

**DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING**

Thursday, October 27, 2016, 10:00 a.m.

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

MINUTES

PRESENT Linda Shaunessy (Board Chair)
Rigo Villarreal
Stuart Bernstein
Charles Bacarisse
Jason Boatright
Ben Gatzke
David Mattax, *ex-officio*
Darren Anderson, *ex-officio*

ACTION *Ms. Shaunessy* called the meeting to order at 10:05 a.m., with a quorum present.

TOPIC **2. Board Administration**

Consider approval of meeting minutes from the August 18, 2016, Board Meeting.

MOTION A motion was made to approve the previous meeting minutes by *Mr. Villarreal* and seconded by *Mr. Bacarisse*.

ACTION The minutes were unanimously approved.

TOPIC **3. Executive Director's Report on Agency Performance**

Ms. Stacey Napier gave the board a brief report. Ms. Napier thanked Ms. Shaunessy and congratulated her on the new position as Board Chair. Ms. Napier welcomed the two new board members and extended sincere thanks for their willingness to serve on the DIR Board.

Ms. Napier continued: There are many ways you can contribute as a board member, the most impactful in my opinion is in the subcommittee process, where you get to interact with DIR program staff in various areas. I will be reaching out to you, along with the Chairwoman, to assess any specific areas of interest you might have. Subcommittees meet in the months and weeks leading up to the board meetings, and it's a chance for board members to do a deeper dive into some of the issues we discuss at the meeting. I know you will not be shy in asking us for more information or detail, just know the staff and I stand ready to assist in any way as you settle in to this new role.

Also, a quick thank you to the ex officio board members who will be off the board on February 1st, Mr. David Mattax, Mr. Bowden Hight and Mr. Darran Anderson. I know that you take on this role in addition to many other demands on your time, and I just wanted you to know that I have truly appreciated your wise counsel in these first nine or so months on the job and I will likely still call on you for advice even without the official title. For the new board members' information, the next three ex officio members will come from Texas Department of Criminal Justice, Texas Parks and Wildlife Department and Texas Education Agency.

A good bit of our time the last couple of months has been spent preparing DIR to head into the 85th Legislative Session. We have finalized and submitted several major reports, including:

- Legislative Appropriations Request
- Legacy and Cybersecurity Prioritization Report
- Identity and Access Management Report
- Biennial Performance Report

In addition, we had our first official budget hearing with staff from the Legislative leadership and several members' offices. That meeting has resulted in several follow up requests for information and those are ongoing and getting more frequent week by week. I believe that DIR will again be a trusted source of information for legislative budget writers as they evaluate IT budget requests from agencies and institutions of higher education.

We continue to see successes in the Data Center and it continues to impress. In our last board meeting, we celebrated the achievement of the 75% consolidation milestone, and today our DCS program update will have some impressive statistics to report regarding service level achievements.

Ms. Napier introduced the new employees. The next board meeting will be February 23, 2017.

TOPIC

4. Finance

DISCUSSION

Mr. Nick Villalpando, Chief Financial Officer, provided a finance update. For 2016, we budgeted \$35.2 million, once we collected from our customers and made payment to service providers, we ended the year collecting around \$32.2 million. The operating revenue for fiscal year 2016 was approximately \$3 million (8.4%) under budget due to customer demand for DIR services not meeting original forecast. Total operating expenses for fiscal year 2016, \$31.4 million was approximately \$2.5 million (7.3%) under budget primarily due to savings in salaries and professional fees.

Mr. Mattax asked: Basically you were \$3 million short in projected revenue and you made it up by reducing administrative expenses and you could you do that. How sustainable is that for next year? Are you going to ensure the revenues covers the expenses? Please tell us a little about it.

Mr. Villalpando responded: We do monitor every month and adjust where we can but we do have some significant procurement activities we have planned this year. We have looked at our forecast and further reduced in terms of the operating revenues that we had anticipated. Going into fiscal year 2017 at already planned lower revenue amounts than what we originally communicated in our LAR, so there it's already taken into consideration in the operating budget looking at what we have for fiscal year 2017. It is not sustainable very long and we monitor it monthly; we will delay planned projects/activities if we need to and report it back to the board and leadership. DIR ended the year with \$2.7 million in the fund balance, maximum amount we can carry is \$4.5 million.

Mr. Bacarisse asked: If our agency exceeds the maximum cap on the fund balance then our agency will refund the difference back to the customer agencies.

Mr. Villalpando responded: yes, that is correct.

In August, we brought an operating budget to the board for consideration and approval. That operating budget included amounts for DIR to utilize outside staffing services. From time to time agencies may have a need to engage outside staff augmentation contracts to temporarily support agency initiatives. DIR's operating budget included approximately \$855,000 for staff augmentation

services. We do have a request to increase the amount we initially budgeted to increase an additional \$205,000. The increase will be going to Chief Procurement Office (CPO) for support for additional procurement activities as well as some projects going on in the Chief Technology Office (CTO).

Ms. Shaunessy asked: This additional resources are being put into the CPO and CTO. Are you sure the needs will go away within the time period? It will not be recurring? Are they for specific projects and once the project is done the need will not be there?

Mr. Villalpando responded: yes that is what we are planning. This will be a temporary item, if it looks like it is not turning out that way then we will need to reconsider our FTEs.

Ms. Napier also commented: the duties that the temporary staff is doing will be basically to free up the time of full-time staff who have that knowledge base, when the temporary staff leaves we are not losing the knowledge base of the person who was there. We are making sure that the duties given to the temporary staff will stay temporary and freeing up our staff to handle the large procurements.

Ms. Shaunessy asked: do you expect this to result in increased revenue with these additional positions.

Mr. Villalpando responded: no.

MOTION A motion was made to approve Request to Increase Use of Outside Staff by *Mr. Villarreal*, then seconded by *Mr. Bernstein*.

ACTION The motion was unanimously approved.

TOPIC **5. Internal Audit Update**

DISCUSSION Ms. Lissette Nadal-Hogan, Director of Internal Audit, provided the board an update on FY2016-Q4 Internal Audit Annual Plan. Assurance Audits - DIR Governance Assessment and DIR Ethics Evaluation were completed in that quarter and presented to the board for approval at the previous board meeting. The Enterprise Contract Management Audit was scheduled to be completed in August, but is pending management responses. This report will be provided to the subcommittee the next month for approval and to the board at the February meeting.

Ms. Nadal-Hogan discussed the FY17 Internal Audit Annual Plan, which will be presented to the board for approval. DIR Internal Audit prepared this report that documents the agency's Fiscal Year 2017 Internal Audit Annual Plan. The plan resulted from the execution of the implemented risk assessment process and was developed with input from the DIR Board and Executive Leadership. The plan describes the priorities of the Internal Audit function for Fiscal Year 2017, which are aligned to the agency's goals and Internal Audit 's goals.

These priorities include:

- Tier 1
 - DCS Vendor Management and Performance
 - Capital Complex Telephone System (CCTS) Operations
 - Network Security Operations

- Tier 2
 - Statewide Accessibility Coordination Program

Mr. Anderson commented: you have 300 hours budgeted for additional projects, please explain to the new board members.

Ms. Nadal-Hogan responded: we set a number of hours aside just for special requests that could result from Board members and the Executive Director. We have 300 hours for that purpose.

MOTION

A motion was made to approve the FY17 Internal Audit Annual Plan by *Mr. Villarreal*, then seconded by *Mr. Bernstein*.

ACTION

The motion was unanimously approved.

DISCUSSION

The purpose of the Internal Audit Annual Report is to provide information on the assurance services, consulting services, and other activities of the Internal Audit function and to assist oversight agencies in their planning and coordination efforts. The DIR Fiscal Year 2016 Internal Audit Annual Report has been prepared in accordance with the SAO guidelines and will be published on the DIR website, as required.

We had a very successful year and completed all planned projects with the exception of the DCS Vendor Management and Performance which we carried forward to the Fiscal Year 2017 Annual Plan and the Internal Audit External Assessment (Peer Review) which is pending issuance of the Enterprise Contract Management Report. We anticipate to present the Enterprise Contract Management to the Finance and Audit Subcommittee and to the DIR Board during the next meeting, scheduled for February 2017. We also anticipate presenting the results of the annual assessment to the Finance and Audit Subcommittee in December and to the DIR Board in February 2017.

The annual report was reviewed by the Executive Director and pre-approved by the Finance and Audit Subcommittee.

Ms. Shaunessy asked: are there any specific concerns that you would like us to be aware of?

Ms. Nadal-Hogan responded: we have no specific concerns at this point. One of the important things that we will communicate to the State Auditor's Office in this report is all the risk that was identified in the risk assessment process has been addressed. We successfully included Tier 1 and Tier 2 audit projects on the annual plan to address all the high-risk assessment areas that came from the audit material that we reviewed. to address the risk. SAO requested us to communicate whether any of the projects included in the plan and the report addresses the requirements of Senate Bill 20. We have identified two projects for that purpose.

Ms. Shaunessy asked: what are those two projects?

Ms. Nadal-Hogan responded: DCS Vendor Management and Performance Audit and the Technology Architecture Audit.

Ms. Shaunessy asked: did the SAO make any other statements or findings?

Ms. Nadal-Hogan responded: no

Mr. Mattax asked: you mentioned the Peer Review, can you explain what the Peer Review is and what the standard is?

Ms. Nadal-Hogan responded: The Yellow Book requires a Peer Review every five years, this are the government standards. The Red Book requires peer review every three years and since we must comply with State of Texas Internal Audit Act, both books are taken into consideration. We take a strict approach and get an assessment every three years. A team of independent auditors, which can be another agency Internal Audit team, comes onsite and looks at the Internal Audit functions to verify Internal Audit is performing in accordance with the auditing standards as required by both books. They submit an opinion at the end of their assessment. It could be 1 of 3 opinions: 1 – general confirms or pass, 2 – pass with deficiencies, 3 – fail. They select an audit project for review and do a detailed review. The review includes e.g. what was the report, did the audit report address the audit objectives and look at risk assessment.

MOTION A motion was made to approve the FY16 Internal Audit Annual Report by *Mr. Villarreal*, then seconded by *Mr. Bernstein*

ACTION The motion was unanimously approved.

TOPIC **6. Chief Procurement Office Update**

DISCUSSION Mr. Hershel Becker updated the Board on the Chief Procurement Office. Mr. Skip Bartek, Contract Manager Enterprise Contract Management, joined Mr. Becker to discuss the TEX-AN contract amendments. The HUB Coordinators will join to present the HUB program including the background, goals, and outreach efforts.

Mr. Becker discussed the consideration and approval of TEX-AN contract amendments for Time Warner Cable and Verizon Business Network Services, Inc.; which update contract terms and extend the contracts for three years through 2019. Mr. Becker discussed the summary of Amendment #3 to the TEX-AN agreement with Time Warner Cable Texas, LLC. This is a zero-dollar amount amendment. The contract amendment term would be November 10, 2016 – November 10, 2019. This amendment extends the contract for an additional 3-year term and adds additional contract terms and conditions based on audit findings.

We have an opportunity throughout the year to look at the rates that are charged under these contracts, without major amendments. The rates have always gone down. It is based upon competitions between our contracted vendors as well as benchmarking we have every year. The total spend for the Time Warner Cable contract in FY2016 is \$3.7M.

Mr. Becker discussed the summary of Amendment #3 to the TEX-AN agreement with Verizon Business Networks. This is a zero-dollar amount amendment. The contract amendment term would be December 22, 2016 – December 22, 2019. This amendment extends the contract for an additional 3-year term and adds additional contract terms and conditions based on audit findings. The total spend for the Verizon Business Networks contract in FY2016 is 552K (through Q3) and additional 150K in Q4 totaling \$703K.

Mr. Becker requested approval of TEX-AN contract amendments for Time Warner Cable and Verizon Business Network Services, Inc.

Ms. Shaunessy asked: The total amount of the contract is not increasing; are you just exercising renewal options on the agreement?

Mr. Becker responded: Yes, that is correct.

Ms. Shaunessy asked: You said that you made certain changes based on audit findings. What certain changes, did Audit request, did you make?

Mr. Becker responded: Generally, the key changes are listed under key terms on the summary sheet. Mr. Bartek will discuss those terms that have to do with the audit findings.

Mr. Bartek stated: This has to do with the establishment of management fees for vendors who aren't performing or non-compliant with the contract and late payment for Cost Recovery Fees that aren't paid on time.

Ms. Shaunessy asked: Does that mean if an agency is late in paying...is that under the prompt pay act?

Mr. Bartek responded: No, this has to do with the vendors paying their cost recovery fees in a timely manner.

Ms. Shaunessy asked: So, if they're not on time paying you, then you charge them interest. Is that in all your contracts, or is that something you're adding.

Mr. Bartek responded: I believe that it is going into all our contracts.

Mr. Gatzke asked: Are any of the contracts terms not in the department's favor?

Mr. Bartek responded: No

Ms. Shaunessy asked: Is eVerify one of the things that you are adding to the agreement? Is it one of your goals to add it to all agreements?

Mr. Bartek responded: yes, yes.

Ms. Shaunessy asked: What is Cost Avoidance?

Mr. Bartek responded: Cost Avoidance is what we use to determine whether DIR is getting the best rate.

Mr. Becker commented: we've worked with Legislative Budget Board to identify what that methodology is. It's basically looking at what other services are available for in the market place and comparing rates.

Ms. Shaunessy commented: I'm glad that you've been consulting with the LBB, that's always great.

Ms. Shaunessy asked: is the Executive Director in agreement with both amendments

Mr. Becker responded: yes, and we've also discussed these in the subcommittee meetings.

Mr. Mattox asked: is the language the same in both amendments?

Mr. Becker responded: yes

MOTION A motion was made to approve Amendment #3 to TEX-AN Agreement with Time Warner Cable Texas, LLC to November 10, 2019 by *Mr. Gatzke* and seconded by *Mr. Bernstein*.

ACTION The motion was unanimously approved.

MOTION A motion was made to approve Amendment #2 to TEX-AN Agreement with Verizon Business Networks to December 22, 2019 by *Mr. Gatzke* and seconded by *Mr. Bernstein*.

ACTION The motion was unanimously approved

Mr. Becker presented an update to the board on the Cooperative Contracts Program. A graph presented showing FY15 and FY16 numbers for Cooperative Contracts, by channels. The top two bars represent the total and the subsequent bars represent each of the channels in decreasing order. K-12 is our largest channel, followed by State Agencies, Local Government, Higher Ed, out of state and assistance organizations. A table second table has the same information with the actual numbers presented with variances from FY15 to FY16 in terms of dollars and percentages and it also represents the total percentages of sales for that particular channel. The third table at the bottom represents our customers with the largest sales for FY16. For those same customers, the table includes FY15 sales along with the variance in terms of dollars and percentages. We are down 4.8% in sales for cooperative contracts from FY15-16. You can see by channel what makes up those numbers.

Ms. Shaunessy asked: Why do you think there is a lower rate for out of state?

Mr. Becker responded: I don't have information available. Sometimes these are one purchases. Sometimes its seasonal. You may see one year dip and the next year come back up. We can find details behind those numbers if you would like.

Ms. Shaunessy asked: I'm just curious, because it was a more substantial drop than the rest. Was it that some states were not purchasing through you all anymore or was it just reciprocal?

Mr. Becker responded: As a percentage, its relatively high and looking at the actual dollar amount, it's about \$2M.

Ms. Shaunessy asked: Do you have any plans to change the variances to increase over this next fiscal year?

Mr. Becker responded: No strategy in terms of that, we make the contracts available to our eligible customers and we encourage the use of those, but not particular strategy with respect to channels.

Mr. Bernstein asked: What going on with the city of San Antonio, that the variances are spread so wide?

Ms. Napier commented: State agencies are required to use the contracts unless they get an exemption. The other channels, such as K-12 and local governments are not required use them. To Hershel's point, we find out about through the vendor sales report, kind of after the fact. There's not a requirement, it's a manual process that we include.

Mr. Becker responded: Ms. Dana Collins has more information. In terms of San Antonio, their hardware purchases went up from \$6M to \$13M over the year, software went up from 10.8M to 16.8M and computers went up \$5.7M to \$11.3M.

Ms. Shaunessy asked: What do you attribute your good success to?

Ms. Collins responded: Word of mouth seems to be the thing that particularly works in our non-mandated customers. The use of our contract generally filters from the different industries and word of mouth. We've had success in one area. Also, the increases generally, there may be money allocated to a particular project and that project is done based on a fiscal year schedule. That may also be what is occurring as well.

Ms. Shaunessy asked: Do you attribute any of it to a certain outreach programs; that you have informed the different cities or areas that you have contracts available?

Ms. Collins responded: We take the opportunity to perform that outreach. I couldn't speak specifically to that city where there's been an impact or not regarding outreach.

Mr. Becker responded: There may be sort of an indirect impact in terms of the HUB outreach that we do. We have a presence in San Antonio and other areas of the state. Entities such as City of San Antonio are likely at those conferences, and our presence, indirectly encourage its use of our contracts.

Ms. Shaunessy asked: When you see a dip, is there any kind of strategy or plan about changing the dip?

Mr. Becker responded: I don't know about changing the dip, but certainly understanding the dip. These numbers are relatively new in terms that we were just able to close out FY16. We get our sales data, basically about a month after the year closes. At this point we have the numbers and we can go in and start looking for some trends or some things that may have actually impacted the numbers.

Mr. Anderson commented: I think it's fair to note, at least in-reference to the state agencies; that SB20 and the threshold that was set by that, certainly impacted the flexibility to use these type of contracts, versus completely open contracts. I think what you'll see at least in the larger agencies and the larger contracts, it's a movement of where the contracts are implemented.

Mr. Becker commented: It will be interesting to see how SB20 affects us over time. Certainly, agencies knew that SB20 was effective September 1, 2016. Agencies had an opportunity to do purchases by September 1 for FY16, so over time we may see that its gone down. It will be interesting to see if the Legislature will do anything with respect to our \$1M cap on cooperative contracts.

Mr. Gatzke asked: To what degree are sales down based true cost of services or actual provision verses consumption?

Mr. Becker responded: We do not think it's based on cost of services. I think it's more seasonal. Higher Ed. has also decreased and is not subject to SB20, although we are hearing that at least certain institutions are voluntarily complying with SB20.

Mr. Becker updated the board on the Chief Procurement Office priorities. We have roughly 60 procurements that we are tracking. Those procurements are for cooperative contracts as well as enterprise contracts. Enterprise contracts are the larger and more complex procurements, which take more staff time. We are working with other offices within DIR to make sure that we have sufficient resources aligned to those procurements. The need for additional resources are certainly

driven by the enterprise procurements. Under Data Center Services we have the Managed Application Services and Managed Security Services active procurements.

The need for additional resources are certainly driven by the enterprise procurements. Enterprise procurement for example are Data Center Services we have the Managed Application Services, Managed Security Services, Tex.gov and the multisource intergrader contract.

In terms of the specific needs for the additional staff augmentation resources, we are tracking those 60 procurements, while making sure we are resourcing them appropriately. More importantly, along with all the subject matter experts of those procurements, we are looking to designate a dedicated procurement lead. I understand the tight budget we have and the full-time employee cap; we are making sure we are best utilizing the additional resources. We have not moved forward with posting those yet. We want to make sure that we understand the procurements and the schedules and how we can be use those resources. We may use them to be a procurement lead, which would be project based. We may also use them to backfill contract managers, so that they can work more on the procurement, so that we're are not losing any skills when they leave.

DISCUSSION

Ms. Lisa Maldonado and Ms. Lynn Sanchez updated the Board on the Historically Underutilized Business (HUB) Program.

Ms. Maldonado updated the Board on the DIR Internal HUB Purchases for FY16. Currently for the Q4 we are at 32.8%. The FY16 Annual HUB Report was just submitted to the Texas Comptroller's of Public Accounts (CPA). The final report is scheduled to be posted online, no later than November 15, 2016. Currently our draft numbers are at 30.2% overall, which is really, great. We are hoping to be on the top twenty-five agency list.

The Q4 External expenditure numbers we are at 34.7% and for the FY16 on the cooperative contracts we are at 36.4%.

Ms. Maldonado gave an overview of the HUB program requirements.

Why does the agency have to comply with the HUB program requirements? Who is responsible? It's a Legislative mandate. It falls under Legal authority for the HUB program. Texas state agencies are responsible.

Legal Authority for the HUB Program

- Texas government Code Chapter 2161 (TGC 2161) and
- Texas Administrative code, Title 34, Chapter 20, Subchapter B, (34 TAC 20B)

DIR's Administrative Procedures

- Texas Administrative Code, Title 1, Part 10, Rule (§201.2) - Historically Underutilized Business, Disadvantaged Business Enterprises.

DIR adopted the statewide HUB goals on October 25, 2016, based on the 2009 Texas Disparity Study and DIRs historical data. Heavy Construction and Building Construction was not adopted, but the other state goals were adopted.

Ms. Shaunessy asked: These goals were an increase to what you used for your performance before?
Ms. Sanchez responded: Our performance has increased, yes, but the goals have remained the same.

Ms. Maldonado commented: The majority of state agencies usually adopt the goals.

The HUB draft goals were compared, FY15 to FY16, our annual percentage was 41.63% this year our draft numbers are at 30.8%. The reason for the higher percentage in FY15 is because last year we went through a HUB refresh and went directly to a HUB vendor.

Ms. Sanchez commented: I believe someone asked about who finds out about how we perform where does our information go:

- HUB Utilization Performance
 - Semi-Annual and Annual HUB Reports (TPASS) (copies sent to the Governor, Lieutenant Governor, & Speaker provided by TPASS)
 - Legislative Appropriation Request (LBB and Legislators)
 - Quarterly Performance Measures (LBB and Legislators)
 - Annual Financial Report (TPASS)
 - HUB Assessment Report (TPASS and LBB)
 - DIR Strategic Plan
 - Monthly HUB Executive Briefings (Executive Management)
 - Quarterly Updates (DIR Board)

Through other additional efforts and HUB requirements and compliance we do the following:

- Targeted strategies implemented to increase HUB spend is reviewing individual reviewing individual purchase order for HUB opportunities;
- Encourage vendors that are HUB eligible to become certified by the Statewide HUB Program;
- Provide information to minority- and woman-owned businesses regarding DIR HUB initiatives;
- Educate companies about opportunities to do business with the state;
- Assist state agencies and institutions of higher education with HUB education and outreach efforts;
- Encourage vendors to register their businesses on the Centralized Master Bidders List (CMBL);
- Use the CMBL to notify HUB vendors of procurement opportunities;
- Comply with 34 TAC 20.41 concerning delegated purchases—i.e., attempt to obtain at least three (3) informal bids, including one (1) bid from a HUB (TGC 2161 does not require a competitive bid);
- Develop prime contractor and HUB subcontractor relationships through DIR's Mentor Protégé Program;
- Increase awareness of DIR procurement opportunities through the DIR website, the ESBD website, local commerce events, and statewide forums;
- Attend pre-bid conferences and provide subcontracting instructions;
- Document DIR's efforts to inform contractors and vendors about presentations relevant to subcontracting opportunities for HUB vendors and small businesses in appropriate publications (TGC 2161 and 34 TAC 20.26);
- Host and/or co-host annual economic opportunity forums;
- Coordinate networking opportunities for vendors to meet key DIR staff;

- Attend economic opportunity forums and HUB-oriented trade fairs that offer bid opportunities; and
- Identify and assist HUB vendors that need certification or re-certification.
- We follow the procurement Good Faith Effort (GFE) requirements
 - Purchases under \$5,000.00
 - To the extent possible, always award to a Texas Certified HUB
 - Purchases over \$5,000.01
 - Contact a minimum of two Texas Certified HUBs
 - Award to best value for agency
 - Purchases \$25,000.00 and over
 - Phase 1 – Pre-solicitation and Solicitation
 - Phase 2 – Response Evaluation and Award
 - Phase 3 – Contract Award Post-Award
 - Phase 4 – Contract Close-out

HUB out reaching out to those in the North, South, East and West in the state of Texas to make sure we are including all the targeted groups of the HUB program.

Ms. Maldonado stated: All this information really doesn't capture and the total expenditures and where the value of the award. We do a supplemental letter signed by Mr. Becker and all 66 conducted outreaches. The letter goes to the LBB, the Governor's Office and published on Comptroller's website. You will see all our good faith efforts that we have established. There is a very detailed list to show what DIR is doing to meet those goals and identify additional HUB vendors to partner up with the prime vendors.

Mr. Becker commented: One of the things that the Board asked us to do last time, along with presenting this information was to really make sure that we pat ourselves on the back and make sure that we demonstrate and get credit for what we've been doing. The supplemental letter certainly is a way to do that; unfortunately, we're limited to one page. Therefore, we try to put as much information about our outreach as possible to build the.

Ms. Shaunessy asked: You implemented, the first online spot bid portal on Texas.gov. How was that?

Ms. Maldonado responded: That was great! The Texas.gov group, Jennifer Buaas' group, did great! In the pass, we did it by an excel spreadsheet. The Comptroller's of Public Accounts and the Chambers reached out to us. We worked with the Texas.gov team and we were able to do everything online. The vendors could see real, live solicitations out there.

Ms. Shaunessy commented: I like that idea, because I think it's cheaper for the vendor. They don't have to take a day off.

Ms. Sanchez commented: We'll be expanding that portal next year, while capturing additional data, as far as awards are concerned, because Senator West looks at that every year and we report that data back to him.

Ms. Shaunessy commented: I do, I think that's an excellent idea, as much as you can put on line, because it's less expensive for the vendors and they don't have come for a day.

Ms. Maldonado commented: The state agencies that attended the event were very happy because they didn't have to do the excel spreadsheet.

Mr. Bernstein asked: What does a firm need to do to be considered a HUB vendor? Does the state very clearly lay out what makes a HUB Vendor?

Ms. Sanchez responded: Yes, the certifications are identified that a vendor be owned by a US citizen, or a Service Disabled Veteran as defined by 38 U.S.C. Sections 101(2) and 101(16), and Texas resident with proportionate interest and actively involved in control, operations, and management. Be owned by a US citizen who is at least 51 percent Asian Pacific American, Black American, Hispanic American, Native American, American woman, or a Service Disabled Veteran as defined by 38 U.S.C. Sections 101(2) and 101(16).

Mr. Becker commented: One of things that the team also does is when we have a bidder's conference or an RFO that goes out. They are there after that conference or forum ends. It's an opportunity for the HUB prime vendors and the HUB subcontracted vendors or even if they're priming to network, to form teaming relationships, to ask questions of the HUB coordinators about that procurement, HUB subcontracting plans, becoming certified. At one of the HUB forums, I had two vendors approach me and complement the state on how quickly they were able to become certified. Kudos to the Comptroller's Office and their HUB program to making that easy.

Ms. Shaunessy asked: Have you sent any information to Senator West's office about the performance of DIR or do that, at a later date?

Ms. Maldonado responded: We work very closely with Senator West's office. We are part of the committee with the Comptroller's office. They are the Lead, so they do provide him feedback about DIR's participation at the event.

Ms. Shaunessy asked: It just flows through the Comptroller's office?

Ms. Maldonado responded: Yes

Ms. Shaunessy asked: In summary, it looks like your numbers have consistently increased. If you look back on 6A5, your total percentage HUB, it looks like you've done an excellent job on increasing it. Do you feel like you have been meeting your HUB goals?

Ms. Maldonado responded: Yes, because we have a very strong Executive team, that are behind us. We meet with them monthly and provide them a list of our top vendors that are performing. They will come by our office and ask, "How can we help you?" They are really good at that.

Ms. Shaunessy asked: Yes

Mr. Becker commented: On 6.4, the column on the right, shows the percentage of the HUB goals achieved, you'll see that we are at 121%, 148%, 105% and 194%, so we're in most cases exceeding the statewide HUB goals for each of those categories.

TOPIC

7. General Counsel Update

DISCUSSION

Mr. Martin Zelinsky, General Counsel provided an update on the rule review schedule. The administrative procedures act requires every agency to review their rules every four years. It is presented at every board meeting to inform you where we are on the rule review cycle. On any rule

that we review, there are two supplemental groups that we meet with – Stakeholders for DIR and by law we are required to meet with Information Technology Council for Higher Education (ITCHE), they perform an impact assessment on any rule that we present.

Mr. Zelinsky presented Texas Administrative Code, Chapter 210 concerning the State Electronic Internet Portal, to clarify the processes and policies of current practices and correct typographical errors to approval for posting for public review.

Ms. Shaunessy asked: Ms. Napier are you supporting this rule.

Ms. Napier responded: Yes

Ms. Shaunessy asked: Mr. Zelinsky are you in favor of the rule change

Mr. Zelinsky responded: Yes

MOTION

A motion was made for approval to publish for thirty days in the Texas Register of the proposed amendment of 1 TAC Chapter 210 in substantially the form of the attached rules by *Mr. Gatzke* and seconded by *Mr. Bacarisse*.

ACTION

The motion was unanimously approved.

DISCUSSION

Mr. Zelinsky updated the board on the rule making petitions report, we had a large number of petitions on one topic. DIR did respond timely to all the petitioners; the petitions were rejected on the basis it was unnecessary and it exceeded our authority on the rule.

TOPIC

8. Chief Technology Office Update

DISCUSSION

Mr. John Hoffman, Chief Technology Officer, provided a brief update on the CTO. CTO continues to provide strategic direction for the agency and enterprise. We had some recent accomplishments with application portfolio management pilot and business analytics pilot that were completed. We worked and completed a framework for application development that state agencies can use; all this is in effort around Legacy Modernization.

Ms. Deborah Hujar, Director of Planning Policy and Governance, provided a brief review of the 2016 Biennial Performance Report (BPR). This is a report that we do every biennium and its part of a pair of reports we do for the Legislature. The first is the State Strategic Plan (SSP) that the board approved last November and that report set the strategic direction for IT statewide. The BRP is due to the Governor and Legislature by November 15. This report assesses progress on the priorities outlined in the SSP, describes major accomplishments and problems in the statewide technology management, makes recommendations for improving statewide technology management and describes State IT Expenditures. Ms. Hujar discussed the five strategic goals of the 2016 SSP. The recommendation we make in the BPR will revolve around the five goals of the SSP. This process takes about six months and we meet with internal staff to discuss challenges in IT, as well as needs they have to move their program forward. We work with our customers and share the information, potential recommendations and get their feedback. We talk with our advisory council and other groups around the state to get their feedback. Ms. Hujar discussed the six recommendations in the BPR.

Ms. Shaunessy asked: For recommendation 1 regarding risk, are we talking about disaster recovery or are we talking about if there was a cyberattack. What are you talking about?

Ms. Hujar responded: Agencies are required to produce an agency security plan every biennium, what goes into that plan is outlined in statute. The agency's security officer typically submits that plan to DIR, but we are not sure if the agency's business leadership is aware of any risk identified in that report. This is to ensure that everyone in the agency who is making decisions about priorities and funding is aware of the risk associated with security in the organization.

Mr. Hoffman responded: Those reports typically include response procedures for breaches and incidents, disaster recovery and certainly if there are known concerns with security.

Mr. Anderson commented: I submit ours to the entire c-level staff in the department. They can see what is being done and where we see future work to be done.

Mr. Gatzke asked: If this is a draft, or there any changes between now and November 15.

Ms. Hujar responded: We do continue to make technical substantive corrections as we do quality checks on the report.

MOTION A motion was made to approve the 2016 Biennial Performance Report by *Mr. Gatzke* and *Mr. Bernstein* seconded the motion.

ACTION The motion was unanimously approved.

TOPIC **9. Chief Information Security Office Update**

DISCUSSION Ms. Claudia Escobar, Interim Chief Information Security Officer, provided an update on the Chief Information Security Office. Ms. Escobar discussed the completed controlled penetration testing, 17 tests were completed in FY16-Q4. The InfoSec Academy includes online classes, Texas Policy and Assurance Class and industry recognized certification classes. October is Cybersecurity Awareness month, DIR is offering 4 cybersecurity courses this month. We have completed the Cybersecurity Bulk Purchases report and submitted to LBB. The Biennial Report to Leadership on the State's Information Security status was due to DIR in October and agency security plans were due October 15th. I had 15 agencies that are missing their submission, as of today, I only have five agencies. We are working with the agencies to get the security plans submitted.

Mr. Bacarisse departed the meeting the meeting at 11:47.

TOPIC **10. Chief Operations Office Update**

DISCUSSION Mr. Dale Richardson, Chief Operations Officer, updated the board on the major program accomplishments. We did achieve our goal of consolidating 75% of our agency customer's servers in legacy data centers into the state's two data centers by Aug 31st. DIR celebrated that achievement out at the Austin Data Center in September where we had several guest speakers say a few words of thanks to the teams including Representative Drew Darby from San Angelo.

DIR also held our annual Technology Forum event at the JJ Pickle center on October 11th that covered topics on both Telecom and IT for Texas Government customers. Over 300 attendees and vendor sponsors, the event received an overall satisfaction rate of 8.9 out of 10.

Our operational teams are completely aligned and engaged with our procurement teams on a few major procurements under way for providing additional shared services that we're looking forward to offering our customers soon.

TOPIC **11. Data Center Services Update**

DISCUSSION Ms. Sally Ward, Director, provided an update on Data Center Services. Service Level Attainment (SLA) - overall attainment remains strong. For the first time in program history, 100% of all critical SLAs met their target for three months in a row. Customer satisfaction with vendor performance remains relatively consistent for this period of time, and Customer Satisfaction hit 100% in September, which is not reflected in this chart. The main focus areas for improvement have been service delivery issues related to the Windows technology, backups, and software procurement.

The Windows technology service level improvement plan has been completed and current metrics show significant improvement. The backup infrastructure capacity is being expanded as more customers move from legacy backup technology to current, state-of-the art platforms, which is addressing many of the customer's concerns. Software procurement issues arising from annual fiscal year end renewals have been addressed for future renewal years.

DIR met our goal to consolidate 75% of the server compute by August 2016. We will continue to monitor our consolidation percentage and seek strategies to consolidate more of the 25% remaining in legacy data centers. DIR, as well as agencies, is required to report quarterly to the LBB consolidation percentages to ensure the program sustains and increases this level of consolidation.

TOPIC **12. Texas.gov Update**

DISCUSSION Ms. Jennifer Buaas, Director of Digital Government, provided an update on Texas.gov. Ms. Buaas discussed the FY16-4th quarter transaction and revenue trends. In Q4, there was a slight increase in transactions and revenue over Q3. This is because several driver-related applications had increased transactions during this timeframe.

The percentage of Texas.gov applications that met their SLA target for reliability is compared against the percentage of applications that missed the SLA target. Depending on the month, it varies from 81 to 94 applications being measured.

The reliability targets for June, July and August were met at 93%, 95% and 98 %. To give reference of these percentages, 85 applications were measured in Q4 and the percentages equate to 6 applications in June, 4 applications in July and 2 applications in August that missed the SLA target. We have a high service level target therefore a missed target can be a very small window.

For the past 18 months, Texas.gov has been collaborating with the Department of Public Safety (DPS) to build the Texas Online Private Security application (also known as TOPS). In early September, TOPS were launched to provide secure, web-based, online access to program services. TOPS include a new design and interface for applicants and businesses to complete all services. The original, renewal and change applications for both individuals and businesses are now submitted online. DPS is extremely pleased with the outcome of the project and has had very positive from their business users.

In the 84th Legislative session, Senate Bill 195 transferred the Texas Prescription Program from DPS to the Texas State Board of Pharmacy. Texas.gov assisted the Board of Pharmacy by developing a new application that collects information digitally and automates the workflow process. Both the agency and end users have provided very positive feedback.

Mr. Gatzke asked: Who sets the SLA for the agency?

Ms. Buaas responded: DIR does.

Mr. Gatzke asked: Are you satisfied with the levels?

Ms. Buaas responded: We have done amendments to increase the service levels as we feel appropriate. We do feel that they are set appropriately.

TOPIC

13. COMMUNICATION TECHNOLOGY SERVICES UPDATE

DISCUSSION

Mr. Wayne Egeler, Director, provided an update on Communications Technology Services. The Transport Network Software Upgrade has been completed. This upgrade allows for additional monitoring across the network and enhances our capacity management and provisioning capabilities.

The next upgrade is core router hardware, which is in the planning phase. This upgrade will bring our hardware up to the current code and provided additional memory and route processing. Our network forensic tool implementation has been completed and the system is operational. This tool will aid us in detecting Advanced Persistent Threats on the network as well as provide up to 10 days of full packet capture.

We continue to transition from our legacy PBX phone system to our Voice over IP system. We currently have over 1400 phones/soft clients transitioned. We are in the process of transitioning roughly 1300 phones for OAG in 4 buildings. We are also working with The Workforce Commission on transitioning 1200 phones.

Our customer base has increased 4 % from Q4 FY-15. Purchases have decreased 10% from Q4 of FY15. This was due largely to the decommission of the legacy data network. As the network was decommissioned, agencies consolidated telecom services which resulted in lower spend from the agencies. We also had 4 vendor amendments to our TEX-AN contracts for FY16 that lowered pricing.

TOPIC

14. STATEWIDE DATA COORDINATOR UPDATE

DISCUSSION

Mr. Ed Kelly, Statewide Data Coordinator, provided an update on Statewide Data. Over the past few months we have been busy working on several areas of the program. In June, we launched a new version of the Open Data Portal (ODP), which provided updated capabilities and an easier to use search function. Also in June, we held a ½ day education session on data related topics of interest including data governance, open data, and the ethical use of data. 125 people attended representing state, local, and federal agencies. We also continued our monthly data community meetings, which provide a forum for sharing best practices in all areas of data management and program outreach activities, which included onboarding new agencies to the Open Data Portal. In the last month, working with the Chief Data Officer (CDO) from NJ, we have an established a State CDO community group. Representatives from CA, TN, CT, CO, NY, TX as well as MIT and the White House’s Office of Science and Technology Policy have participated with a goal of sharing best practices, policies amongst states within EIM. Finally, working with the 11-member Interagency Data Transparency Commission (IDTC) chaired by the Governor’s office, we completed our report based on the requirements outlined in SB1844, which created the IDTC to review and study the data practices of Texas state agencies

The IDTC report is a major milestone in support of the Statewide Data Program (SWDP) and was based on an Executive Data Survey response from 63 out of 101 agency executive directives. Based on the survey the ITDC identified 12 recommendations in 6 areas. The hope is that this report will continue to shine the focus of the SWDP and the efforts to continue to drive good data management

practices and increased data sharing opportunities to our constituents and throughout Texas state agencies.

We are currently working within DIR on releasing an RFO which will expand the training already within the security program to include data management training. Having a formal data management training program was highlighted numerous times in the responses from the executive directors on the IDTC survey. We also continue to hold our monthly Texas Enterprise Information Management (TEIM) data community meetings. Attendance continues to be strong from the agency side with anywhere from 25-40 people attending, representing anywhere from 20-25 different agencies. Within the TEIM group we have broken out subcommittees, who are focusing on specific areas of interest. We continue to support agency requests and initiatives by consulting on topics of data governance, data quality, open data publishing and GIS data sharing initiatives. Based on the success and interest of this past years' conference we have started planning the 2017 conference for a target June 28, 2017.

TOPIC **15. Public Testimony**

No public testimony

TOPIC **Executive Session**

ACTION *Ms. Shaunessy recessed to executive session at 12:10 p.m., pursuant to the Texas Open Meetings Act, to consult with its attorney pursuant to Section 551.071, Government Code, and to consider Information Technology Security matters under Section 551.089, Government Code. No actions will be taken.*

DISCUSSION **Discussion of Executive Session**

Ms. Shaunessy called the meeting back to order at 12:35 p.m., following the executive session. A quorum of the board was present. The board did not vote or take any action in the executive session. Ms. Shaunessy continued with the agenda.

Mr. Anderson commented the board what a privilege to serve as ex-officio on the board and serve with your staff. We at TXDOT think this ex-officio process is a fine example of spirit and actual realization of openness and cooperation among the agencies. It has been a fantastic opportunity. Mr. Anderson invited the board and staff to TXDOT's Commission meetings. It's very interesting on how different and unique our process is verses your process. It has enriched our integration as well as shared best practices. I take things from your board meeting and say you know they do this in their board meeting and maybe we should consider that as well. I hope my input was helpful to both your organization as well as the state.

We looking forward to several things that were mentioned today, I believe we are one of the anchors, it relates to data center services consolidation. I think we have a good 1-2-year plan to make it happen. I think the 75% is going to go beyond that. We also heavily interested in your portfolio management pilot that you recently did. I think there is opportunity for us to be next on the list. Enterprise Information Management, we initiated this about a year ago, and really excited about where you are going with it. I ask for right of first refusal to future pilot projects, we would like to be considered for those opportunities. Thank you to the board and all of you for the opportunity to serve on the board.

Mr. Mattax also thanked the board and staff. It's has been a lot of fun and I will still be around to annoy you guys.

MOTION A motion was made to adjourn the meeting by *Mr. Gatzke* and *Mr. Bernstein* seconded the motion.

ACTION The meeting adjourned at 12:38 am.

Approved by the Board Chair:

Linda Shaunessy, Chair

Date