



# COMMONWEALTH of VIRGINIA

Samuel A. Nixon, Jr.  
CIO of the Commonwealth  
E-mail: [cio@vita.virginia.gov](mailto:cio@vita.virginia.gov)

## Virginia Information Technologies Agency

11751 Meadowville Lane  
Chester, Virginia 23836-6315  
(804) 416-6100

TDD VOICE -TEL. NO.  
711

March 27, 2012

The Honorable Robert F. McDonnell  
Governor of Virginia  
Patrick Henry Building, 3rd Floor  
1111 East Broad Street  
Richmond, Virginia 23219

The Honorable Lacey E. Putney  
Chair, House Appropriations Committee  
Virginia House of Delegates  
Post Office Box 127  
Bedford, Virginia 24523

The Honorable Walter A. Stosch  
Chair, Senate Finance Committee  
Senate of Virginia  
4551 Cox Road, Suite 110  
Glen Allen, Virginia 23060-6740

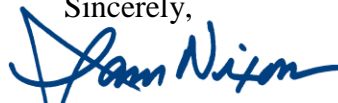
The Honorable James D. Duffey, Jr.  
Secretary of Technology  
Patrick Henry Building, 4<sup>th</sup> Floor  
1111 East Broad Street  
Richmond, Virginia 23219

Dear Governor McDonnell, Chairmen Putney and Stosch, and Secretary Duffey:

Pursuant to Section J of Item 434 of Chapter 890 of the *2011 Virginia Acts of Assembly*, the Chief Information Officer is required to provide “the Governor, the Secretary of Technology, and the Chairmen of the House Appropriations and Senate Finance Committees” with an annual assessment of the Virginia Information Technologies Agency (VITA). Enclosed with this letter is a copy of the assessment, which is submitted in satisfaction of that requirement. As required, the assessment describes actions undertaken by VITA through the end of fiscal year (FY) 2011 to improve operational effectiveness and efficiency. Please contact me if you have any questions or concerns regarding this report.

Thank you very much for your time and consideration.

Sincerely,



Samuel A. Nixon, Jr.

Attachment

c: The Honorable Martin Kent, Chief of Staff

Virginia Information Technologies Agency



# Actions Undertaken to Improve Operational Effectiveness and Efficiency in FY 2011

*Reported pursuant to Item 434(J) of the  
2011 Appropriation Act*

## Virginia Information Technologies Agency

March 27, 2012

[www.vita.virginia.gov](http://www.vita.virginia.gov)

*Pursuant to Item 434(J) of the 2011 Appropriation Act, the Chief Information Officer is required to submit an annual assessment of the Virginia Information Technologies Agency (VITA) to the Governor, the Secretary of Technology, and Chairmen of the House Appropriations and Senate Finance Committees. This report is submitted in satisfaction of that requirement, and describes actions undertaken by VITA through the end of fiscal year (FY) 2011 designed to improve operational effectiveness and efficiency.*

## **Executive Summary**

As described in this report, during FY 2011 VITA made several changes intended to improve its internal operations, and therefore provide improved service to its customer agencies. These include:

- Operational improvements to provide additional network monitoring and data recovery capabilities, adopted as part of the Northrop Grumman post-audit agreement following the service outage in August 2010.
- Revision of VITA's internal service fund rate structure, which has reduced the operating deficit and increased the transparency of information technology (IT) service rates.
- Staffing reductions and reorganizations, which are designed to better manage VITA's human resources in response to budget cuts but which are also hindering our ability to perform key functions.
- Enhancements to customer service and oversight via improvements to two ordering processes.
- Adoption of an online IT service catalog to improve access to information and simplify the work request process.
- Revisions to the procurement process which simplify the ordering of IT goods and services, while increasing oversight by reviewing IT orders not previously routed to VITA for processing.
- Implementation of a new project management model, as mandated by the 2010 General Assembly, which will better align project risk and the amount of oversight.
- Use of new communications tools, including the use of social media, to improve communications with state agencies and other stakeholders.
- Lastly, significant progress in other areas have been made, as indicated by improved audit results, although some additional steps are needed.

## **Operational Improvements Adopted as Part of Northrop Grumman Post-Audit Agreement Provide Additional Network Monitoring and Data Recovery**

On February 15, 2011, the Governor's Office and the Joint Legislative Audit and Review Commission (JLARC) released the results of an external audit conducted by Agilysys, Inc. This audit assessed the factors that led to a major service outage in August 2010, and recommended actions to improve monitoring of IT services. On May 19, 2011, an agreement was reached between the Commonwealth and Northrop Grumman that included several operational improvements, as well as a corrective action plan with specific actions and corresponding deadlines through March 2012. The plan generally focused on internal processes and procedures needed to protect Commonwealth data, including:

- Implementation of a "snap and clone" system that significantly enhances data recovery;
- Performance of additional testing of core system failover and system restores;
- Documentation of IT infrastructure systems that support critical business processes; and,
- Implementation of additional network and database monitoring.

In concert, these improvements are designed to reduce the likelihood of a similar outage and to speed the process of data recovery and restoration should one occur.

## **Revision of Internal Service Fund Rate Structure Has Allowed VITA to Reduce Operating Deficit and Increase Transparency of IT Rates**

In July of 2010, VITA obtained approval from JLARC to undertake a complete revision of its internal service fund rate structure. The resulting changes have allowed VITA to operate on a more sound financial footing for the first time in several years, and provide more transparency into the fees paid by state agencies. The need for these changes was driven by several factors, including the cumulative deficit (in excess of \$24 million) that VITA had incurred in its internal service funds. The new rates are designed to allow VITA to eliminate this deficit in four years. Once VITA's internal service funds are balanced, the debt recovery portion of VITA's rates will be removed. The new structure also increases transparency into the rates themselves by directly aligning the rates with the actual vendor charges that VITA incurs. The new rates also reflect a 15 percent reduction in VITA's organizational expenses.

## **Staffing Reductions Have Decreased VITA's Overhead Expenditures But Are Hindering Ability to Perform Duties**

As of July 2011, VITA is operating with fewer staff than three years prior. In 2008, VITA had 195 staff to operate the programs that are today supported by 148 staff. Although 19 staff members have been added since 2008 to support new programs, such as Health Information Technology, VITA still has 28 fewer staff than three years ago. Likewise, VITA's salaries have declined in absolute terms by almost \$1.9 million since 2008. Adjusted to account for the recent Virginia Retirement System-related five percent increase, the relative decrease is nearly \$2.6 million.

These staffing reductions are beginning to erode VITA's ability to meet its statutory responsibilities and oversee the contract with Northrop Grumman. For example, VITA is required by statute to "provide for the security of state government electronic information from unauthorized uses, intrusions or other security threats." However, VITA has only has one individual available to review the more than 500 security incidents that occur each year. With the increase in actual targeted government attacks, this shortcoming leaves the Commonwealth in a precarious position.

As another example, VITA is responsible for overseeing the IT services provided by Northrop Grumman and other vendors, but staffing shortages have resulted in a "thin bench" in this area as well. VITA's Service Delivery Management staff are the agency's subject matter experts for key services and must oversee Northrop Grumman's daily operations, validate invoices, approve performance measures and respond to service incidents. Because of staffing shortages, however, VITA only has one person in each key service area, including disaster recovery, network, email, desktop computing, server and mainframe computing, help desk, and voice. Although VITA engages in cross-training to ensure coverage when one of these individuals is out, the need to rely on a single person means that the Commonwealth is at risk whenever these technical experts are unavailable.

These are just two examples. VITA also is experiencing difficulties because of decreased staff in several other areas, including program management, audit, customer service, web services and applications, and more.

## **Staff Reorganization Designed to Improve Customer Service and Better Manage VITA's Human Resources**

In late 2010, VITA conducted an internal staff reorganization to improve customer service and support, and better ensure prudent management of agency resources. This reorganization occurred in two areas and included combining functional areas that previously had reported to different directorates.

The first reorganization involved the combination of two VITA directorates – the Enterprise Applications Division and the IT Investment and Enterprise Solutions Division – into a single Enterprise Solutions and Governance directorate. In addition to eliminating one directorate-level management position, this reorganization brought specific IT application capabilities together in a manner that

has allowed VITA to provide enhanced benefits to both internal and external stakeholders. For example, enterprise architecture and database design skills now are being jointly utilized to develop and support statewide services that promote and expedite data sharing and systems interoperability, thereby increasing both the utility and the useful life of existing software applications. In addition, staff expertise in the use of workplace collaboration tools is now being used to establish a statewide offering for such services. Likewise, expertise in case management and workflow management tools, which previously had been used to assist VITA customer agencies, now is being leveraged to help VITA build its own internal customer relationship management application. This long-sought-after application eventually will replace a hodgepodge of internal spreadsheets and manual processes and allow VITA to provide a more efficient and effective experience for our customers.

The other reorganization involved the Finance directorate, which was reorganized to provide a more substantial financial oversight of VITA's largest partner, Northrop Grumman, and to strengthen the financial analysis and compliance functions. In addition, two previously separate divisions, Human Resource Management and Supply Chain Management, were combined with the Finance division to create a new Finance and Administration directorate. This reorganization brings together three core business functions of VITA under a single management structure in order to better ensure responsible stewardship of VITA's financial, human and material resources.

## **New Communications Tools Include Use of Social Media**

VITA has continued to enhance its efforts to communicate with customers and stakeholders, including expanded use of social media, to provide the latest agency news such as updates on committees and councils, publication postings and press releases. As part of this process, VITA publishes e-newsletters aimed at specific stakeholder audiences. Currently, more than 1,000 subscribe to Network News (for state agencies) and 5,000 subscribe to the Service Bulletin (for localities). In addition, strategic communications plans were developed and implemented for a variety of IT services. VITA continues to lead the Commonwealth's effort to post videos on YouTube, saving space on IT systems and providing state employees, citizens and others with access to information.

## **VITA Launched Online IT Service Catalog to Provide Improved Access to Information and Simplify the Ordering Process For Work Requests**

A new VITA IT service catalog for work requests has been published online. It is designed to provide agencies and other customers with information about services and simplify the ordering process. For example, the catalog provides forms for initiating pre-priced and pre-solutioned work requests for frequently requested services. This improvement will speed the approval process and the start of implementation by providing agencies the ability to easily request services in the combinations that experience has shown to be commonly deployed.



Future upgrades will make the catalog more interactive and customer-friendly. It is anticipated those upgrades will include:

- User log-in accounts that will include shopping cart functions and an order history;
- Price calculations for recurring services, non-recurring services and annual IT budget expenditures;
- More standard work requests with detailed specifications and conditions;
- Online forms for requestor information; and,
- Integration to the eVA approval work flow.

### **Revisions to Procurement Process Will Simplify Ordering of IT Goods and Services While Increasing Oversight**

VITA implemented two changes in its Supply Chain Management (SCM) Division designed to make the procurement process easier for customers while also allowing VITA to ensure IT procurements receive appropriate oversight.

Responding to feedback from agencies, SCM staff revised the *How to Order* section on the VITA website. These changes were made to provide agencies with the most relevant ordering information, which can be accessed on the eVA website under *Quick Links*.

In order to improve oversight of agency IT purchases, SCM staff now generate monthly reports of IT transactions that were not submitted by Commonwealth agencies to VITA for review. IT goods ordered by agencies through eVA are mandated to be flagged by the requesting agency to indicate the item is in-scope to VITA (so-called "V" coded transactions) and need to be routed to VITA for review. As noted by JLARC in its 2010 report on VITA, if agencies do not properly flag a transaction for VITA's review, the IT goods and services may not be subject to appropriate oversight. VITA SCM staff members have begun to generate reports of IT transactions that were not flagged for VITA's review (so-called "R" coded transactions). A report of transactions SCM staff believes should have been sent to VITA for review will be sent to Agency Information Technology Resources (AITRs) to review and provide a response for each item - either explaining why it was appropriate to have been "R" coded, or to indicate it was coded incorrectly. Additional information or documentation may be submitted by agencies to VITA or requested by VITA from agencies to support the code designation. AITRs who are uncertain as to whether a transaction should be routed to VITA are strongly encouraged to use the "V" code. VITA will review items and determine if the code should be changed to "R."

### **Revision of Project Management Model Mandated by the 2010 General Assembly Will Better Align Project Risk and Amount of Oversight**

During FY 2011, VITA revised the Commonwealth Project Management Standard by adopting a new approach designed to improve the effectiveness and efficiency

of project oversight. This revision implements the Commonwealth Project Governance Assessment methodology mandated by the 2010 General Assembly, which specifically required VITA to implement a "... methodology for prioritizing projects based upon the allocation of points to defined criteria." Based on that assessment, the revised standard facilitates project success by guiding the delivery of just the right amount of oversight at just the right time.

Accordingly, the effectiveness of oversight has been increased by providing additional oversight to high risk projects, even if the project has a low estimated cost (under \$1,000,000). Conversely, the new approach is designed to be more efficient by requiring less oversight for lower risk and lower complexity projects. Specifically, for low risk projects the revised standard reduces the requirements for project initiation approval, status reporting, and independent verification and validation. Furthermore, the monetary threshold (estimated project cost) for triggering oversight by VITA's Project Management Division has been increased from \$100,000 to \$250,000.

These changes are expected to make lower-risk and lower-complexity projects easier to initiate and execute. The revisions also are expected to reduce the cost of oversight and governance added to the overall cost of the project and allow VITA's Project Management Division staff to focus efforts on the highest-risk/highest-complexity projects where its expertise will be most valuable to the agencies.

### **Improved Audit Results Indicate VITA Has Made Significant Progress, Although Some Additional Steps Are Needed**

The Auditor of Public Accounts (APA) completed two audits of VITA. The first audit reviewed the financial records and operations of VITA for the period January 1, 2009, through June 30, 2010. Although the audit found VITA had "made significant progress on a number of ... prior findings," the audit also noted certain issues that need continued attention. The APA found VITA made significant progress in resolving several findings concerning certain contract deliverables, inventory and billing accuracy, billing and collection procedures, and the development of an improved cost allocation plan. However, the APA noted that both Northrop Grumman and VITA need to make improvements to the inventory of IT assets. Also, while the APA noted VITA does have a dispute resolution process to resolve inventory discrepancies and any other billing discrepancies identified by customer agencies, Northrop Grumman and VITA need to continue ensuring these disputes are handled in a timely manner. The second audit was performed in the E-911 Services Board arena, and contained two findings. The E-911 Wireless Services team plans to establish a rigorous validation process to address the findings.