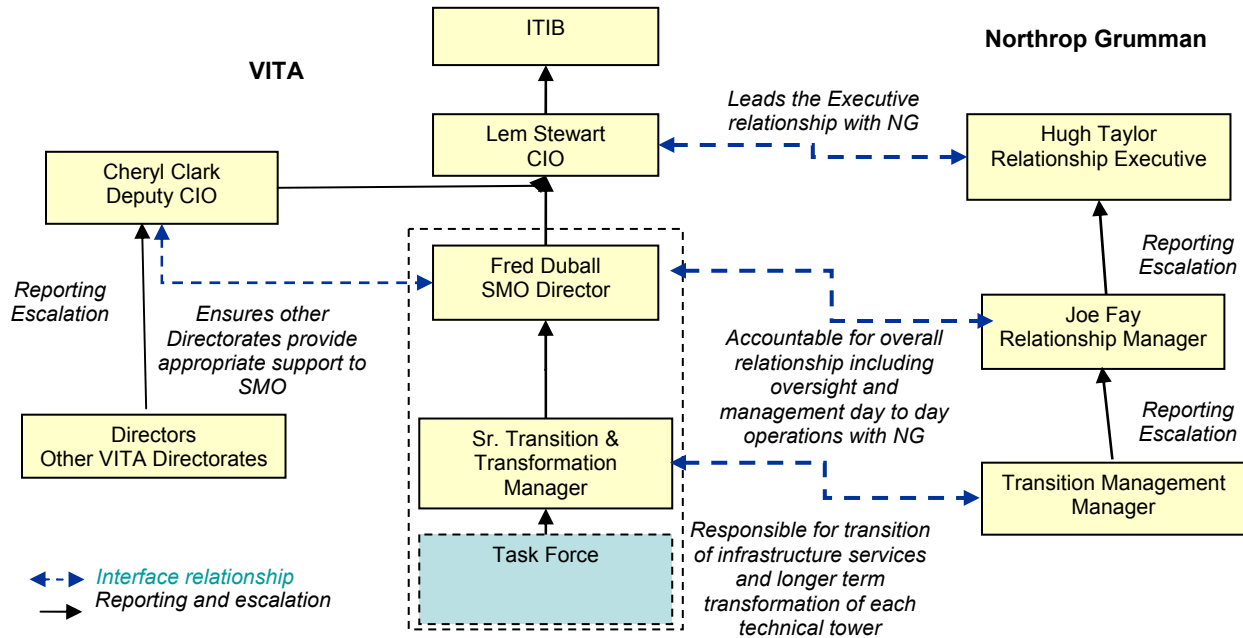
Milestone	Anticipated Date
Complete transition	Service Commencement + six months
Move into new data center	March 2007
Establish single help desk	May 2007
Establish back-up data center	June 2007
Complete initial desktop refresh	November 2007
Complete single enterprise e-mail	February 2009
Complete server consolidation	February 2009

Thus, over a three-year timeframe, the Transformation of the state's IT infrastructure to a cohesive, efficient, up-to-date platform will be complete. Northrop Grumman then will continue to operate and support that 21st century environment for state agencies, as well as local government entities that seek to take advantage of these cost-effective service offerings.

## Organizational Transformation

With the announcement of the Comprehensive Interim Agreement with Northrop Grumman and the related implications for partnering and service management, VITA has entered implementation of its organizational transformation. Specifically, design and implementation recommendations for a new directorate – the Service Management Organization (SMO) have been converted into an action plan. Fred Duball has been appointed as the SMO Director and empowered as the single point of accountability and management of the relationship and infrastructure services delivered to the Commonwealth by Northrop Grumman. Exhibit E on the following page shows the leadership and governance relationships between the partners.

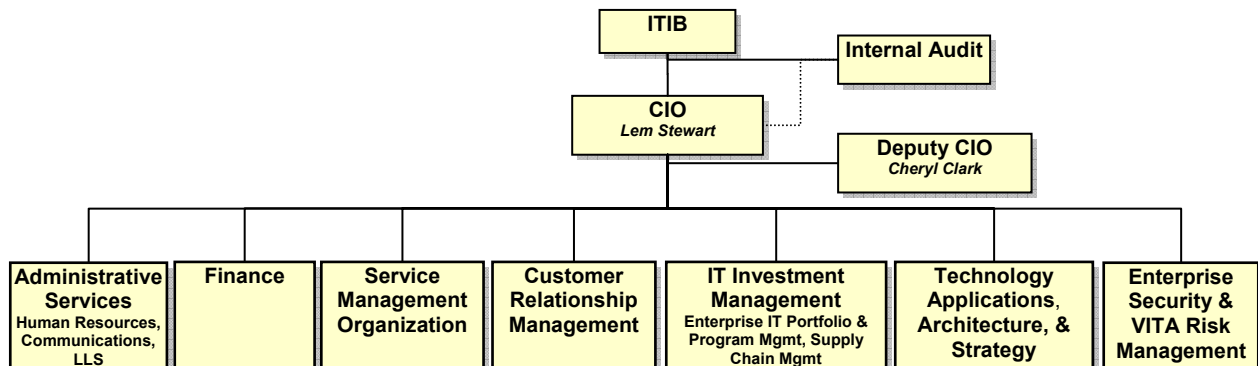
### Exhibit E Leadership Governance Relationships



While the SMO builds out permanent staffing, internal task forces are being formed around transition planning, commercial management, human resources, communications and change management, service delivery, and agency performance management.

Concurrently, VITA has redesigned and planned implementation for those non-partner delivered services, accountabilities, and responsibilities that are retained (Exhibit F). All the while, service continuity and the normal demands associated with customer management, internal operations and taking care of our people must be balanced.

### Exhibit F VITA To-Be Organization (March 31, 2006)





From its inception, the Information Technology Investment Board (ITIB) and VITA have focused significant attention on the identification and support of multi-agency and intergovernmental collaboration initiatives.

## Learning Management System

The Enterprise Learning Management System, called the Commonwealth of Virginia Knowledge Center (COV KC), is a shared online application available to all state agencies. It includes tools for knowledge management, online training launching and tracking, classroom training scheduling, and competency modeling. The Department of Human Resource Management (DHRM) is the business owner of this Enterprise Application.

Currently, five state agencies have created their own branded KC and have launched the application with their staffs, including: Virginia Information Technologies Agency, Department of Human Resource Management, Virginia Department of Transportation, Department of Corrections, and the Virginia Employment Commission. Five additional State agencies are planning to go live with their branded KC to staff during the first six months of next year, including the Department of Juvenile Justice, Virginia State Police, the Department of General Services, the Department of Motor Vehicles, and the Department of Social Services.

In VITA's Learning Management System (branded as the VITA KC), 1,080 online courses are available to VITA employees at no cost. Also freely available are 4,328 online business and technical books from leading publishers in a fully searchable electronic reference library.

This investment in workforce development continues to demonstrate Virginia's commitment to improving the skills and strengthening the knowledge of all state employees.

## Enterprise Professional Licensing

Department of Professional and Occupational Regulation (DPOR) has submitted a Change Control Request extending the project implementation date to the summer of 2006 and increasing the project budget for Enterprise Professional Licensing. The request has been approved by the Secretary of Commerce and Trade and is pending CIO approval. Development work for DPOR and the Department of Charitable Gaming continues with data conversions and customizing templates. The test environment for the agencies is being made ready for a January 15 implementation.

VITA and System Automation (SA) continue to work with agencies interested in the Enterprise Licensing service. VITA and SA are negotiating with the Department of Criminal Justice Services for permitting and licensing of private security and are in discussions with Virginia Department of

Agriculture and Consumer Services for possible conversion of its Oracle applications to the enterprise solution.

SA has gathered requirements from the Virginia Racing Commission to perform a proof-of-concept project to demonstrate the ability of the software to convert current VRC permitting systems to an online application, with minimal customization and cost.

## Enterprise Geographic Information Systems (GIS)

Enterprise GIS services development continues on three parallel tracks: (1) establishing a collaborative enterprise partnership across state agencies through a managed governance process; (2) managing ongoing local support through existing local government partners' collaborative network; and, (3) developing, marketing, and deploying geospatial enterprise services.

The State agency governance process is divided into two fundamental areas, demand and supply.

- Three demand work groups, representing 20 agencies, reviewed service options, identified priority enterprise services and specifications, and collaborated on geospatial data requirements and specifications. The groups are completing a demand requirements and recommendations document that will be used to guide the supply work groups in evaluating solutions.
- Three supply work groups, representing natural resources, base mappings, and socio-economics, will convene next quarter to evaluate the requirements and recommendations of the demand work groups, prioritize service solutions, and determine supplier responsibilities.

The Virginia Geographic Information Network (VGIN) held workshops with eight of 16 regional GIS manager workgroups across Virginia to work with local government partners on moving to statewide standards for digital road centerlines and ongoing updates of this data by local governments.

VGIN continues to test a state-of-the-art enterprise GIS technology platform at VITA. VGIN has initiated a study of security and performance issues related to installing independent business applications on a single enterprise technology platform. Starting next quarter, the enterprise services platform will begin to support comprehensive enterprise services including the Virginia metadata clearinghouse, the Virginia geospatial data library/archive and exchange services, Internet map services, system support services, and production services.

For the upcoming quarter, VGIN will deliver the initial implementation of the Virginia Readiness, Response, and Recovery GIS (VR3); the geocoding (addressing) component of the Commonwealth's Voter Election and Registration Information System (VERIS); and the statewide digital road centerlines and address file for the Wireless 911 Service Board's 137 public safety answering points.



## Strategic Planning and Portfolio Management

Budget decision packages and capital projects for funding technology investments were submitted by agencies to the Department of Planning and Budget (DPB) with a copy to the Project Management Division (PMD). A total of 56 budget decision packages and six capital projects were reviewed by PMD and supporting VITA directorates. Based upon these evaluations, the CIO issued 14 conditional approvals, 44 approvals, and four disapprovals.

Planned activities for the upcoming Agency Strategic Planning, Budgeting and Recommended Technology Investment Projects (RTIP) Report 2006 Reporting Cycle are in Exhibit G below:

### Exhibit G Strategic Planning, Budgeting, and RTIP 2006 Reporting Cycle

Milestone	Anticipated Date
PMD and DPB to update the IT component of the agency strategic plan instructions	January
PMD and DPB to update budget decision package instructions for IT investment submissions	January
Agencies to update their agency strategic plan to synchronize with the Governor's Budget	January
PMD to present a draft of the RTIP 2006 Report format to the ITIB for approval	February 9
Agencies to update their agency strategic plan to synchronize with the Appropriation Act	April
CIO to approve the IT component of the agency strategic plans for FY06 - FY08 budget biennium	May
Agencies to update major IT project portfolio information for the RTIP 2006 Report	June
PMD to generate the draft RTIP 2006 Report	July
PMD to present the final draft RTIP 2006 Report to the ITIB	August 10

## Statewide IT Strategic Plan

The Commonwealth Information Technology Strategic Planning Project is designed to create a strategic plan that provides direction for technology decisions in the Commonwealth. This plan will be fully supportive of Virginia's business direction and goals with the incorporation of input from stakeholders, including representation of Virginia citizens and businesses, government leaders in both the business and IT arenas, and leading edge technology experts. The end product of this project will

be an IT strategic plan that is reviewed and updated as required, and a process for maintaining the plan that will be tied to the Commonwealth's planning cycle, making it available to agencies to provide technology direction in a timely manner for business/budget planning, and will be an integral part of the Commonwealth's planning process as a whole.

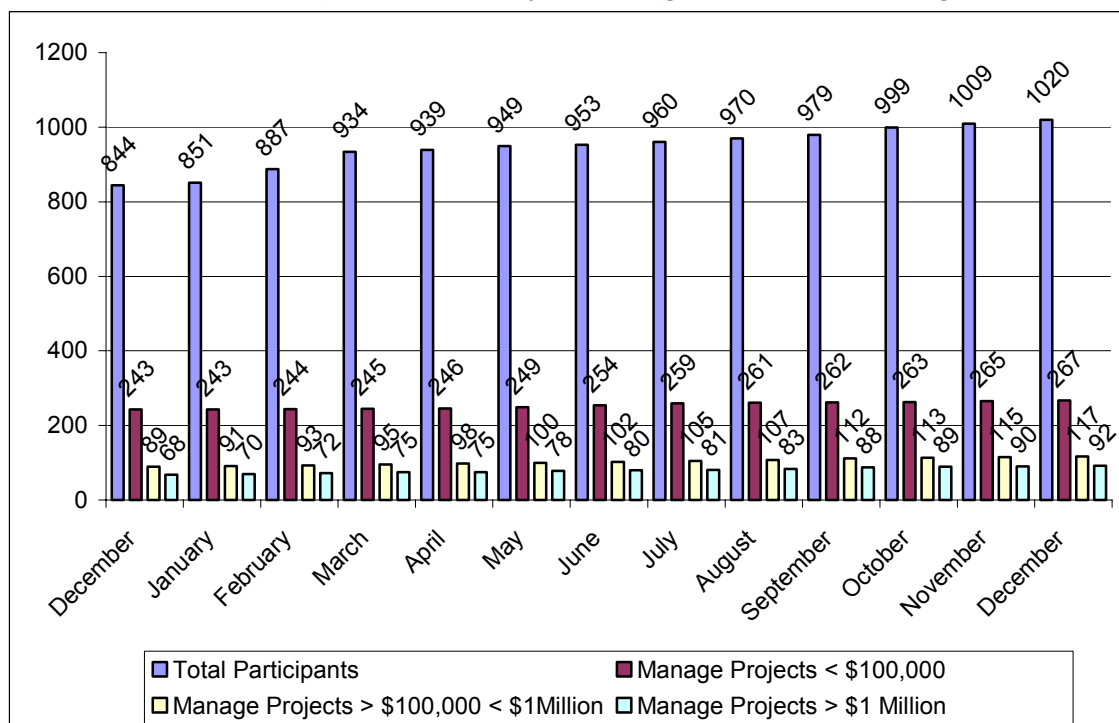
During this quarter, the Commonwealth Information Technology Strategic Planning project has been focused on collecting input from numerous stakeholder groups through participatory workshops. Fourteen stakeholder workshops have been held and have included separate sessions for government business leaders (agency heads or representatives); government IT leaders (IT directors or representatives); the higher education CIO Council; a business and citizen community focus group; Commonwealth vendors/partners; and individual sessions with key legislators and staff.

In addition, a two-day retreat has been planned and will be held January 11 and 12 to create the first draft of the strategic plan, and will include representatives from the stakeholder groups, the Council on Technology Services and VITA leadership and ITIB members. Final draft and approval of the plan by the ITIB is scheduled for April 2006.

## Program Management

Participation in the Commonwealth Project Manager Development Program (PMDP) continues to grow. 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 H. As of September, there were 1,020 participants in the program, including 267 who have met the qualification requirements for managing projects in the Commonwealth. Growth in program participation and achievement of project management qualification standards is expected to continue at the current rate.

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





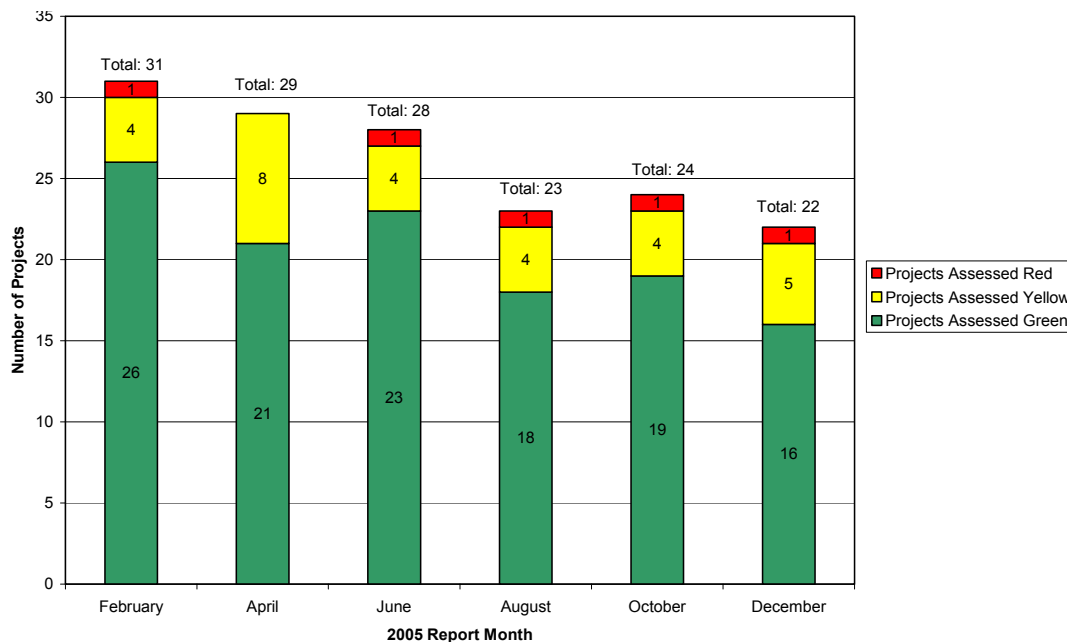
## Project Oversight and Reporting

Starting in 2005, at each meeting of the ITIB, the CIO provides his assessment of the status of Major IT Projects. His assessment is drawn from reports submitted through the Commonwealth Major IT Project Status Report Dashboard, proponent Secretariat evaluations, and Project Management Division (PMD) analysis. Each project is assessed either:

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

Exhibit I summarizes the CIO assessments, as presented to the ITIB, for 2005. To date, on average, 78% of the projects were assessed as green, 19% as yellow, and 3% as red. During this period, the number of active projects has dropped from 31 to 22, because of projects being completed at the end of FY05, slowed project approval due to consideration of the PPEA infrastructure and enterprise application proposals, and conclusion of the 2004-2006 budget biennium. The Major IT Project Status Report Dashboard is available to the public at <http://www.vita.virginia.gov/projects/pubDashboard.cfm>.

**Exhibit I  
Status of Major IT Projects**



## Independent Verification and Validation (IV&V)

As a key refinement in project oversight activities, the ITIB directed the development of a more consistent and comprehensive Independent Verification and Validation (IV&V) program for major IT projects. All major projects initiated since January 2005 have been required to contract with IV&V providers using the advance IT services contract and to conduct IV&V reviews as specified in the Commonwealth Project Management Standard. Templates and program guidance are complete. The executive branch agencies are using the IV&V guidance and templates in major IT projects initiated since January 2005. VITA is in the process of integrating the mandatory IV&V procedures in the Project Management Standard, to be promulgated by January 31, 2006.



## FY 2006 Financial Results

Overall, financial activity through the first three months of fiscal year 2006 in all funds is in line with expectations. VITA continues to process a large number of transactions on behalf of transitioned agencies, with almost 40 percent of revenue derived from direct billed services.

### Exhibit J First Quarter FY 2006 Financial Results

	<i>First Quarter Budget</i>	<i>First Quarter Actual</i>
<b>Operating Revenues</b>	<b>\$73,922,428</b>	<b>\$70,443,470</b>
<b>Expenses, including transfers</b>	<b><u>73,420,862</u></b>	<b><u>63,819,480</u></b>
<b>Net Change</b>	<b>501,566</b>	<b>6,623,990</b>
<b>Ending Retained Earnings</b>		<b><u>\$58,051,193</u></b>

## Rates for New and Shared Services

### Rate Proposals Activity

The CIO recently presented VITA's latest rates proposal to the Joint Legislative Audit and Review Commission's (JLARC) Internal Service Fund (ISF) Subcommittee. The proposal included new rates for mandated project management and security activities, data and Voice Over Internet Protocol (VOIP) services on the Campus Network, and a rate reduction for audio teleconferencing. The subcommittee voted to recommend VITA's proposal to the full Commission, which approved the rates at its December 12, 2005, meeting.

The new project management and security rates will provide VITA adequate funding to address its significant mandated responsibilities for IT governance, policy direction, statewide strategic planning, and management of IT projects and procurements (project management); and risk assessment, incident management, policy direction, and training (security). Legislative guidance, as well as the Auditor of Public Accounts' findings of serious resource deficiencies in these areas, dictated that rates be established and implemented to assure the Commonwealth's successful IT transformation and protect its information and communications networks and the customers who rely on them.

The implementation timetable for the new rates will be adjusted as part of the executive and legislative budget processes. Proposals to consider adjusting customers' general fund appropriations to offset increased expenses are anticipated.

## Shared Services Rates Update

In place of the deferred shared services rates proposal for desktop, network, and server equipment and support, VITA is working with customer agencies to execute Memoranda of Understanding (MOU) as part of its initiative to restructure service delivery by region. Regionalization and the use of MOU are intended to facilitate the sharing of VITA customer-based staff among various agencies. Greater economies and efficiencies in service delivery will result.

An important facet of the MOU is the assurance that the customer will not pay more for infrastructure IT staffing support than they currently are charged under the direct bill system, unless additional services are requested. A second phase, planned for 2006, will integrate non-personal services (hardware, software, contracts, maintenance). The charge mechanism employed in the second phase will take into account the expected effects of vendor-provided services.

In fiscal year 2007 and beyond, additional changes are anticipated, including the potential adoption of a charge system that standardizes equipment and provides customers a menu of service options based on individual needs.

## Executive and Legislative Budget Development

On December 16, 2005, Governor Warner offered his 2006-2008 biennial budget and FY 2006 amendments to the current Appropriation Act to the House Appropriations and Senate Finance Committee. Throughout the fall, VITA management and staff have worked with DPB and the Secretary of Technology to propose decision packages and provide other input to the State budget process. Also noteworthy is the fact that the 2006-2008 biennial budget will for the first time reflect the integration of comprehensive strategic planning and the identification of agency budgets by service area. Details on VITA's strategic planning objectives and associated performance measures are provided in the Governor's Executive Budget document, <http://www.dpb.state.va.us/budget/budget.htm>.

The following summarizes the Governor's budget proposal for VITA:

### Language items

- Line of credit
- Broadened purchasing authority for local governments
- E-911 duplicate reporting elimination
- VITA Advisory Committee

### Dollar impact items

- Six new positions for E-911 and VGIN
- Supports Base Mapping project completion, E-911 administrative adjustments

## **Audit Activities**

### **Prior Audit Reports**

#### **Auditor of Public Accounts (APA) 2005 VITA Review of Security Controls Over Information Technology Audit Report**

Of the 16 corrective actions planned to address the four findings, three actions are reported as completed.

#### **Internal Audit Services June 2005 Small Purchase Charge Card Audit Report**

For the 2005 VITA Internal Audit Services Small Purchase Charge Card (SPCC) Audit, all 16 planned corrective actions have been reported as completed.

#### **APA January 2005 VITA Performance Audit Action Status**

For the 2005 APA Performance Audit Corrective Actions in response to the APA Performance Audit Report as of December 15, 2004, 10 of the 15 actions have been reported as completed, three have revised due dates, and the remaining two actions are reported to be on schedule. Meeting two of the revised dates is dependent on rate approval and rate funding.

APA audit reports are available online at <http://www.apa.virginia.gov/reports.htm>.