DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING

Thursday, February 23, 2017, 10:00 a.m.

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

MINUTES

PRESENT	Linda Shaunessy (Board Chair)
	Rigo Villarreal
	Charles Bacarisse
	Ben Gatzke
	Melody Parrish, *ex-officio*
	Dawn Heikkila, *ex-officio*
ACTION	*Ms. Shaunessy* called the meeting to order at 10:01 a.m., with a quorum present.
TOPIC	**3. Board Administration**
	Consider approval of meeting minutes from the October 27, 2016, Board Meeting.
MOTION	A motion was made to approve the previous meeting minutes by *Mr. Bacarisse* and seconded by *Mr. Villarreal.*
ACTION	The minutes were unanimously approved.
TOPIC	**4. Executive Director's Report on Agency Performance**

Ms. Stacey Napier gave the board a brief report. Ms. Napier welcome the new ex-officio board members (Dawn Heikkila (Texas Parks and Wildlife Department), Melody Parrish (Texas Education Agency), Bryan Collier (Texas Department of Criminal Justice). Mr. Collier was unable to attend due to a last minute legislative hearing. Activity around DIR has absolutely stepped up since the Legislature's arrival, we have been spending a whole lot of time over in that big pink building

We are about seven weeks into the legislative process. As of this morning, there have been 3,292 bills filed, so that number is probably already out of date. DIR is tracking close to 100 bills, ranging from technology changes, contracting, cybersecurity as well as bills with state agency general impact. DIR is tracking any bills that would affect us or our customers. The bills are on our website for anyone interested and we try to keep the board informed as the bills move through the process.

Governor Abbott announced a hiring freeze at the State of the State as it relates to state agencies that are not directly related to public safety or statewide elected officials. DIR historically loses between 25-35 employees each year, which is under the state average percentages. The hiring freeze is effective January 2017 until the end of the fiscal year. DIR stands to lose about 20 employees, this can mean up to 10% of our workforce. There is an exemption process, it is something we have been watching very closely. We can't replace the vacancies unless we receive a waiver from the Governor.

DIR has testified before Senate Finance and House Appropriations Committee for Cyber briefing – PCLS Report and Information Security Report, HAC subcommittee –cloud questions and Data Center Services (DCS). DIR has been very well received and got a lot of good questions and will continue to work with the committees going forward. Ms. Napier discuss what's in or not in as it relates to our Legislative Appropriations Request (LAR). DIR requested texas.gov flow of funds be incorporated through the DIR bill pattern, it was included in both bills. DIR also requested methodology for our fund balance change, it was included in both bills. DIR recommended some structural changes on how our agency goals and strategies were laid out, it was incorporated to both bills. Then in both bills the cost of services side of the house was fully funded. The items that didn't make the cut was funding related to Application Portfolio Management (APM) and a data coordinator support.

Ms. Napier introduced the new employees. The next board meeting will be June 1, 2017.

TOPIC	**5. General Counsel Update**
DISCUSSION	Mr. Martin Zelinsky, General Counsel presented to the Board, rules for consideration. State agencies are required to review each of their rules at least every four years, it is time for Chapter 207 to come before the board. Mr. Zelinsky requested a motion to publish a notice of the review of 1 TAC Chapter 207, relating to Telecommunications Services in the Texas Register for a thirty-day public comment period.
MOTION	A motion was made for approval to publish notice of the review of 1 TAC Chapter 207, relating to Telecommunications Services for thirty days in the Texas Register by *Mr. Bacarisse* and seconded by *Mr. Gatzke*.
ACTION	The motion was unanimously approved.
DISCUSSION	Mr. Zelinsky presented 1 TAC Chapter 201 related to General Administration. The amendments are necessary to update the rule and to clarify existing rules. Mr. Zelinsky requested a motion to approve publication in the Texas Register of the proposed amendments of 1 TAC Chapter 201, related to General Administration for thirty days.
MOTION	A motion was made for approval of authorization for publication in Texas Register of the proposed amendments of 1 TAC Chapter 201, related to General Administration for thirty days by *Mr. Bacarisse* and seconded by *Mr. Gatzke.*
ACTION	The motion was unanimously approved.
DISCUSSION	Mr. Zelinsky presented 1 TAC Chapter 210 related to the State Electronic Internet Portal. The changes are minor, clarify the processes and policies of current practices and correct typographical errors. *Ms. Shaunessy commented: There will be no financial impact on state agencies.* Mr. Zelinsky responded: That is correct.
MOTION	A motion was made to adopt the new 1 TAC Chapter 210 related to the State Electronic Internet Portal; and (2) a preamble and adoption to be published in the Texas Register to notify the public of the adoption by *Mr. Villarreal* and seconded by *Mr. Bacarisse.*

ACTION	The motion was unanimously approved.

DISCUSSION	Mr. Zelinsky discussed the rule review schedule. Mr. Mark Howard, Assistant General Counsel presented DIR Board Subcommittee Charters. Each of the board subcommittees have been briefed on their respective charters. As part of the approval for the six charters, please note approval will include a name change for two of the subcommittees. Contracting Subcommittee will be changed to Procurement & Contracting Board Subcommittee and Data Center Services Board Subcommittee will now be the Statewide Technology Services Subcommittee. Upon approval, these charters will be incorporated in the board member guide and reviewed on an annual basis.

Ms. Shaunessy asked: Will each committee have a least two members but not more than three for each subcommittee?

Mr. Howard responded: It will be between 2 - 4.

Ms. Shaunessy asked: Will each charter indicated the number of members.

Mr. Howard responded: Yes.

Ms. Shaunessy commented: Each subcommittee is scheduled to meet approximately 4 times a year.

Mr. Howard responded: Yes and other times deemed appropriate by the chair.

Ms. Shaunessy commented: When the subcommittee hear something then do they bring it to the board.

Mr. Howard responded: Yes.

Mr. Bacarisse commented: I appreciate that DIR is formalizing what was an ad hoc process that started several years ago, and now putting some structure to it.

MOTION	A motion was made to approve the Board Subcommittee charters by *Mr. Villarreal* and seconded by *Mr. Bacarisse.*

ACTION	The motion was unanimously approved.

TOPIC	**6. Internal Audit Update**

DISCUSSION	Ms. Lissette Nadal-Hogan, Director of Internal Audit, provided the board an update on 15-103: Enterprise Contract Management Internal Audit Report. This audit was completed in November 2016. The report summarizes the scope, results, and recommendations from the work performed in conducting the Department of Information Resources (DIR) Enterprise Contract Management audit. This audit was included in the Fiscal Year 2016 Internal Audit Annual Plan approved by the DIR Board. The audit objectives were to:

- Provide assurance that adequate key (DCS) enterprise management controls were in place and operational.
- Determine whether the DCS enterprise contract management activities complied with state law, agency policies, and contract requirements.
- Verify the implementation of the audit recommendations included in the Enterprise Contract Management Internal Audit Report No. 13-103.

DIR accomplished these objectives, Internal Audit performed procedures to gain an understanding of DIR's business processes designed to effectively manage enterprise contracts within the requirements of the state law. In conducting these procedures, we interviewed subject matter experts, reviewed documentation such as state law, regulations, contract requirements, deliverables, amendments, policies and procedures, management and monitoring plans, management reports, risk assessments, the contractor's Service Management Manual (SMM), statewide guidance, and other documentation relevant to complete the audit procedures. In addition, Internal Audit reviewed financial transactions, invoices, hiring, contract management activities, and conducted other evaluations, analyses and testing needed to accomplish the audit objectives.

The audit scope included contract documentation for the period between September 2014 and July 2016, financial transactions dated between April 2015 and May 2016, and management reports for the period from May 2015 to May 2016 for the Atos contract. During fiscal year 2015, DIR payments under this contract totaled $216.9 million. Based on the results of the Risk Assessment, the audit focused on three of the 17 contract management responsibilities included in the State of Texas, Comptroller of Public Accounts, Contract Management Guide:

- Monitoring the contractor's progress and performance,
- Inspecting, approving, and accepting the final product/ service deliverables, and
- Verifying the accuracy of invoices and authorization of payments.

Overall, DIR's enterprise contract management controls were in place and operational for the Atos contract and contract management activities complied with state law, agency policies, and contract requirements. DIR increased the staff count in its Enterprise Contract Management Section to support additional workloads related to the management of DCS, staffing augmentation, cloud services contracts, and to fully implement the previous audit recommendation.

Enterprise Contract Management Section of the Chief Procurement Office (CPO), previously known as the Technology Sourcing Office (TSO), has one dedicated contract manager assigned to manage and oversee the Atos DCS contract with the assistance of a contract management team composed of staff from the DCS Program, the Chief Financial Office (CFO), and the Office of the General Counsel.

Contract management activities were planned and performed consistently during the period covered by this audit. However, audit issues were noted during the audit. The issues identified indicate: the DCS Contract Management Plan (CMP), the Atos contract Risk Assessment and Monitoring Plan were not periodically updated with complete and current information to ensure adequate coordination of activities across the organization and among the DIR and outsourced contract management teams. Roles and responsibilities for operations and contract administration and oversight need to be clearly defined in the CMP; to help ensure those responsible for contract performance and approval functions do not also perform contract oversight functions. The process for capturing, documenting, and validating rate changes that impact statewide billing needs to be improved and more detailed. The process for managing contract documents and deliverables can be improved by using a more detailed approached that is sustainable approach that can be repeated and verified. Lastly, the controls over the production database with contract-related data can be strengthened to better maintain the integrity of the data.

DIR management from the CPO concurred with the results and recommendations reported by I Internal Audit and provided action plans to implement the recommendations.

These results were shared and discussed with the Finance and Audit Subcommittee in November 2016.

Ms. Shaunessy asked: Are the recommendations excepted by the Executive Director and that you are moving forward on the recommendations.

Ms. Nadal-Hogan responded: Yes.

Ms. Shaunessy asked: Do you feel like contracts in purchasing are acting appropriately now in response to this?

Ms. Nadal-Hogan responded: Yes.

Mr. Gatzke commented: Since these standards are relatively public and governed from outside; do we have a scorecard or comparative with other agencies for this audit? The budget process is focused a lot on contract negations power and whether we are doing are best job there. Do we have any comparatives?

Ms. Nadal-Hogan responded: We do not have any comparatives; however, we do have an idea of what the State Auditor's office will look at when they come to audit DIR, but no comparison to industry if that's the approach you are looking for.

Ms. Shaunessy asked: If you compare with the other state agencies, the state auditors will look at the contract management guide, how do you feel like DIR did.

Ms. Nadal-Hogan responded: We are doing great, most of the controls that are required we do have in place. These recommendations are just to improve the controls and taking to the next level in making sure we are consistent.

Ms. Nadal Hogan discussed the recommendations in the Enterprise Contract Management Audit.

MOTION   A motion was made to approve the release of the Internal Audit report 15-103: Enterprise Contract Management to the required state oversight entities making this audit report a public record by *Mr. Gatzke* and seconded by *Mr. Bacarisse.*

ACTION   The motion was unanimously approved.

Ms. Nadal Hogan discussed the internal audit projects for FY 2017. 2016 State of Texas OMB A-133 Audit (SINGLE AUDIT) KPMG on behalf of the State Auditor's Office (DSAO) conducted the 2016 State of Texas OMB A-133 Audit (aka Single Audit). They reported 14 verbal comments mainly elated to access controls such as password settings and configurations, this includes no recommendation for corrective action or require management response. However, DIR DCS management proactively requested resolution of these minor issues reported by KPMG from the DCS vendor and coordinate with the state agencies to resolve the minor issues they are responsible for.

SAO Audit of DIR Selected Contracts, SAO is conducting an audit on DIR selected contracts. They selected the Atos contract (from Enterprise Contracts Program) and the C&T contract (from the Cooperative Contracts Program) for review and testing. The SAO is focusing their audit activities on contract planning, contract procurement, contract formation, and contract oversight of the selected contracts. They have reported no issues so far. SAO is expected to complete their audit by June 2017.

IA External Assessment (Peer Review) is an evaluation of IA conformance with the auditing law and auditing standards. IA received a Report/ Letter indicating we "Pass/ Generally Conforms" with the auditing law and auditing standards which is the highest opinion an audit entity can obtain. These results were shared and discussed with the Finance and Audit Subcommittee in January 2017.

Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority, and responsibility. IA is authorized and has access to all DIR's activities, programs, property, personnel, and records relevant to the performance of audit services. IA determines the objectives and scope of its audits and the content of the audit reports.

The charter also establishes Internal Audit's position within the agency and its independence. The Director of Internal Audit reports directly and meets privately with the DIR Board. The Internal Audit Charter is reviewed and approved by the DIR Board, through the Subcommittee, annually.

MOTION	A motion was made to approve the Fiscal Year 2017 Internal Audit Charter by *Mr. Villarreal*, then seconded by *Mr. Bacarisse*.
ACTION	The motion was unanimously approved.
TOPIC	**7. Finance**
DISCUSSION	Mr. Nick Villalpando, Chief Financial Officer, provided a finance update. The operating results as of November 30, 2016, gross revenue approximately 102 million, which left us with an operating margin of 8.8 million. First quarter operating expenses were about 7.4 million, net revenue for Q1, 1.4 million. We are seeing some slow down through purchasing in the cooperative contracts. DIR is forecasting to see cooperative contracts coming in below budget for fiscal year. Current forecast of total operating revenue for FY17, is 32.6 million, approximately $2.4 million (7%) below budget. DIR will continue to monitor as well as take actions to look at what is causing the revenue decline. DIR is closely monitoring our operating expenses and plans for the remainder of the fiscal year. We are also delaying some of the plan initiatives and some salary savings that we are forecasting due to not filling vacancies with the hiring freeze.

Mr. Gatzke asked: a question regarding Governor's freeze: Does that influence pushing projects out or just tightening the belt on internal efficiencies? What is net effect if the variance isn't approved?

Mr. Villalpando responded: Yes, tightening the belt and looking at more efficiencies. DIR over the last couple of years have reduced the FTE count. DIR started out at about 235, and over the course of the last several years we have lowered it to optimize our operation. DIR will continue to do that and looking at ways to be more efficient between now and the rest of the fiscal year to extent we identify efficiencies and carry those forward even past September 1st. We will closely monitor throughout the rest of the year.

Mr. Gatzke asked: What is the risk of delaying important projects to the extent they have a risk impact to the state or the agency?

Ms. Napier responded: So far, we haven't reached that point yet, we are only a few weeks into it. Th first few weeks we had quite a few folks moving on or planned departures. If we get to that point, I would visit with the Governor's office and seek a waiver. It is on the forefront because we have so many large projects in flight that we can't risk slippage on some of those.

Mr. Villalpando discussed the forecast of the ending fund balance. If the calculations of the maximum allowable fund balance stay as they currently recommended in both the House and Senate introduced budget bill, it will have a net effect of increasing. The maximum is 4.5 to 5 million depending on calculations based on revenues. It would have net effect increasing that maximum to the ceiling on that to about 10 million. We would provide the agency with a buffer to the extent that we have those balances accumulating to be able to offset potential infrastructure issues that come up or maybe smooth over years where we have decreases in revenue. DIR is appropriated, there are budget amounts to spend but the cash is not coming in as needed; we can dip into those fund balances.

TOPIC	**8. Chief Procurement Office Update**
DISCUSSION	Mr. Hershel Becker updated the Board on the Chief Procurement Office (CPO). CPO has four action items regarding pending contract awards, along with an update on the Cooperative Contracts Program and the Historically Underutilized Business (HUB) Program. Dana Collins, Enterprise Contracts Director joined Mr. Becker to help address any questions that the board may have regarding the action items.

The first action item for the Board to consider approval of the tentative award of the Managed Application Services – Rate Card Resources contract to Allied Consultants, Inc. The initial term of the contract will end August 31, 2018, and we have 2 optional one-year renewals. Under this contract, Allied will provide rate card resources to eligible Data Center Service customers. There is no cost to DIR under this contract. These services are optional to our customers, who will cover the cost of rate card services provided.

Ms. Shaunessy asked: If there was only one bidder?

Ms. Collins responded: We had nine responses to this solicitation. For this particular rate card portion, we took two vendors for consideration and negotiations. Allied was the recommendation that we are submitting today.

Ms. Shaunessy asked: Do they have a HUB Subcontracting Plan?

Ms. Collins responded: All the respondents were required to submit a HUB Subcontracting Plan.

Ms. Shaunessy asked: Is Allied a HUB or do they have subcontracting HUB?

Ms. Collins responded: I will need to check on the HUB status for Allied.

Ms. Shaunessy asked: The only cost for this is for the agencies who want the rate card services?

Ms. Collins responded: That is correct. |
| **MOTION** | A motion was made to approve the contract with Allied Consultants Incorporated for Rate Card Resources and delegate authority to the Executive Director or designee to execute contract by *Mr. Bacarisse,* then seconded by *Mr. Gatzke*. |
| **ACTION** | The motion was unanimously approved.

Ms. Shaunessy asked: Do you think in the future there might be more vendors that are HUB that would be available for the rate card? |

Ms. Collins responded: There are always opportunities, when we open the responses for anyone to participate. We certainly look across the board with an open playing field for anyone that come forward and we continue to encourage our existing contract vendor to participate in our HUB program.

DISCUSSION   Mr. Hershel presented the second action item for the Board to consider approval of the tentative award of the Managed Application Services – Application Development Services and Application Management Services to Enterprise Solutions, Incorporated. The initial term of the contract will end August 31, 2018, and we have 2 optional one-year renewals. Under this contract, Enterprise Solutions will provide Application Development Services and Application Management Services to eligible Data Center Service customers.

Ms. Shaunessy asked: What does this do to modernization legacy software applications?

Mr. Hershel responded: This contract can be used as the customer see fit to support their application development management initiatives. One of the things that agencies focused on is modernizing applications and this contract can be used for that.

Ms. Shaunessy asked: What does this do to help agencies modernize their agency?

Ms. Dawn Heikkila commented: In my department, we may have some applications that are running on outdated platforms, they could use these services to modernize the platform and update the software applications. Making it a web based application instead of something that has to sit on your actual computer. They could do this if they don't have the resources within the department, they could get the resources through this mechanism.

Mr. Gatzke commented: The security related moderation goes back to vendor support. Vendors will stop supporting software after a certain period of time. If you want to have constant security updates to software, you need to upgrade to the new software.

Ms. Melody Parrish commented: Through the last legislative session, all state agencies went through a legacy modernization study and we were given a list of applications that needed work. It could have been from an infrastructure perspective, software perspective or security perspective, there were all kinds of reasons on why they ended up on the list needing legacy modernization. Most state agencies have been struggling with that trying to find the internal resources to actually do the work. My division just completed a 1 1/2 project on transformation from our existing data center at TEA to the data center, DCS program, then we had to do the Microsoft upgrades for security patches. We are still left with some of the legacy modernization that needed to happen to the actual applications. We have applications at TEA that are 16 years old. We just replaced one that is in read only mode at this moment but it was created in 1991. It definitely was on the legacy modernization list, it took us 4 years to replace that huge system, it's the system that collects all of our data on every one of our 5.2 million students. State agencies absolutely need these services, because we are in a frozen state; I have 18 frozen positions in technology, 5 people retiring next Tuesday on February 28th, which will be 23 at that point. Being able to contract services through DCS program where we have dollars that have been allocated to our DCS program is very important to the state agencies.

Ms. Shaunessy commented: Thank you, that is very helpful.

Ms. Napier responded: Agencies can utilize their DCS budget for these services, which is great because they can build it into their request versus having to use their staff for these projects.

Mr. Gatzke asked: Have you also done the modernization and security risk assessment and provide that to the state agencies as well.

Ms. Napier responded: Yes, each agency received that report has specific to their agency.

Ms. Parrish responded: We have security risk assessment as well as the legacy modernization

Ms. Shaunessy asked: You see this as very positive.

Ms. Parrish responded: Yes, I do.

Ms. Shaunessy asked: Were there HUB vendors that applied?

Ms. Collins responded: There were nine respondents to this solicitation, each one has the potential if they are not directly a HUB to have as the individual work request come in from the agencies; they have ability to bring on partners that will be able to support the work that's done and will help support the HUB program.

Ms. Shaunessy asked: Do you think there is a percentage that you are trying to reach on the program of HUB usage?

Ms. Collins responded: With each of our contracts, we have a percentage that we believe is the target. I'm not sure of the exact percentage, but we follow state guidelines for HUB categorization.

Ms. Shaunessy commented: On each contract if we can know what your goals are for HUB participation. Later we can take a step back and see are we meeting HUB goals that we are setting out to meet.

Mr. Becker responded: This is a contract that we are making available to our customers, so the HUB goals will really be their goals not ours. We make the contract available but the spend will be that of the agency.

Ms. Shaunessy asked: So you don't get credit for it?

Mr. Hershel responded: We track it at the highest level, we track the report of HUB percentage that passes through the contracts. We do not credit for it but we do report that information in our supplemental letter to the Texas Comptroller's office.

Ms. Napier commented: There are representative from both of those companies here and they said they do work with HUB contractors. We are in the top 25 of agencies of HUB of 30 percent, which is over the state goal by 5 or 6 percent.

Ms. Shaunessy commented: I'm thrilled you are getting HUBs involved.

Mr. Bacarisse commented: It think it's even more impressive because we are a technology entity having participation at that level is great.

MOTION   A motion was made to approve contract with Enterprise Services Incorporated for Application Development Services and Application Managed Services and delegate authority to the Executive Director or designee to execute the contract by *Mr. Gatzke*, then seconded by *Mr. Bacarisse*.

ACTION   The motion was unanimously approved.

DISCUSSION   The third action item for the Board to consider approval of the tentative award of the Independent Verification and Validation (IV&V) Services for Medicaid Management Information Systems to KPMG LLP. The initial term of the contract is 4 years, and we have 3 optional one-year renewals. Under this contract, KPMG will provide IV&V Services to Health and Human Services Commission (HHSC) on their Medicaid Management Information Systems. Given the nature of this contract, HHSC needed an independent party to management the procurement and provide contract administration. DIR is partnering with HHSC to provide those capabilities. DIR will provide contract administration and will work with HHSC and its federal partner, Centers for Medicare & Medicaid Services to formally approve deliverables for payment. Execution of this contract is contingent upon the Board's approval, and the approval by Centers for Medicare & Medicaid Services. There is no cost to DIR under this contract, or pass-through of funds. HHSC will pay the vendor directly.

Ms. Parrish asked: This was a request from HHSC?

Mr. Becker responded: Yes.

MOTION   A motion was made to approve KPMG LLP for IV&V Services for Medicaid Management Information Systems, and delegate authority to the Executive Director or designee to execute the contract, contingent upon federal approval by the Centers for Medicare & Medicaid Services by *Mr. Bacarisse*, then seconded by *Mr. Gatzke*.

ACTION   The motion was unanimously approved.

DISCUSSION   The fourth action item is for the Board to Consider approval of change order to a Statement of Work (SOW) under an End-User IT Outsourcing Services contract with Insight Public Sector. This is a change order to a statement of work. The contract expires April 2017. Survival language in the contract allows statements of work to extend beyond April. In this case, the SOW extends to August 2017. Under the contract, Insight offers telecommunication services. The purpose of the change order is to provide additional resources to assist with migrating customers to the new VoIP platform, in the amount of $112,560.60. This change will bring the total value of the Statement of Work to $1,871,217.32.

Mr. Bacarisse asked: This is for the Capitol Complex?

Mr. Becker responded: Yes.

Ms. Shaunessy asked: Do you anticipate this will be the last change for this agreement?

Mr. Becker responded: We are hoping that this is the last change.

MOTION   A motion was made to approve change order to the Statement of Work with Insight Public Sector, and delegate authority to the Executive Director or designee to execute the change order by *Mr. Bacarisse*, then seconded by *Mr. Gatzke*.

ACTION   The motion was unanimously approved.

DISCUSSION   Mr. Becker introduced Kelly Parker to the Board as the new Cooperative Contracts Director. Ms. Parker is the new Cooperative Contracts Program Director and has assumed the role that Dana last held.

DIR presented summary information about the largest customers purchases for this period in the table in the lower right. The sales are tracking lower than FY 2016. Overall sales are down 11.6% under last year. We are closely monitoring the sales against our forecast and DIR has put a team of analysts together, to see if there are patterns to provide more insight into the trends and spending patterns on what is causing the reduction in sales. DIR is also expanding our outreach efforts to the various sales channels, to educate our customers on the availability and use of DIR's cooperative contracts.

DIR will have presence at the Texas Association of School Business Officials (TASBO) Annual Conference next week. The K-12 channel represents about 26% of the FY17 YTD spend. CPO is looking at the detailed data behind K -12 to see if there are certain school districts we should speak with at the conference and show our appreciation to the school districts that are using our contracts.

DIR has also been invited to present at the Texas Association of Governmental Information Technology Managers (TAGITM) conference in April. Local Government accounts for 25% of our FY17 cooperative contracts spend YTD.

Ms. Heikkila asked: What is out of state?

Mr. Becker responded: DIR is authorized to make our cooperative contracts available to out- of-state government customers, entities within 35 states that actually buy off our contracts.

Ms. Shaunessy asked: What do you think are the challenges to cooperative contracts?

Ms. Parker responded: I think one of the biggest challenges for us is to do the outreach that Hershel was speaking of. One of my goals is to develop key performance indicators for the different contracting teams. One of the things I will implement is to have the contract managers look at their vendor list or the contracts, that they are responsible for and look at the sales on the contract. Maybe take the lowest performing contracts and work with the vendors and see how we can help market their services to independent school districts and agencies. In the next few months, I will implement that in our team, so the outreach piece is the biggest challenge I believe.

Mr. Becker commented: Cooperative Program is a machine. There are 600 contracts, relatively short term contracts, very frequently processing renewals, rebidding. A bid for a cooperative contract is very like a bid in enterprise contract. It is a major state procurement and it is a request for offer. All the things you put into an enterprise contract really have to be in the cooperative contract as well. We are doing some things to improve the efficiencies within the cooperative contracts group.

Mr. Bacarisse asked: Do you'll see spend cycles that school districts and other agencies have? Some of this slow period may be because of that longer term spend cycle.

Mr. Becker responded: I was looking at the spend by channel and it is seasonal. Generally, we are on the same cycle as we have been for local governments, state agencies for the most part and K-12 especially, it is a slightly lower.

Mr. Becker updated the Board on HUB spend. The bottom chart represents HUB spend by our customers through Cooperative Contracts. Although we track overall HUB spend, each respective customer's goals would apply here, and they are responsible for tracking and reporting their own spend.

Ms. Shaunessy asked: Do you report it to the legislature

Ms. Napier responded: We do an annual report on HUB.

Ms. Shaunessy asked: This number of HUB spend of 39.66 %, is this what is reported?

Ms. Napier responded: No. This is the agency spend, we report the DIR spend to the agencies and each agency reports its spend, which would include their use of DIR contracts.

Mr. Becker commented: I think the report is due in December. We took advantage of the supplemental letter go to the Comptroller's office related to the HUB program, we highlighted the HUB spend that goes through our contracts. We don't spend it but we are part of negotiating those contracts and setting the contracts in place. We do encourage our vendors to us HUBs and for HUBs to bids as primes.

Ms. Shaunessy asked: When you report to the legislative, which number are you reporting on the HUB spend?

Ms. Napier answered: 33.9% is the year to date.

Mr. Becker informed the board that we are in the top 25 agencies in the Comptroller's report. Along with tracking the numbers, there is a significant number around reviewing HUB Subcontracting Plans as part of all these procurements, enterprise and cooperative procurements. Making sure we are in front of the HUB community. There are a significant number of outreach programs we take advantage of all across the state. We partner with other agencies especially the Comptroller's Office for main HUB events. DIR has a robust HUB program.

TOPIC | **9. Chief Technology Office Update**

DISCUSSION | Mr. John Hoffman, Chief Technology Officer, provided a brief update on the CTO. The Enterprise Solutions Services team continue to drive legacy modernization efforts. We do that through publications of different frameworks, legacy modernization guide we completed. We are doing different reports for Cybersecurity Legacy Modernization to Legislature. We are working with CPO office and continue outreach to customers, looking at new ways we can provide awareness of our different services we provide. Also, continuing the effort of developing new shared services and continue looking how do we provide next level of services for agencies.

Mr. John Hoffman informed the Board they have one action item regarding the 2017 State Strategic Plan Advisory Committee and Endi Silva will provide the update. Ms. Silva, Policy Analyst with Chief Technology Office discussed the State Strategic Plan (SSP). The SSP is a legislative required report and is published in November of every odd year. The plan set forth strategic direction and technology goals for statewide IT for 5 fiscal years. In 2015 we redesigned the plan to center around five strategic goals. This was done to better align business and IT initiatives. One of the first steps in development of the plan is to appoint an advisory committee. This committee will provide input and insight as we generate content for the plan before it is published. The committee must include members from state agencies, higher education, members of the public, local government organizations, industries and a federal agency. This year we have 19 nominees who represent a diversity of agencies, organization types, geography and titles. This list is a result of outreach to the information resources manager community, engagement at DIR events and input from executive leadership. Following your approval, we will host a facilitated session with the committee, continue our research and engage our stakeholders through surveys and online meetings.

MOTION	A motion was made to approve the 2017 State Strategic Plan Advisory Committee Members by *Mr. Bacarisse* and *Mr. Gatzke* seconded the motion.
ACTION	The motion was unanimously approved.
	Ms. Shaunessy commended: CTO on the different levels/titles of members in the technology profession.
TOPIC	**10. Chief Information Security Office Update**
DISCUSSION	Ms. Nancy Rainosek Chief Information Security Officer, provided a brief update on the Chief Information Security Office (CISO). DIR delivered the biennial security report to the Governor's office and members of the Legislature on January 13, 2017. Texas Government Code requires each state agency and higher education institution to develop an information security plan and deliver it to DIR on October 15th, even numbered years. There were submissions representing 164 agencies and higher education institutions. Five did not submit. The report measures maturity of 40 key controls and then the agencies submit roadmaps for improving maturity. This is the second-time DIR created this report and we did see a slight increase in maturity over two years.
	Ms. Rainosek updated the board on the SPECTRIM portal. The portal is our governance, risk and compliance portal. DIR has temporarily stopped new development to do a major version upgrade over the next few weeks. DIR is hosting the information security forum on April 11- 12, 2017. It's a day and a half of training and we provide this at no charge for state and local government and higher education.
	The Legislative Budget Board (LBB) goals for the agency is to do 48 controlled penetration test per year. This test is where hackers try to break into agency stems. We completed seven in Q1 and 17 in Q2. Agencies participate in our training programs, our working groups and Control Penetration Tests. DIR has contracted with NTT Data to do Security Assessments. This is to do an independent assessment of the 40 key security plan controls at the different state agencies. We have completed seven and have four in progress and six more in the queue so we are on track to exceed the 15-agency goal for FY 17.
	Ms. Rainosek provided an update of CISO projects. The Prioritization Cybersecurity and Legacy Systems report was submitted to LBB on September 30, 2016. This report is getting high legislative interest. The study on identity and access management solutions for statewide adoption was submitted to the Governor's office, Lt. Governor's office and Speaker's office on November 30, 2016. The Cybersecurity Bulk Purchases report as submitted to LBB on September 28, 2016.
TOPIC	**11. Chief Operations Office Update**
DISCUSSION	Mr. Dale Richardson, Chief Operations Officer, updated the board on the major program accomplishments. Overall Operations number remain strong for Q1 FY17. DCS Program continues to perform well with Service Level Agreement (SLAs) remaining consistently high, and Customer Satisfaction of the program, as measured by our customers, remaining very good. Texas.gov continues to perform very well based on SLAs and customer feedback of the program The Communications Technology Services team has been busy with providing network equipment upgrades and transitioning Capitol Complex Telephone customers to our new Voice over IP system.
TOPIC	**12. Data Center Services Update**

DISCUSSION   Ms. Sally Ward, Director, provided an update on Data Center Services. Service Level Attainment (SLA): Overall Service Level attainment remains strong. There was only one service level minimum miss in the month of November for print/mail timeliness within an 100% minimum target SLA. 69 pieces of mail were mailed late, resulting in a 99.995% attainment. Customer satisfaction with DCS vendor performance remains consistent, with the notable achievement of 100% Customer Satisfaction in September. The primary focus area for improvement was software procurement timeliness.

We annually evaluate our program's performance, and in 2016 review highlighted key technology improvements, including the development of hybrid cloud, the refinement of customer feedback processes that have driven higher customer satisfaction, and enhanced reporting for customers to better manage their IT. Some of our key accomplishments included reaching our 75% consolidation target, achieving over 80% hardware and software currency. Currency addresses our legislative intent to modernization aging state infrastructure, ensure greater security and increase disaster recoverability.

TOPIC   **13. Texas.gov Update**

DISCUSSION   Ms. Jennifer Buaas, Director of Digital Government, provided an update on Texas.gov. In Q1 of Fiscal Year 17, you will notice that there was a slight decrease in transactions, but revenue increased in this quarter. The increase in revenue is related to a revenue adjustment that was made for the single sticker program. As background for new board members, the single sticker program was a result of HB 2305 (in the 83rd regular session) that required several agencies to develop a solution to require a vehicle inspection prior to vehicle registration and eliminate the inspection sticker. Texas.gov has been heavily involved in the project because the Texas.gov program manages the Vehicle Inspection Connection application that is used at all the inspection stations across the state. 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 were met at 97, 64 and 97% for September, October and November. The SLA miss in October was caused by a single outage that lasted 2.5 hours and affected most Texas.gov hosted applications. The outage, that occurred in the early morning hours, a non-peak time, was the result of a database backup that created a backlog and overwhelmed system queues and memory. As a corrective measure, the program is researching additional monitoring capabilities to proactively resolve database capacity issues and performing tools upgrades.

The Texas Veterans Portal was recently redesigned and launched on Veterans Day – November 11, 2016. This was a very exciting and collaborative project between DIR, our private partner, Texas NIC and the Veterans Portal Advisory Council (VPAC). The advisory council is made up of representatives from all the agencies that serve veterans, and the lead being the Texas Veterans Commission. During the redesign process, we could gather feedback from veterans to understand the usability deficiencies from the old site and really determine how to architect the new site. We've had a lot of great feedback thus far, but the best comment we received was from one of the veteran participants that assisted with testing. The comment was "It looks like those people in Austin actually listened to what we said." We took that as being very positive.

At the end of every calendar year, the program recaps from the previous year. Texas.gov program provides services to agencies that serve constituents, it's really important for all of our agency

customers to understand all of the analytics and details that are behind their public facing applications. This year, we provided a personalized overview to our customer agencies (showing them everything from percentage increase in transactions to survey respondent details). It has been very well received and it opens the door for questions and brainstorming on how to continue to increase online adoption. The program also participated in numerous conferences, won several awards and issued 4 press releases and social media had an 87% increase in reach over 2015, which is exciting because the public is becoming more aware of the brand and their state portal.

TOPIC	**14. COMMUNICATIONS TECHNOLOGY SERVICES UPDATE**
DISCUSSION	Mr. Wayne Egeler, Director, provided an update on Communications Technology Services (CTS). The Core Router Hardware upgrade is 75% complete. This upgrade will bring our hardware up to the current code and provided additional memory and route processing. Due to the possible impact, CTS will continue the upgrade after the legislative session. Next is our Sam Houston Building Facility upgrade. The Sam Houston Building is core to the State of Texas Data and Voice network. We are working with TFC on upgrading the facility power as well as upgrading our Air condition units in the equipment room. The electrical design is being finalized by Texas Facilities Commission.

CTS continues to transition from our legacy PBX phone system to our Voice over IP system. We currently have over 2900 phones/soft clients transitioned. We recently transitioned 1400 phones for the Office of Attorney General.   We are currently working with The Workforce Commission on transitioning 1200 phones. Our customer base has increased 1 % from Q1 FY16. Purchases have increased 6% from Q1 FY16.

TOPIC	**15. STATEWIDE DATA COORDINATOR UPDATE**
DISCUSSION	Mr. Ed Kelly, Statewide Data Coordinator, provided a brief update on the Statewide Date Program (SDP)activity for the Q1 FY17. We are partnering with the DIR Security team to develop the requirements together and put out the RFO for the continuation of the InfoSec Academy training, but with a larger focus on establishing a DIR Academy. Mr. Kelly was notified today that perspective vendors have applied and I will be working with them on the next phase of that procurement process.

Texas Enterprise Information Management (TEIM) Team continue to meet monthly. TEIM subcommittee groups have broken down to smaller groups to work through different initiatives. The Governance group is focusing on completing Texas Data Management model, this will help agencies with roadmap for those who wish to establish an enterprise management program. The training group has started to put together a training curriculum and next step is to develop training vignettes which will highlight important definitions and vocabulary each one of the items that come out of the sub group from the governance side. Use case subcommittee developing some resources for agencies to use in how to identify use case opportunities within their group in sharing information and data. The newest subcommittee will help to develop a standard template, memorandum of understanding as a starting point for agencies to use as a document going forward as data sharing initiatives. It will not address specific data related, HIPPA data, FERMA data or SIGIS data.

SDP is hosting a forum, Texas Government Data Forum on June 21- 22, 2017. It will be education opportunity and collaboration opportunity for representatives across the state and institutions for higher education and the locals. We will co-present with the City of Austin at the forum.

Mr. Kelly discussed the open data portal. Agencies participating on the open portal are: Capital Metro, Comptrollers of Public Accounts, Department of Agriculture, Department of Family and Protective Services, DIR, Department of Licensing and Regulation, Parks and Wildlife Department, Texas Racing Commission. Downloads on the portal are represented by constituents or people downloading to information to excel spreadsheets or other reporting. These could be public information request that never occurred and never went to the agency. This is an important port of SDP to increase government transparency, we continue to talk with various groups across the state.

TOPIC   **16. Public Testimony**

No public testimony

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

ACTION   The meeting adjourned at 12:05 pm.

Approved by the Board Chair:

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Linda Shaunessy, Chair   Date