

**DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING**

Wednesday, February 18, 2015 9:30 a.m.

300 West 15th Street, Clements Building, Room 103 Austin, Texas 78701

MINUTES

- PRESENT** Charles Bacarisse (Board Chair)
Richard Moore
Robert Pickering
Arthur Troilo
Cindy Villa
David Mattax, ex-officio
Darran Anderson (on behalf LtGen Joe Weber), ex-officio
- ACTION** *Mr. Bacarisse* called the meeting to order at 9:39 a.m. with a quorum present.
- TOPIC** **2. Approve Minutes from the October 23, 2014, and December 22, 2014, Board meetings**
- MOTION** A motion was made to approve the previous meeting minutes by *Mr. Pickering* and seconded by *Ms. Villa*.
- ACTION** The minutes were unanimously approved.
- TOPIC** **3. Executive Session**
- Mr. Bacarisse* recessed the open part of the meeting so the Board could meet in executive session pursuant to the Texas Open Meetings Act, to consult with its attorney pursuant to Section 551.071, Government Code. No action will be taken. All members of the public and non-designated staff were requested to leave.
- At the end of executive session, *Mr. Bacarisse* will call the meeting back to order. The meeting was called into executive session at 9:43 am.
- The meeting was called back to order at 10:17 am. No action was taken during the executive session.
- TOPIC** **4. Executive Director's Report on Agency Performance**
- DISCUSSION** Mr. Todd Kimbriel, Interim Executive Director, thanked the Board for giving him the opportunity and privilege to serve as Interim Executive Director since Karen Robinson's retirement in December. He also thanked the new ex-officio Board members, General Weber, Texas Department of Transportation (TxDOT), Commissioner Mattax from Texas Department of Insurance (TDI), and Bowden Hight from Health and Human Services Commission (HHSC). Mr. Kimbriel updated the board on highlights of the agency since the last meeting in October.
- Mr. Kimbriel explained that for this meeting, the program area would provide operational performance updates for Q1 of FY15: September 1, 2014 through November 30, 2014. He said that there would continue to be forward-looking components of each program where appropriate, such as action items for fee approval or contract approvals. Our Board

reporting of program metrics has historically been a bit inconsistent because each program area wants to share the most current information, but this has created timing issues in board materials production. In order to make the production effort more efficient, the program areas have been asked to restrict performance reporting to the most recently closed fiscal quarter.

Mr. Kimbriel gave an update for the first month of the 84th legislative session. He said that Ms. Amy Baillargeon, Governmental Relations, has kept us engaged in meetings with representatives of the Office of the Governor (OOG), the Speaker's office, and representatives from both chambers. Conversations ranged from program updates to strategic future policies. We completed our initial testimonies for the Senate Finance Committee and the House Appropriations Committee. In both hearings, we thanked the committees for their work on the introduced budget bills, SB 2 and HB 1, which included all of our legislative appropriations requests (LAR). We had no exceptional items. The rest of both testimonies can best be described as free fall Q&A. The Senate Finance Committee focused on procurement and contracting matters and the House Appropriations Committee was focused on data center services. We testified in front of the Government Transparency and Operations Committee and addressed the state of contracting, an area where we have a great deal of experience as a result of our cooperative contracts and enterprise contracts programs. We provided a set of recommendations to the committee in our written submission for evaluation as possible proactive strategies in preventing behavior that has been discovered by some agencies and come to light over the past few months. We are collaborating with the Comptroller of Public Accounts (CPA) staff in forming and jointly supporting a final set of recommendations for leadership to consider in addressing this issue.

Mr. Kimbriel updated the Board on the recent agency reorganization, implemented in January. The reorganization was a result of his recent promotion to Deputy Executive Director, planned prior to Ms. Robinson's retirement. She fully supported the plan after her retirement and before the session began. All changes reflect a desire to promote from within as much as possible. Mr. Dale Richardson was promoted to Chief Operations Officer, backfilling Mr. Kimbriel's previous role. Ms. Sally Ward was promoted to Director of Data Center Services, backfilling Mr. Richardson's previous role. Ms. Janet Gilmore was promoted to Director of Digital Government, with the additional responsibility of assuming the role of Information Resource Manager (IRM), previously held by Mr. Kimbriel. In her new role, she has additional responsibility for the internal IT function at DIR. Ms. Jennifer Buaas was promoted to Assistant Director and has assumed direct responsibility for the Texas.gov program. Mr. John Hoffman was promoted to Chief Technology Officer, a new role for the agency. He will present updates on this new division in future Board meetings. This new division is similar to a "corporate planning" division in the private sector. Mr. Hoffman's responsibility is to provide a comprehensive planning function for DIR, providing a 3 year, 5 year, and 10 year roadmap, ensuring our program areas are aligned and complementing each other in terms of the services that we provide to our customers. Ms. Deborah Hujar and the Policy and Planning group, along with Mr. John Van Hoorn's Enterprise Solution Services group will report directly to Mr. Hoffman. Mr. Wayne Egeler was promoted to Director of Telecom Services, backfilling Mr. Hoffman's previous role.

Mr. Kimbriel announced the resignation of Brian Engle, Chief Information Security Officer (CISO), effective February 3, 2015, to pursue a wonderful opportunity in the private sector. He thanked Mr. Engle for his service and recognized his invaluable contributions to the cyber security program. Mr. Eddie Block, our Deputy CISO, has assumed the role of Interim CISO, and is more than capable of keeping the program running and continuing to perform

at a high level. Mr. Kimbriel said that given the focus around cyber security, it was important to move forward immediately with a job posting for a permanent CISO. The position was posted on February 5, 2015.

Mr. Kimbriel introduced new employees to DIR.

TOPIC

5. Technology Sourcing Office Staff Report on Cooperative Contracts program and related processes

DISCUSSION

Ms. Grace Windbigler, Manager for Enterprise Contracts, and Mr. Martin Zelinsky, General Counsel, gave an update on the Cooperative Contracts program.

Mr. Zelinsky explained that there are a number of legislative items with regard to contracting and procurement going through the session currently. There have also been a number of news reports around DIR's cooperative contracts program. We want to give you a brief overview of the program, how it works inside DIR and have everyone understand for what DIR is responsible and for what our agency customers are responsible once a contract has been awarded. There is a document containing "frequently asked questions" (FAQs) on the DIR website. This document describes some of what is involved in the cooperative contracts program, particularly with regard to the events regarding Health and Human Services Commission (HHSC) and a vendor, 21CT.

Ms. Windbigler explained the competitive procurement process that is used to establish contracts. The first stage is planning, which includes determining what types of hardware, software, and services our customers need. We do quite a lot of research to identify those items, including needs assessments, surveys, and demand analyses. We look at exemptions and then come up with a list of RFOs. The annual procurement plan is presented to the Board in August to give insight into the RFOs that we are going to procure for the following year. The second stage is procurement. Once we have identified, we begin drafting the solicitation. Part of the annual process is to send solicitation templates, contracts, terms and conditions, and all of those items used for procurement to the Contract Advisory Team (CAT). We are not required to submit those items to the CAT, but we do that as a best practice. Then, the solicitation is advertised on the Electronic State Business Daily (ESBD). This is the public website where all state agencies post their contracting opportunities and where the public has an opportunity to respond. After posting a solicitation (or RFO) on the ESBD, we receive our responses, complete an administrative review, evaluate the responses, and score the responses. The third stage of the process is contract formation. From the scores, we establish a competitive range and issue invitations to negotiate with those vendors. We go through negotiation; we review pricing, terms and conditions, software license agreements, service agreements, and then we set up a contract. Once we have awarded a contract, it is posted on our website, and DIR-eligible customers can purchase from those contracts. We set up those master contracts and at that point, the agency's internal procurement procedures will basically initiate and they will buy off of those contracts. The agencies are responsible for following their own procurement procedures when they are purchasing off of our contracts. They have to follow the state procurement laws and guidelines but this is where their responsibilities start.

Mr. Pickering asked how often this process was reviewed. He asked Internal Audit to explain how often the process was reviewed (and by whom) over the past 3 years.

Ms. Villa explained that she and Mr. Moore had reviewed the process and determined that there were good levels of control in place. She explained that Lissette Nadal-Hogan and Martin Zelinsky provided them with a listing of audits that had been performed in this area

in 2010: 2 sets of reviews, 1 DIR internal audit review, 2 state audits, 2 single statewide audits performed by KPMG, and 1 independent third-party audit conducted by Gartner in this entire area. Since 2010, there has been quite a lot of scrutiny, resulting in good assurance that controls in this operation are strong.

Mr. Bacarisse confirmed that there had been 9 different examinations of process in the last 5 years.

Ms. Villa confirmed that was correct.

Mr. Pickering said that this is such a sensitive, important area. We have discussed this in Board meetings and subcommittee meetings. We have had many inquiries, and thinking most notably Sunset, very thorough discussions on this, and to my knowledge, we have reacted timely coming from those reviews and been proactive with some of these negative reviews. Is this correct?

Mr. Zelinsky confirmed this was correct.

Ms. Villa requesting a briefing from Mr. Zelinsky regarding the letter issued from Governor Abbott to all state agencies regarding modifications in the way that agencies are handling procurements.

Mr. Zelinsky explained that the letter asked all state agencies to implement most of the terms of SB 353, authored by Senator Jane Nelson. We had already started to implement those provisions. One example would be the requirement that a governing body approve all contracts over \$1M, and we started doing that about 2 years ago following a Sunset recommendation. It is now statutory. We set a threshold of \$1M for our Board to review a contract amendment over that amount, or major outsourcing contracts. We are seeking clarification on a couple of items. At a recent SACC Legal Affairs Subcommittee meeting, there were a number of agencies asking DIR how we were implementing that letter. We are taking those questions and answers to heart.

Mr. Mattax asked if those cooperative contracts could be more than \$1M.

Ms. Windbigler answered that cooperative contracts have a zero-dollar amount. She explained that the amount is set on what the agency procures from that contract. The agencies will issue the purchase order because they go directly to the vendor.

Mr. Zelinsky clarified that the cooperative contracts do not have a statutory or contractual cap on what agencies can purchase off of the contracts, with the exception of deliverables-based IT services (DBITS). DBITS contracts have a contractual cap that was set by DIR policy at \$10M per engagement. The engagement would consist of all purchase orders related to an engagement for a series of deliverables.

Mr. Mattax asked historically, if an agency got a contract, they would not have to go into a competitive bid.

Mr. Zelinsky confirmed that was correct: the agency would not have to go through a competitive bid but we recommend that they do if circumstances suggest it.

Mr. Mattax asked that if they would not go into a competitive bidding process, they would hire something up for cooperative contracts, and it would be more than \$1M?

Mr. Zelinsky confirmed yes, that is correct.

Mr. Mattax asked that based on Governor Abbott's letter, that an executive, even though it was not a cooperative contract, they would have to approve a cooperative contract purchase. Historically, that would not have been the case.

Both Mr. Zelinsky and Ms. Windbigler confirmed this was correct.

Ms. Villa asked if this varied by agencies and institutions of higher education (University of Texas).

Mr. Zelinsky said this was a good point. There are agencies and Institutions of higher education that have that requirement, but some do not.

Mr. Mattax said that if an agency has a cooperative contract, should we put it on our website and actually solicit. We might ask others to bid, but it seems like a best practice is if contracting for more than \$1 million, agencies should use a competitive process even though agencies can pick from a cooperative contract.

Mr. Zelinsky said that after looking at DIR's FY 14 sales reports, 99.61% of sales were less than \$1M, but some were above that threshold. This is for state agencies.

Ms. Villa asked about terminology being used, because to her, this has been competitively bid, has it not?

Mr. Zelinsky said that we would suggest that it has been competitively bid, but it is a bifurcated process. When we look at the DIR process, there is no question that the contracts have been competitively bid: they've been posted publicly, all vendors who have products or services within the scope have had an opportunity to bid, but there is a second step to the process. This reflects Mr. Mattax's question: if it is significant, however defined, an agency may choose to go out and get additional offers under our contracts or seek an exemption and put out an RFO themselves. This will have a time impact on that agency, but this is their choice to do. Again, if it is over \$10M in DBITS, they are required to.

Mr. Mattax said that although DIR competitively bids contracts, the purchase was not competitively bid from the agency's point of view, so that letter would simply indicate, if the agency hasn't vetted it, the purchase would be a no-bid contract. Not suggesting agencies would have to go out and rebid it, they could use the cooperative contract process, but it needs clarification for that very reason that people would think it was a no-bid contract, because the agency didn't bid it, but DIR bid it.

TOPIC

6. Finance Update

DISCUSSION

Mr. Nick Villalpando, Chief Financial Officer, shared a finance update.

Mr. Villalpando gave a quick briefing on DIR's financial operating model for the new Board members. DIR is a cost-recovery agency, we receive no general revenue funding. Our appropriations authority is simply to spend and collect the revenue. We are mandated to only recover the cost necessary to operate the agency. When putting together operating statements for your review, it follows as a P&L statement from an operating enterprise.

From an agency-wide perspective, our operating revenue for the fiscal year is on target: forecasting to the end of the year at approximately \$34.5M in terms of operating revenue, once we cover the costs of services, payments to the telecom providers, data center services (DCS), the operating revenue is what we have to run the operations of DIR. At this point, we are forecasting our operating expenses to come in slightly under budget but this

is all through first quarter of operations so that will continue to fluctuate over the course of the remaining months in the year. So far, in terms of the first quarter discussion, everything is running in line with budget. One item that has been discussed with both the DCS and Audit and Finance subcommittees is that we are anticipating (at some point in the year) the possibility of requesting additional appropriations authority for DCS, because the customer consumption of that service may exceed appropriations authority. We will have a forecast ready to review and to deliver it towards the end of March/early April.

On an annual basis, we do a mid-year forecast and review. Once we have that forecast, we plan to reconvene the DCS and Audit and Finance subcommittees to update the board members on the status. If there is a need for an additional appropriations request to go back to the Legislative Budget Board (LBB), then we would discuss that with the subcommittees at that time and submit the letter to the LBB. When the Board reconvenes at the next Board meeting, we would seek that budget amendment needed to affect that increase in budget. Our concern with waiting until the next Board meeting is based on timing. From a historical perspective, it can take some time to hear back from the LBB. So far, they have approved those requests that we have submitted. If you recall, we already had a built-in \$11.5M increase in the telecom spend that we were forecasting. The LBB recently approved that in December. This is the way we would like to proceed in terms of monitoring the DCS spend, the consumption by our customers.

Mr. Mattax asked if that information had been relayed to the state agencies.

Mr. Villalpando confirmed that this information had been shared with the state agencies. As far as the additional information in that process, the agencies have already incorporated where they intend to be for FY15 in their LARs for FY16-FY17. We will bump up our forecast against what the agencies had already submitted. As we complete our forecast, working with our providers, we are basically making sure our forecasts are in line with our customer agencies.

Mr. Villalpando reviewed DIR fund balances. We have some maximum fund balances that have restrictions/caps that we have to live within at DIR. In addition to looking at the ongoing financial operations from revenue and expense perspectives, we also monitor the fund balances in our three operating accounts. The statewide technology account is where revenues and expenditures are paid for DCS. The telecom revolving account handles TEX-AN/CCTS. The clearing fund account collects cooperative contracts administrative fee revenue and the expenditures allowed under statute to be paid for out of those funds. We are within those caps for those three operating accounts.

Mr. Villalpando explained that DIR has developed additional VoIP (Voice over Internet Protocol) offerings due to customer demand and technological advancements. The fees for these new services that are set to recover the cost of service delivery are: CCTS-VoIP Phone-Multi-line with expansion module-\$10.07; CCTS-VoIP ACD Agent-Premium-\$41.50; CCTS-VoIP Jabber-\$2.00; CCTS-VoIP Analog Adapter-\$2.58; CCTS-VoIP Expansion Model-\$5.50. It is early, but we are forecasting that these fees will have minimal impact on our operating revenues and expenditures.

Mr. Bacarisse asked if the fees were essentially reallocation of the overall fees for customers.

Mr. Villalpando answered in terms of our operating model, our mandate is to only recover the cost necessary to deliver the fees to the extent that as these services begin to ramp up, then we always look at how we are allocating our expenses and adjusting where necessary.

- MOTION** A motion was made to approve the Administrative Fees by *Mr. Pickering*, then seconded by *Ms. Rohm*.
- ACTION** The motion was unanimously approved.
- TOPIC** **7. Internal Audit Update**
- DISCUSSION** Lissette Nadal-Hogan, Director of Internal Audit, gave an Internal Audit update.
- Ms. Nadal-Hogan referred to the FY2015 Internal Audit Plan for her presentation. The plan is divided into 4 parts: 15-100: Assurance Audits; 15-200: Consulting Services; 15-300: Required Projects (these are projects that are required by law or by auditing standards), and 15-400: Special Projects.
- In Q1 of FY15, audit efforts were concentrated on the Cooperative Vendors Audit (15-100). The audit's objectives are to (1) determine whether Cooperative Contracts sales reports are accurate, complete, and received timely and to (2) determine whether administrative fees remitted by vendors are accurately assessed and paid timely. This audit is not concentrating on the contracting process of the cooperative vendors or the procurement process because as we have discussed, those processes have been reviewed by several entities whether internal or external to DIR, so we determined that this time, we will concentrate on the data that the vendors submit to DIR which has not been reviewed before. This audit was in the planning stage for that quarter, the planning stage was in progress and we have an estimated completion date of April 2015.
- As part of the consulting services, we have an ongoing service for DIR which is the External Audit Coordination (15-200). This function is to serve as liaison to assist the State Auditor's Office (SAO) and other external entities with oversight audit and review responsibility. We serve as the liaison when we have audits and engagements from external entities. This is an ongoing process. We are the liaison currently for the SAO investigation, and will be concentrating efforts on the Texas.gov audit. For Q1, we highly concentrated on DCS Cost Savings Methodology (for the Workgroups/Governance Boards 15-200). This is a project in which Internal Audit assisted DIR in developing an agreed upon methodology for measuring costs for the information resources technology consolidation initiative, as required by the Texas Government Code 2054.062. For Q1, this project was in progress in its fieldwork phase and has an estimated completion date of January 2015.
- In the Required Projects (15-300), which are required by auditing standards or by law, the division completed follow-up work on the SAO Audit Report 14-007 and the SAO Audit Report 12-004. The purpose of these follow-ups is to assess the implementation status of corrective action plans from previously reported external/internal audit conditions. The auditors continue with professional education to enhance technical knowledge, skills, and other competencies through continuing professional development. This is an ongoing task.
- For Special Projects (15-400), Implement TeamMate Audit Management Software, this system will bring efficiency and consistency by creating electronic work papers, tracking audit time, and tracking the implementation status of audit corrective action plans (resulting from previous audits). The Team EWP module is complete and the Team TEC and Team Central modules are both in process, with an estimated completion date of April 2015.
- Mr. Bacarisse said that he understood the division was fully staffed.*

Ms. Nadal-Hogan said that her division was fully staffed with two senior auditors. The division was doing well and they were pleased to be here.

TOPIC 8. Texas Administrative Code (TAC)

DISCUSSION Mr. Martin Zelinsky, General Counsel, presented an adopted repeal and new rule authorizing publication in the *Texas Register*.

- 1) 1 Texas Administrative Code, Chapter 202, concerning Information Security Standards

Chapter 202 has been under development for quite some time. We have gone through the process of meeting with our state agencies and state agency system officers. We've reviewed the proposed rule with ITCHE as required. This rule was proposed last fall, and we received a number of comments from state agencies. Each comment was considered, and you'll see some changes, but not all comments were incorporated. We did reach consensus and revisited with higher education.

Mr. Mattax asked about comments from agencies. Were all concerns resolved?

Mr. Zelinsky indicated that all comments were from state agencies and higher education, primarily state agencies. All issues were resolved. We generally meet with agencies that have comments or concerns.

Mr. Mattax asked if any agency objected to the rules. Mr. Zelinsky replied that yes, that is his understanding.

MOTION A motion was made to approve the repeal and rule for adoption and authorizing publication in the Texas Register by *Mr. Pickering* and seconded by *Mr. Rohm*.

ACTION The motion was unanimously approved.

DISCUSSION Mr. Martin Zelinsky, General Counsel, presented an adopted repeal and new rule for publication in the *Texas Register*.

- 2) 1 Texas Administrative Code, Chapter 215, concerning Statewide Technology Center for Data/Disaster Recovery Services

Chapter 215 was a major re-draft; it was originally written when the program was initially created. This time, we repealed and replaced this chapter with new text. We met with DCS customers and ITCHE as part of the rule re-drafting. There was one comment after publication to distinguish between mandatory services and discretionary services. This comment was incorporated into the rule.

MOTION A motion was made to approve the rule for adoption and authorizing publication in the Texas Register by *Mr. Rohm* and seconded by *Mr. Pickering*.

ACTION The motion was unanimously approved.

DISCUSSION Mr. Zelinsky presented one rule for publishing notice in the *Texas Register* for rule review.

- 1) 1 Texas Administrative Code, Chapter 201, concerning General Administration

Mr. Zelinsky explained that Chapter 201 contains fundamentally how the DIR Board actually operates, including board approval of contracts, ethics, conflicts of interest, and acceptances of donations. We will take a deep dive into ethics and conflicts of interest, making sure that our rule, agency policies, and the Board Member Handbook are harmonized.

MOTION A motion was made to approve the notice of rule review for publishing by *Mr. Pickering* and seconded by *Ms. Rohm*.

ACTION The motion was unanimously approved.

DISCUSSION Mr. Zelinsky presented one rule for publishing notice in the *Texas Register* for rule review.

2) 1 Texas Administrative Code, Chapter 204, concerning Interagency Contracts for Information Resources Technologies

MOTION A motion was made to approve the notice of rule review for publishing by *Ms. Villa* and seconded by *Ms. Rohm*.

ACTION The motion was unanimously approved.

DISCUSSION Mr. Zelinsky reviewed the Rule Review Schedule with the Board and said that we are on schedule.

Mr. Zelinsky reminded the DIR Board Members about required board member training, as the result of legislation passed during the last session that requires all governing bodies to have training regarding contracts, procurement, and conflicts of interest. This training is provided by the Comptroller of Public Accounts as a webinar. All training must be completed by September 1, 2015. If you have any questions, please contact Martin Zelinsky.

TOPIC **9. Planning, Policy and Governance Update**

DISCUSSION Ms. Deborah Hujar, Director, presented membership for the 2016-2020 State Strategic Plan for Information Resources Management Advisory Committee for approval.

Every two years, DIR is asked to reevaluate the State Strategic Plan. In order to put together an advisory committee, we put out an open call to our customers, contacted former advisory committee members, and looked to DIR employees. We look for members to be strategic-thinking and collaborative in meetings. Membership is diverse: state agency, higher education, local government, and business and industry; various organization sites and missions; various parts of the state, and technical and non-technical members.

Mr. Bacarisse asked if the categories of membership are legislatively mandated.

Ms. Hujar explained that we are legislatively mandated to convene the advisory committee, but by rule, we identify different categories of members. We look at folks at all levels of government, private industry, information resource managers (IRMs), etc.

MOTION A motion was made to approve the 2016-2020 State Strategic Plan for Information Resources Management Advisory Committee membership by *Mr. Moore* and seconded by *Ms. Rohm*.

ACTION The motion was unanimously approved.

TOPIC

10. Texas.gov

DISCUSSION

Ms. Janet Gilmore, Director of Digital Government, gave an update on Texas.gov. She introduced Ms. Jennifer Buaas, newly appointed Assistant Director, Texas.gov.

Ms. Gilmore presented Q1 transaction and revenue trends for the past 4 years. Texas.gov revenue is approximately \$3M below last year and state share is roughly \$2.7M below last year for the same quarter. This drop in revenue is due primarily to 2 programs, eFiling and TexasSmartBuy, that have transitioned to their respective sponsoring agencies, the Office of Court Administration, and the Comptroller of Public Accounts. The previous 3 year program revenue, without these programs, normalizes across the years and shows that the revenue is roughly flat across Q1. At the same time, we are processing more transactions, roughly 1/3 of a million more transactions processed over last year's Q1, thus, doing more with less. Ms. Gilmore presented application reliability or uptime for the applications that are through Texas.gov for rolling 13 months up through the 3-months of FY15 Q1. Texas.gov currently provides about 90 distinct applications. These are the applications that are monitored for reliability, so what we are showing you are the number of applications that met their target for reliability or uptime. The target reliability SLA for Q1 of FY15 was 99.8% for about half of the applications and 99.9% for the other half. For October and November, 100% of the applications met their targets. For September, 67% met their targets. It is worth noting that there were a total of 3 outages in September that caused these applications to miss their targets only slightly. The affected applications achieved a reliability SLA of 99.83% vs. the required 99.9%.

Jennifer Buaas gave an update on the Texas.gov program highlights. The "Texas Wide Open for Veterans" website was a joint project developed by Texas Workforce Commission, Texas Veterans Commission, and Texas.gov. The site provides online resources to help active military and veterans discover civilian opportunities in Texas. Since the launch in November 2014, the site has had 4000 unique visitors, with 28% coming from mobile devices. The Texas.gov online banner ad in Spanish campaign was conducted in El Paso. During that time, Spanish online banner ads were run on Spanish language websites. As a result of the campaign, the driver-related transactions grew by 16%, as compared to the timeframe in 2013. The success of the campaign verified the need to make Spanish advertising a priority in the 2015 campaign. The Texas-Indiana hackathon is a contest to create applications that best serve citizens from each state. Texas Department of Transportation (TxDOT) and Department of Family and Protective Services (DFPS) were selected from the 7 agency ideas that were nominated in the fall. TxDOT would like a mobile application for real time traffic updates for the IH-35 corridor. DFPS would like an application for people to find licensed daycare to meet their needs. We have offered opportunities to the civic development communities, and all applications are due February 23.

DISCUSSION

Ms. Gilmore requested fee approval for an application to be provided to Texas Department of Public Safety (TxDPS) for driver record monitoring and notifications. The monitoring service provides an updated driver record to subscribers whenever a driver incident occurs. This monitoring program augments the existing batch driver record application, which has been provided by Texas.gov since 2001. HB 2730, passed in 2009, requires this driver record monitoring pilot for 1 year and then a move into production if successful. The subscribers for the pilot will be TxDPS-approved companies, such as insurance companies and employers, having authorized access to the particular driver records. The proposed subscription fee of \$.02 per month per driver, can be adjusted to a maximum of \$.045 per month during the term of the pilot. Volumes and DPS program revenue will be the

determining factors for fee adjustment during the pilot. This is a cost of service-based fee that also includes State Share at 40%.

MOTION A motion was made to approve the Administrative Fee increase by *Ms. Rohm* and seconded by *Mr. Pickering*.

ACTION The motion was unanimously approved.

DISCUSSION Ms. Gilmore requested a fee approval for a service to provide vehicle inspection data for subscribers. The service offers a convenience for subscribers to receive an initial batch of historical data and updates (weekly or monthly). The specific elements are public information: the VIN, inspection data, and inspection result. The service can provide, based on requested amounts from the subscriber, up to 4 years of historical data. The proposed fees are for new records, \$0.005, and for existing records, \$0.001. There are a total of 37M records in the historical database, and an estimated volume of 9.2M records per year.

Mr. Pickering asked about the difference between the proposed fees for new records vs. existing records.

Ms. Gilmore explained that the difference in cost pertains to providing a service for that formatted report. The initial batch is just 1 report for the entire historical database.

Mr. Anderson asked if the Texas Department of Motor Vehicles would be using this, as well, to update the registration process.

Ms. Gilmore explained that TxDMV would not use this service. This service is for third parties. The system for the vehicle inspection system that exists today and has been updated to accommodate the new legislation involves a database that is cloud-hosted that is shared between TxDPS, TxDMV, and Texas Commission on Environmental Quality (TCEQ), who is involved in the emissions control inspections. All of the data from vehicle inspection is uploaded into the cloud in real time. If you get an inspection, there should be no delay to see that an inspection is current.

MOTION A motion was made to approve the Administrative Fee increases by *Ms. Rohm* and seconded by *Mr. Pickering*.

ACTION The motion was unanimously approved.

TOPIC **11. Customer Office Update**

DISCUSSION Ms. Priscilla Piphó, Chief Customer Officer, gave an update on the Customer Office.

Ms. Piphó and her team are working on a model for engaging with customers. She has developed a stakeholder engagement role, Lynda Baker. The Customer Advisory Committee has met, with newly elected members. Ms. Piphó and her team are having dialogue with internal DIR managers to help them understand how we are engaging with customers. The team members are developing engagement strategies for listening and responding to the voice of the customer. Web presence defines the new customer strategy. The website launches on March 2. As we launch the website, staff is engaging with customers for feedback to understand how it is received. The website has a new search with existing content, improving web search for contracts, and coordinating internal deployment for distributed authorship and responding to customers. The Customer Office is really excited about this reorganization of existing information.

Ms. Pipho discussed the media requests received over the past several months. There have been hundreds of man hours poured into public information requests, including media requests. The approach that we have taken is by certainly being responsive, transparent, and open with the media, as much as we can. Under Todd's leadership, this is the model that we follow. We realize how complicated the topic of public procurement is. To help the reporters tell a good story, we have invited them to come to DIR, sit down with us, help them understand, and introduced reporters to the open data portal, so that they can do some self-service public information requests. It has worked very well, we think. We will always struggle to get a complicated story told accurately with the press. That is our challenge, and that is what we are willing to do. Ms. Pipho thanked Thomas Johnson for rising to the occasion. Ms. Pipho said that she (and her staff) appreciated the Board's responsiveness and letting Todd know when you are contacted by the media so that we can assist in any way that we can to help in answering questions or deferring those questions to staff. She offered staff as a resource and said to please call on us as needed.

Mr. Bacarisse thanked Priscilla, her team, along with Todd and DIR leadership. He believes that taking an open, cooperative posture is the best way to handle media matters. He said that he appreciated the way that we have conducted our relationships with the press. Mr. Bacarisse thanked the team, knowing that they have a job to do and that this is on top of their radar. It is a great deal of effort and he appreciates everyone's work. His policy, and the Board agrees, is that it is best to let the DIR Media Manager or Chief Customer Officer speak for the agency because we need to make sure that the information we impart is accurate, timely, and able to be addressed. Any changes or modifications will be known by us before the Board knows. He politely refers all media inquiries to the Media Manager or Chief Customer Officer.

TOPIC 12. Chief Information Security Office Update

DISCUSSION Mr. Eddie Block, Interim Chief Information Security Officer, updated the Board on the Chief Information Security Office (CISO).

The CISO focuses on security services, collaboration opportunities, and awareness and education opportunities. The security services include controlled penetration testing and vulnerability scanning using a suite of tools; security assessment-a process and procedure review, and decision support services to the agencies to help them evaluate types of actions to take. Multiple collaboration opportunities where we interface directly with the agencies to help them feedback to us include the Information Security Working Group, a monthly meeting of information security officers (ISOs) in state agencies and institutions of higher education; Statewide Information Security Advisory Committee (SISAC), and multiple SISAC subcommittees, which help with particular topics including policy development, risk assessment and workforce development issues. There are several education and awareness opportunities that we provide the agencies including monthly webinars, a monthly newsletter, and the development of the InfoSec Academy. The purpose of the Academy is to train 150 state ISOs up to a similar level. We are providing information not only on technical and security issues, but also soft skills and Texas policy.

Mr. Block presented agency participation for FY 15 Q1. Security services are at 6% (about the same this time last year). Collaboration opportunities are at 33% (a little higher than this time last year). Awareness/education opportunities are at 37% (a little dip; in Q1 of FY14, we were looking at SB 1597 response plans; we had done a lot of webinars and trainings around that effort; should go up significantly for FY 15). Combined program participation is at 48%.

As of November 30, 2014, 5 security assessments were completed. 10 were in process. 8 were in queue. We are on track for completing our goal of 30. 11 controlled penetration tests were completed.

Over the past few years, agencies were required to report to DIR at the end of the month and any urgent security incidents. The system that we were using for monthly reporting was over a decade old. It was usable but did not provide the actionable intelligence that we needed. At the same time, we looked to replace the urgent incident form. A larger system has been built based on the RSA Archer platform, which provides us a place for agencies to complete the urgent report and that rolls into the monthly report. The first phase has been implemented. The incident piece is online and working. We are moving onto the risk assessment phase. We launched the InfoSec Academy and have a good uptake on that. Registration and course offerings are underway. In SB 1597, each agency had to report to DIR their agency information security plan. We received 165 plans overall. Some agencies were reporting for multiple sub agencies, and several of the universities replied for each campus. A draft of a summary report should be available shortly.

Mr. Anderson asked if security assessments were directed or requested by the agencies.

Mr. Block explained that the security assessments are typically voluntary. There are a handful of agencies that tend to be at a somewhat higher risk. The program has been in existence for a couple of years. We have received calls asking to get on the list.

TOPIC

13. Chief Operations Office Update

DISCUSSION

Mr. Dale Richardson, Chief Operations Officer, introduced himself to the DIR Board members.

He explained that he is responsible for leading and serving the Technology Sourcing Office (TSO); Data Center Services (DCS); Communications Technology Services (CTS), and the Program and Planning Management Office (PPMO). He said that he takes this responsibility seriously and looks forward to working with the Board and the teams on these important programs to meet DIR's goals and objectives for the State of Texas.

Mr. Richardson said that in keeping with Mr. Kimbriel's tradition, he would call up the directors from each program area to provide the Board with status for FY15 Q1.

Mr. Richardson introduced Mary Cheryl Dorwart, Director of the Technology Sourcing Office. After more than 30 plus years of service with CPA and DIR, Ms. Dorwart recently announced her retirement at the end of the month. She plans to spend more time with her family and friends in New Mexico. Her expertise on contracting in the State of Texas has been second to none. On behalf of everyone at DIR, we will greatly miss her.

Mr. Bacarisse added that in the time that Ms. Dorwart has been with DIR, he has seen tremendous improvement in contracting operations, as well as the cooperative contracts program. He did not realize that Ms. Dorwart had contributed to the national procurement guide, which indicates she is well respected in her field. Certainly, she has focused on initiating the popular DBITS program and was also on point for the first multi-state contract that we enjoy with the state of Oklahoma. Mr. Bacarisse said that her teammates will miss her, and DIR will miss her expertise. He said that he appreciated Ms. Dorwart's long service to the people of Texas. His closing words were, "I salute you, thank you, and am jealous that you will be spending more time in New Mexico."

TOPIC

14. Technology Sourcing Office Update

DISCUSSION

Ms. Mary Cheryl Dorwart, Director, provided an update on the Technology Sourcing Office.

Ms. Dorwart thanked Mr. Bacarisse and Mr. Richardson for their kind words. She said that when working in state government, you work with a cadre of passionate individuals about this kind of work. She expressed appreciation for the support from *Mr. Bacarisse, Mr. Troilo, and Ms. Rohm*, for support on the subcommittee. She also expressed her appreciation to Mr. Kimbriel and Mr. Richardson for the support she has received from DIR.

Total sales for Q1 of FY 15 were \$555.4M, which is a 16% increase from FY 14. Top customers were HHSC (\$47.1M) TxDOT (\$13.2M), Houston ISD (\$45.9M), University of Texas MD Anderson Cancer Center (\$21.7M), and City of Austin (\$19.6M).

Ms. Dorwart updated the Board on RFOs of interest, including first time RFO-mobile device management products and related services (posted February 9; offers due March 26); law enforcement IT hardware, software, and services RFO (to be posted in February-first time RFO built in conjunction with TxDPS, Texas Department of Criminal Justice, and other law enforcement agencies to meet their specialized needs), and software products and related services RFO (to be posted in February). We received 18 responses on the multifunction devices (including 3D printers) and managed print services RFO. The RFO for education IT software products and related services is currently in negotiation.

Ms. Dorwart gave an update on the Historically Underutilized Business (HUB) Program. She announced that we had met 100% of our HUB goals in other services and commodities. We are tracking very well this year. Also, at our last meeting, she mentioned that we thought we had done well, but the report was not official. We ended the year #18 in the agencies who spent \$5M or more with the greatest HUB percentage spend. This is a significant accomplishment for DIR to be in that top 25 agency category. There was much hard work by Lynn Sanchez and Lisa Maldonado, our HUB coordinators. Also, in our external purchases, we had a 31.4% increase in spend over FY14 in our statewide contracting program. From a good faith effort perspective, Ms. Dorwart pointed out that there are 3 separate events that are focused on our veteran HUBs, a relatively new category that has been brought into the HUB program. Lisa and Lynn will attend economic opportunity forums in Fort Bliss (El Paso) and Fort Hood (Killeen). Again, she mentioned that the hard work of our HUB program coordinators has been paying off for our internal numbers. She acknowledged John Hoffman and the Communications Technology Services division for their hard work and contributions to the success of the HUB Program, as well. In FY14, we achieved an overall HUB percent utilization of 26.25%, which is a really significant rate. It is over our 13.75% in FY13 performance. John's efforts have paid off by encouraging his team to seek out those HUB opportunities when making purchases.

Mr. Troilo thanked Ms. Dorwart for her report and years of service. He asked her to touch on the targeted subcategories that area where we do not always show a lot of activity.

Ms. Dorwart explained that we see very little activity in special trade construction. If we do, it is because we have moved a wall in a big building or moved cubicles. Financial and accounting services fall under professional services. While we do have outside contracts for accounting services, at this point, we have not had any expenditures.

Ms. Rohm thanked Ms. Dorwart very much.

TOPIC

15. Data Center Services Update

DISCUSSION

Mr. Richardson introduced Ms. Sally Ward, Director, Data Center Services.

Ms. Ward provided an update on Data Center Services (DCS).

Ms. Ward discussed the customer scorecard, which is a monthly scorecard where our customers rate the performance of our vendors in the DCS program. Our overall scores continue to be stable, and we continue to improve slightly. Our focus is on stronger measurements and improvements with recurring issues that are causing dissatisfaction. Then, Ms. Ward discussed the service level agreement (SLA) performance, which are our measurements of our vendors' performance against their requirements. Our SLA achievement remains consistently high at the enterprise level. In consolidation, we continued to improve our consolidation percentage. At the end of the Q1, we were at 58%. We are trending up towards 61%. We are on target to reach our 75% goal by the end of the program, which is in August 2016. Finally, our total servers built (metric used as an indicator for productivity within the program) number varies by month, but is on the same average trend, and we are maintaining our productivity.

Mr. Troilo asked what Ms. Ward sees as the continued trend of the consolidated server compute that is being addressed and the transition going forward. Is it an upward trajectory, is it leveling off, or are we starting to see where we are addressing the greatest needs to where they are more manageable.

Ms. Ward explained that the trends are remaining very positive. We are trending approximately 10% per month annually to consolidate into the data center, which brings in the improved hardware and current software standards. We are also seeing a trend in virtualization which was one of the original program goals to virtualize disparate agencies' data centers which provides financial benefits in hardware and service delivery. Our trends are hitting those virtualization targets, as well. Overall, our goal is to get above 70%. We are there in the consolidated data centers. We will see more virtualization as we move out of the legacy data centers. It is all trending to higher levels of hardware security and consolidation standards. Mr. Richardson added that when the program first started, we did not have consolidation demand from the agencies, but the consolidation pipeline is now full, and we see the pipeline staying full between now and the end of the program in 2016. Mr. Richardson explained that the agencies are engaging, even at the business unit level, to consolidate, which is what we needed to meet our consolidation goals.

Mr. Pickering said that at a recent DCS subcommittee meeting, the significance of consolidated server compute was discussed, and he also mentioned that Xerox has solid its IT outsourcing business, to include this data center services contract, to Atos. He thinks that Atos should understand the services required, etc., before we consent to Xerox assigning this contract to Atos, but he thinks that there is opportunity to explore what other kinds of benefits Atos may deliver with the assignment of the contract.

Mr. Richardson explained that Atos' core strength is managed IT services. DIR is going through its due diligence process to determine whether to consent to Xerox assigning the contract from Xerox to Atos.

Ms. Ward said that the Business Executive Leadership Committee (BELC) is involved in this review. We are also making sure that we have assurances that the transition will do no harm to our customers. In addition to that, we want to understand how the transition will

affect the employees of Xerox that will transition to Atos because the intent is all the employees would remain the same, so there would be no change in service for a customer.

TOPIC 16. Communications Technology Services Update

DISCUSSION: Mr. Richardson introduced Mr. Wayne Egeler, Director, Communications Technology Services.

Mr. Egeler gave an update on Communications Technology Services (CTS). He shared network upgrades for FY15-Q1. As we continue to see capacity increase from our customers, we are staying ahead of that demand by increasing the capacity on the Austin Metropolitan Area Network (AMAN). The internet capacity and security network upgrade (due to customer demand) has been completed. We were able to work with our vendors. The VoIP platform software upgrade is completed. We are in the process of finalizing a communications plan for our VoIP system. After session, we are anticipating agencies moving over to our VoIP platform from the current PBX. Texas Tech University (Austin office) has participated in a pilot on this. The facility upgrades at the Network and Security Operations Center (NSOC) have been completed by the Texas Facilities Commission. The cooling system was upgraded and the fire suppression system was upgraded to a dry agent. The power from underneath the floor has been placed overhead, which will allow us to quickly turn up customers as many of them utilize the facility for disaster recovery. This will also allow us to complete the power work ourselves, instead of relying on TFC. We have increased physical security, which included additional cameras, as well as placing hard walls around the network equipment. As we continue circuit migration from the legacy network to the multi-protocol label switching (MPLS) network, 90 circuit orders were completed on the legacy ATM/frame relay. Migration is completed on the legacy state shared network (ISG network). We had a total of 4500 circuits and have 900 left. This has been a joint effort of hard work by the team, vendors, and customers.

Mr. Egeler reviewed TEX-AN customers and purchases for Q1 FY15. TEX-AN customers have increased 6% since Q1 FY14. There was also a 3% increase in TEX-AN purchases. The big jump was in education for both customer and purchases.

TOPIC 17. Program and Portfolio Management Office Update

DISCUSSION Mr. Richardson introduced Ms. Leah Folgate, Director, Program and Portfolio Management Office (PPMO).

Ms. Folgate briefed the Board on activities in the PPMO. In Q1, the PPMO had a project volume as they were managing 22 projects. In alignment with the PPMO mission to support our divisions to driving the DIR mission forward, 63% of those projects were for improving operational efficiency and 36% were for promoting and providing cost-effective technology and solutions to our customers. Two projects mentioned that provide services to our customers are 0365 Program Support and the Austin Metro Network Upgrade. One of her project managers assisted the DCS program manager delivering those services to customers in 0365. The remaining projects were all related to enhancing operational efficiencies within the division, continuing to strive to pass along those efficiencies on to our customers. One project mentioned as a highlight is a project called the project manager self-assessment tool that was developed in house to assist us with doing a self-assessment. This tool is used to assess our project management capabilities and practices across 501 best practices that are industry-standard. This information helps to identify the maturity level in project management and identify opportunities for improvement, which gives us

the ability to continue to drive up project management practices and deliver value resulting from successful projects that we execute.

Mr. Mattax asked Ms. Folgate to talk a little more about the project management tool.

Ms. Folgate explained that Project Management Institute published a standard called Organizational Project Management Maturity (OPM3). In that standard, they published 501 best practices. It crossed all 3 domains: project, program, and portfolio and covered 18 infrastructures, stabilizer, or enablers. This allowed a project management organization to look across their organization and determine how well those best practices are fulfilled. It is a very complex model, and the tool was extremely expensive, so we developed an in-house Access database with the support of our IT organization to do a sample set of an assessment throughout the entire organization against these 501 best practices and the 18 organizational enablers. The output allowed us to understand our maturity level and identify opportunities for improvement across the entire organization.

Mr. Mattax asked if that project management tool was for IT only or for all types of project management.

Ms. Folgate answered that it was project management of all types.

Mr. Mattax asked if this could be shared with other agencies.

Ms. Folgate said that this tool could be shared with other agencies. There are only 2 certified OPM3 project managers in the United States. It was extremely expensive to hire a consultant, so it is well-known that many organizations do not embark on this level of an assessment due to the cost, and there are few certified to do this. The results of this and the tool we have developed is certainly leverageable to other agencies, and this information can be shared.

Mr. Mattax asked Ms. Folgate to talk with a few agencies and determine interest in using what DIR had done with OPM3 to see if it was something that could be used in their organizations to identify improvement opportunities in their project management best practices. He asked that Ms. Folgate discuss her findings at the June 4 DIR Board meeting.

TOPIC	Public Testimony – No Public testimony.
DISCUSSION	Mr. Kimbriel recognized Mr. Richard Moore, Mr. Robert Pickering, and Mr. Arthur Troilo. Their terms expired on February 1, 2015, and they continue to serve on the Board.
MOTION	A motion was made to adjourn the meeting by <i>Mr. Pickering</i> and <i>Mr. Troilo</i> seconded the motion.
ACTION	The meeting adjourned at 12:07 pm.

Approved by the Board Chair:

Charles Bacarisse, Chair

Date