DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING

Thursday, June 1, 2017, 10:00 a.m.

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

M I N U T E S

PRESENT	Linda Shaunessy (Board Chair)
	Rigo Villarreal
	Charles Bacarisse
	Ben Gatzke
	Stuart Bernstein
	Jeffrey Tayon
	Bryan Collier, ex- officio
	Dawn Heikkila, *ex-officio*
	Melody Parrish*, 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 February 23, 2017, 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 provided the board a brief report on the agency. Ms. Napier welcome our two new board members Mr. Jeffrey Tayon and Ms. Sonya Williams. Ms. Napier congratulated all the board members that were confirmed by the Texas Senate this session. Ms. Napier thanked the DIR staff, particularly Robert Armstrong, Legislative Affairs and the Executive team, it really did take a team effort to get through the session. Ms. Napier discussed the budget and the few structural changes that DIR requested that were approved in SB 1.

The budget did pass the Legislature and is awaiting the Governor's signature.

- DIR requested a change on how the Texas.gov funds would flow in 2019 Texas.gov will be more in line with how we operate other shared services and allow DIR more flexibility and transparency into program's operations.
- DIR requested a change in the calculation of the fund balance methodology to allow us greater flexibility for investing in one-time expenditures for our enterprise programs.
- DIR requested structural change for strategies and goals to be rearranged, which would pull security functions that previously were scattered throughout the budget and put them into one strategy to provide greater visibility to what expenditures were focused on security.
- General revenue of $1.7 million per year will be appropriated to DIR for cybersecurity.

- In the fall of 2016, we issued a report to the legislature, at their direction, on prioritizing Cybersecurity and Legacy Modernization project funding. The report detailed about 80 projects and $380 million. DIR worked to prioritize those into 4 quadrants, quadrant 1& 2 being the highest priorities and 3 & 4 being lower priority. The Legislature fully funded quadrants 1 & 2 for $66 million.
- DIR worked closely with Chairwoman Jane Nelson's office on legislation as a follow-up to SB20 which made significant changes to statewide contracting and had major impacts on our cooperative contracts program. There was a bill this session to revisit portions of SB 20 and we provided a lot of input. The bill did pass. DIR will be helping to implement the provisions over the next couple of months.

TOPIC	5. Finance Update
DISCUSSION	Mr. Nick Villalpando, Chief Financial Officer, discussed DIR's financial operating results through FY 17-Q2 as well as our financial forecast for the rest of the fiscal year.

Mr. Villalpando provided an overview of the financial operating model for the new board members. DIR operates on a cost recovery basis. We currently do not receive any general revenue appropriations (but this will change in the next biennium, as Ms. Napier mentioned), but rather fund agency operations through the fees charged to our customers who consume goods and services either directly from DIR or through contracts managed by DIR. As a result, we must keep a close eye on both revenues (or consumption patterns of our customers) and expenses (both cost of goods sold and DIR operating expenses).

Mr. Villalpando discussed the overall agency summary. DIR will end the year slightly under budget for operating revenue at $34.9 million. We continue to see revenue from our cooperative contracts trending well under budget and an increase in demand for our Data Center Services. We are currently at a run rate for our operating expenses to come in at approximately $2.6 million (7.6%) under budget by year end. The two primary drivers for this trend are 1) the current hiring freeze that is scheduled to continue through the end of the year ($850K) and 2) Professional fees expenses forecasted to be under budget by approximately $1.4 million, primarily due to the delay in funding certain projects that were anticipated to be funded with Cooperative contracts revenue.

DIR is looking at ending the year with approximately $5 million in fund balance across our three operating funds. Important item to note here is that we do believe we will finish the year with the State Technology Account (DCS) in a condition where it exceeds the current maximum allowable fund balance. However, the budget bill for the FY 2018-19 biennium does increase our maximum allowable fund balances that we can maintain in both the Telecom Revolving Account and the Statewide Technology Account. DIR anticipate submitting a waiver request potentially to the LBB to allow us to maintain those balance into the next fiscal year.

Ms. Shaunessy asked: How soon do you need to approach the LBB for this request?

Mr. Villalpando responded: Our plan is to begin those discussions and notifications soon. We must provide the status of our fund balances by December 1st. Given where we believe we are going to end, we will start the conversation sooner. Mr. Villalpando also discussed the FY 2016 DCS Consolidation Measurement Report.

TOPIC	**6. Internal Audit Update**
DISCUSSION	Ms. Lissette Nadal-Hogan, Director of Internal Audit (IA), provided the board an update on the Internal Audit Annual Plan and discussed the audit projects for FY 17-Q2.

Ms. Nadal-Hogan discussed the Xerox Print Mail Process Report – 17-103. This report summarizes the scope, results, and recommendations from the work performed in conducting the Department of Information Resources (DIR) Xerox Print Mail Process audit. This performance audit was requested by the DIR Executive Leadership and approved by the DIR Finance and Audit Subcommittee on February 14, 2017.

Ms. Shaunessy asked: Can you please tell the board what Xerox does for the agency?

Ms. Nadal-Hogan responded: Xerox Corporation has a contract with DIR for print mail services. The main operations are in the Austin Data Center. They provide print mail services for the agencies. Xerox has joined efforts with Pitney Bowes, which is the company that provides a system for capturing of postage and meter data. IA will be discussing the operations during the detail of the report.

The audit objective was to evaluate whether the Xerox process for print mail services was effectively performed in accordance with established requirements, and supported the billing and monthly performance targets reported. To accomplish the objective, Internal Audit performed procedures to gain an understanding of Xerox's business processes designed to effectively manage and operate the print mail services provided to the state agencies (DIR customers) through the contract with DIR. In conducting these procedures, we interviewed subject matter experts and reviewed financial transactions, invoices, and selected resource units (RUs). Internal Audit performed data analytics on data from information systems used to compile performance results and billing reports. In addition, Internal Audit reviewed documentation such as state law, regulations, contract requirements, amendments, selected service level agreements (SLAs), service provider's internal documentation and guides, Service Management Manual (SMM), data files from relevant information systems, flat files, supporting documentation of jobs selected for review, testing, and analysis, and other documentation relevant to accomplish the audit objective.

Xerox operations for print mail services include both automated and manual processes. Based on the results of our review, testing, and analysis, the internal controls around the print-mail processes do not ensure that existing processes are effective in accomplishing contracted performance and chargeback operations. Existing processes for the reporting of monthly performance targets (service level agreements – SLAs) and billing are not fully supported with valid documentation.

Ms. Nadal-Hogan discussed the Internal Audit issues pertaining to the Xerox print mail process and the Multi-Sourcing Integrator (MSI) roles and responsibilities related to the Xerox print mail process. Recommendations to improve the Xerox's control environment over its print mail operations and to ensure full compliance with contract requirements were identified and communicated to DIR management from the Chief Operations Office (COO), Enterprise Program Operations (EPO). The recommendations are included in the detail that follows and summarized in Appendix D of this report. At a high level, Internal Audit is recommending the DIR COO EPO:

- Automate manual processes.
- Document manual processes that prevail.
- Abide to existing change management process.

- Capture and report on actual mailed and delivered dates
- Create and maintain all supporting documentation required, including documentation for Prior Period Adjustments (PPAs) and jobs produced at the Annex locations.
- Amend the contract to provide clarity on the interest earned by the Pitney Bowes (PB) Postage Reserve Account.
- Conduct an audit of the PB Postage Reserve Accounts and related summaries to ensure all transactions recorded are valid, complete, accurate and supported, and methodologies used are adequate and free of errors.
- Segregate duties among SLA performance, chargeback, and procurement teams.
- Require the MSI to validate performance, chargeback, and postage data and create and retain documentation of the validations performed and methodologies used.

Management from the COO and EPO concurred with the results and recommendations reported by Internal Audit and provided action plans, estimated completion dates, and assigned responsibility to management staff for implementing the recommendations.

Conducted this performance audit in conformance with the *International Standards for the Professional Practice of Internal Auditing* and in accordance with the *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our issues and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

These results were shared and discussed with the Finance and Audit Subcommittee during our meeting held May 31st. Audit thanks management and staff from the DIR COO, EPO, and the service providers, Xerox Corporation, LLC. and Capgemini America, Inc. for their time, cooperation, and assistance provided during this audit.

Mr. Bacarisse asked: Ms. Napier do you feel like Xerox responses to these findings are very positive and proactive.

Ms. Napier responded: Yes, we have met with Xerox several times to discuss the findings.   In the initial stages of the audit, they started to make some improvements based on some of the observations that Ms. Napier-Hogan mentioned, in terms of automated processes, improving management. We are already seeing improvement. Especially as we go to implement the various recommendations with the vendor, I think we will see a turn around on some of the performance matrix.

MOTION   A motion was made to approve the release of the Internal Audit Report 17-103: Xerox Print Mail Process to the required state oversight entities making this audit report a public record by *Mr. Gatzke,* then seconded by *Mr. Bacarisse*

ACTION   The motion was unanimously approved.

TOPIC   **7. Chief Procurement Office**

DISCUSSION   Mr. Hershel Becker updated the board on the Chief Procurement Office (CPO). We have three action items for the board to consider. I'll ask our respective contract managers to join me for the action items. Mr. Becker introduced Jennifer Neutzler, Contract Managers within CPO.

The first action item for the board to consider approval of Amendment 12 to Data Center Services (DIR-DCS-SCP-MSA-001) contract with Capgemini America, Inc. This contract runs through August 31, 2018. The scope of the amendment memorializes new service offerings and other contractual changes as documented in the board summary.

Mr. Villarreal asked: There is no additional cost, it is just a renewal?

Mr. Becker responded: Yes, there is no additional cost. The bulk of the amendment is to reestablish the base line.

Ms. Shaunessy asked: Are you (Mr. Becker) and Ms. Napier are in favor of this amendment?

Mr. Becker responded: Yes

Ms. Napier responded: Yes

MOTION   A motion was made to approve Amendment 12 to Data Center Services (DIR-DCS-SCP-MSA-001) contract with Capgemini America, Inc. and delegate authority to the Executive Director or designee to execute the contract by *Mr. Bacarisse*, then seconded by *Mr.* Villarreal.

ACTION   The motion was unanimously approved

Mr. Becker continue with the second action item for the Board to consider approval of Amendment 12 to Data Center Services (DIR-DCS-SCP-MSA-002) contract with Atos Governmental IT Outsourcing Services, LLC. This contract runs through August 31, 2020. The scope of the amendment memorializes new service offerings and other contractual changes as documented in the board summary.

Ms. Shaunessy asked: This contract also is a 0-dollar amendment and will not increase the value of it.

Mr. Becker responded: Yes, that is correct.

Ms. Shaunessy asked: Are you (Mr. Becker) and Ms. Napier are in favor of this amendment?

Mr. Becker responded: Yes

Ms. Napier responded: Yes

MOTION   A motion was made to approve Amendment 12 to Data Center Services (DIR-DCS-SCP-MSA-002) contract with Atos Governmental IT Outsourcing. and delegate authority to the Executive Director or designee to execute the contract by *Mr.* Villarreal, then seconded by *Mr. Bacarisse*.

ACTION   The motion was unanimously approved

Mr. Becker introduced Aiko Neill, Contract Manager within CPO. The third action item for the board to consider approval of the Statewide Portal for Enterprise Cybersecurity Threat, Risk and Incident Management (SPECTRIM) Contract Award to GTS Technology Solutions Inc. This is a new contract. This contract has a three-year Initial term, with 1-year renewal option. The scope of the contract is RSA Archer Software as a Service (SaaS) for Statewide Portal for Enterprise Cybersecurity Threat, Risk and Incident Management (SPECTRIM) system.

Ms. Shaunessy asked: How many bidders responded?

Ms. Neill responded: There was one response to the solicitation.

Ms. Shaunessy asked: This is a different responder than you previously had for the agreement?

Ms. Neill responded: It's a different name for the company but it was the incumbent response vendor.

Ms. Shaunessy asked: How was the performance of the incumbent on the previous contract?

Ms. Neill responded: It's been satisfactory in performing in accordance with the terms of the contract.

Ms. Shaunessy asked: There was not HUB availability, is that the way it should be read W/O

Ms. Neill responded: No, the HUB status is woman owned.

Ms. Shaunessy asked: It is awarded to a HUB?

Ms. Neill responded: Correct

Mr. Villarreal asked: Why do you think there was only one response? Are there not too many companies that do this type of work?

Ms. Neill responded: We were interested in the same question. At a prebid conference we had, we did have attendees that showed interest. When the procurement closed and we had only one response, we did go back out to the vendor community that attended the prebid conference. They had provided some information that market place for the solution had a certain reseller model. It was limited in the availability of competition in that regards.

Mr. Villarreal asked: Did DIR request a particular brand of cyber security software? Is that why the others couldn't respond?

Ms. Neill responded: The brand is the RSA Archer Software. That is the platform that was in place and has been built as the enterprise solution for the state. Previous contract through SOW coop contract previously provide and established the system.

Ms. Shaunessy asked: Have you decided that Archer who you want to stay with or would it have been too expensive to go with another software.

Ms. Nancy Rainosek, CISO responded: This is a portal that provides incident response reporting and located in every state agency and university. They report their incidents, it has a risk assessment module built in, agencies can do the PCLS reporting and agencies do a monthly report to DIR. Instead of building a whole new platform, it was the prudent thing to do to use the same platform.

Mr. Tayon asked: There was a name change for the vendor, the new name is GTS Technology. Was it a name change or a different corporate structure?

Mr. Becker responded: It was a name change.

Mr. Tayon asked: Why did they name change?

Mr. Becker responded: I'm not sure why the company chose to rename or rebrand themselves.

Ms. Tayon commented: The contract is being rewarded to the same organization who has been working on the contract for the last couple of years.

Mr. Becker responded. Yes.

Ms. Tayon asked: Can you tell me briefly what the duties are of GTS Technology Solutions vs. the duties of RSA Archer under this contract? What is GTS doing as the vendor?

Ms. Neill responded: GTS is the authorized reseller for the RSA product and related services. GTS acts as the contract administrator and manager in reselling the solution. RSA does not sell direct. The channel is to go through a reseller to acquire and procure the services.

Mr. Tayon commented: You didn't have the opportunity to deal directly with RSA and take GTS or its predecessor ARC out of the equation.

Ms. Neill responded: Correct.

Mr. Becker responded: This was a competitive procurement, we posted it on the State Market Place. Any vendor could have submitted a response.

Mr. Tayon commented: You found based on the contracting nature of the parties between RSA Archer and the people that are offering these services that were some agreement for it to be a single solicitation to Texas as oppose to have more than 1 provider or competitor other than GTS offering the product. Do they have some type of agreement not to compete on these proposals made to Texas?

Mr. Becker responded: I don't have enough information to substantiate that. I do not know if there is an exclusive teaming agreement or reseller distributor agreement. We can look into that. I don't have enough information today to answer that question.

Mr. Tayon asked: Do you know if the agreement between GTS and RSA Archer is one that establishes geographical distribution rights?

Mr. Becker responded: I do not know.

Ms. Shaunessy asked: Do we know if they are both independently owned and don't have a shared ownership between GTS and RSA Archer?

Mr. Becker responded: I do not believe that they do. GTS (formerly ARC) is a standard reseller of software.

Ms. Rainosek responded: RSA Archer is owned by Dell.

Mr. Tayon asked: Do you have other products that you get from GTS?

Mr. Becker responded: We have contractors that contracts with GTS under our cooperative contracts program. They do provide products to DIR and its customers.

Mr. Tayon asked: Do you know how long you have had a contract relationship with GTS?

Ms. Parker, Director for Cooperative Contracts responded: I do not know how long, but I have been at DIR for 3 years and I was a purchaser buying off their contract for 8 years, we have had a contract with GTS for some time.

Ms. Shaunessy asked: Are you (Mr. Becker) and Ms. Napier are in favor of entering into the new agreement with GTS Technology.

Mr. Becker and Ms. Napier responded: Yes

Mr. Tayon asked: How is the cost under the new contract vs. the prior contract with GTS.

Ms. Neill responded: In a cost comparison, it ran about the same value.

Mr. Tayon asked: What does that mean about the same?

Ms. Neill responded: From a budget perspective there was no impact to DIR in terms of paying any more for the services.

Mr. Tayon asked: Does that mean you are paying the same amount.

Ms. Neil responded: Yes.

Ms. Napier responded: It's it based on the agencies and users. It's one price for the whole state for as many agencies that use it. We have inquired into making it available for some of the cities and counties that have shown interest. The more people that participate it, the better it can be come. The answer being there is not a net increase in the cost, one cost for all users.

Ms. Rainosek commented: We purchased software as a service and getting an additional module, an additional person helping us with contract, and it's an additional $10,000 cost per year. If we purchased the same thing it would have been a reduction in price however we decide to add this level of service.

MOTION	A motion was made to approve the Texas Spectrim Governance Risk and Compliance Program contract award to GTS Technology Solutions, Inc. 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

Mr. Becker discussed the cooperative contracts. The highest sales by channel are state agencies with 28.3%, K – 12 with 26.2% and local government with 25.7%. Overall 3.6% decrease in sales from FY 16. SB 20 went into effect September 1, 2015. That lowered the threshold of what state agencies could buy from the cooperative program from 10 million down to 1 million. We anticipated lower sales.

Mr. Bacarisse asked: Does the normal IT spend cycle flow impact this?

Mr. Becker responded: Yes, it does affect the it.

Ms. Shaunessy asked: How do you think the cooperative contracts will fare in the upcoming fiscal year? Do you think it will continue the current trend or trend upward?

Mr. Becker responded: I think it will trend upward because of the additional authority agencies have to use cooperative contracts. As of September 1st, they will be able to use our cooperative contracts.

Ms. Napier responded: Seeing the decrease, one way to offset it, is to try to increase your base of customers. We have been trying to do more focus on outreach and they have attended several

conferences where you have purchase officials from local IT state, city and county and leverage our ability to offer these services to other states.

Mr. Becker discussed the HUB customer and outreach efforts. DIR helped coordinate Senator West's Spot Bid Fair. We provided the portal used to place orders. The estimated awards were approximately $3.4M compared to just under $3M in 2016. DIR ranks 2nd among top 25 Agencies spending more than $5M with the largest percentage spent with HUBS.

Ms. Parrish commented: As an agency we always want to use the cooperative contracts because it saves us a lot of time and man hours to do that. Moving from 10 million to 1 million was very limiting. I think you will see the number increase because it is always very beneficial for state agencies to use the cooperative contracts if they can. Moving from 1 million to 5 million is a happy medium.

Ms. Shaunessy asked: This will begin in the next fiscal year?

Ms. Napier responded: Yes, September 1st.

TOPIC	**8. Office of General Counsel**
DISCUSSION	Mr. Martin Zelinsky, General Counsel presented to the Board, rules for consideration. Mr. Zelinsky presented a recommendation to the board for adoption of changes to 1 TAC Chapter 201. DIR like all state agencies, we're authorized to make rules and publish them in the Texas Register for the Texas Administrative Code. Those who are subject to our rules are required to follow them. Unlike most state agencies that pass rules for citizens that may be involved with government, most of our rules impact our fellow state agencies and government entities. Chapter 201 is our internal rules; this chapter pertains to how the Board operates and how DIR employees operates within the structure. At the last board meeting we had approval to propose changes to 1 TAC Chapter 201. We are asking for authorization to adopt these proposed amendments and publish the adoption in the Texas Register for everyone to do.

Ms. Shaunessy asked: Does 1 TAC Chapter 201 changes how we publicize and adopt new rules. Is this the only change?

Mr. Zelinsky responded: No, the changes that were made pertain to certain ethical requirements, which is 1 TAC 201.4 specifically, and the amendments point out the requirements for agency employees and officials involved in procurements to expose conflicts of interest. A law was passed in 2015 and is now incorporated in our rules that prohibits DIR from entering contracts with companies where there is a certain described financial interest.

Ms. Shaunessy asked: If you happen to own an interest in Dell computers or an ownership interest then you would have to disclose that before there was any procurement?

Mr. Zelinsky responded: Absolutely, prior law would require me to recuse myself from any involvement. I would have to disclose the conflict and recuse myself from any involvement in solicitation, contract negotiation, contact award decision. That is still true. In addition to the named roles like the role of Executive Director or General Counsel recusal is not an option, the agency can't enter into a contract where that financial interest exists.

Ms. Shaunessy asked: This change is for 201.4 and then 201.9 is correcting the technical error?

Mr. Zelinsky responded: that is correct, and those were the only two changes.

MOTION   A motion was made to approve amendments to 1 TAC 201, relating to General Administration and authorizing publication of the adoption of the new rules in the Texas Register by *Mr. Gatzke,* then seconded by *Mr. Bernstein*.

ACTION   The motion was unanimously approved.

Mr. Zelinsky discussed 1TAC 207 concerning Telecommunications Standards. 1 TAC 207 was approved by the board to notify the public that we were doing a rule review. Following the rule review, we had no changes and received no changes from public or from our colleagues at higher education. Based on that we are requesting an order readopting Chapter 207 Telecommunications Standards without any changes and publishing the readoption in the Texas Register.

Ms. Shaunessy asked: This is done because you review all your existing rules on a rotating schedule.

Mr. Zelinsky responded: Correct

Ms. Shaunessy asked: The summary indicates there are no changes to TAC 207 and just re-adoption of Chapter 207 based on your review of 1 TAC 207.

Mr. Zelinsky responded: correct

Ms. Shaunessy asked: Executive Director do you approve as well

Ms. Napier responded: yes

MOTION   A motion was made to re-adopt without changes to 1 TAC 207 concerning Telecommunications Standards and authorizing publication of the re-adoption of the rules in the Texas Register by *Mr. Gatzke,* then seconded by *Mr. Bacarisse*.

ACTION   The motion was unanimously approved.

TOPIC   **9. Legislative Update**

DISCUSSION   Mr. Robert Armstrong, Public Affairs gave an update on the legislation session. Mr. Armstrong thanked Ms. Napier, Mr. Kimbriel, and the Executive Leadership team and telecommunication team. Mr. Armstrong displayed the DIR website and how to locate the legislative updates on the website. Session began on January 10th and close to 6,500 pieces of legislation were filed & 1,200 sent to the Governor's desk. Sine Die was on May 29 and the special session starts July 18th.

Mr. Armstrong discussed SB 1, Article 9, §7 is Contract Notification, requires DIR to submit contracts that are over $50K are required to go through the Legislative Budget Board (LBB) for reporting and review. There is another requirement for notifications for certain contract awards, amendments, & extensions to also be reported if over $50k. The section also requires contracts valued over $1M to be reported to LBB. If the contract violates the Contract Management Guide, Procurement Manual or any laws, the LBB may provide notification to state leadership of the violation, require enhanced oversight & recommend contract cancelation among other things. An agency is also supposed to report any amendment that takes the value above 10 percent or more of the original contract.

Article 9, §17.10 Contract Cost Containment; Agencies are going to have to go out for a new procurement for contracted goods & services if an existing contract is over 3 years old upon 09/01/2017 & does not fall under one of the exemptions.

HB 8 – DIR was appropriated 3 million for the Texas Cyber Security Act. It has sunset provision so every agency going through sunset will have to do a provision cybersecurity assessment. DIR is allowed to have closed meeting if based on security. This bill also creates Information Sharing & Analysis Center (ISAC) so agencies can share info on cyber threats, best practices and strategies. DIR will create mandatory guidelines for continuing cybersecurity education. If an agency has a breach or suspected breach, they are to notify us. The Cybersecurity Council will work with the Governor, House member, Senate member, higher education & private sectors to help with the workforce problems &come up with legislative recommendations. Once every two years agencies will report to us and have their webpage and mobile applications go through a pen test.

HB 1861 (relating to the confidentiality of certain information related to a computer security incident); allow agencies that have had a security incident to keep their security log confidential.

SB 79 (Relating to the production of public information available on a publicly accessible website); Government bodies can respond to public info request with information published on a webpage similar to political subdivisions.

SB 261 (Relating to bulk purchase of information technology commodity items by the Department of Information Resources); DIR can bulk purchase for state agencies & not have to apply the COOP thresholds.

SB 533 (relating to state contracting & procurement);

- Revolving door from two years from the employee's service to when a contract is signed or procurement withdrawn;
- State leadership can get us to have more oversight over major information resources projects;
- Comptroller on QAT to help review major information resources projects;
- Contract Management Guide to include policy on Vendor & Employee interactions & communications;
- Chief Procurement Officer at the Comptroller (oversee state purchasing, support other agencies, training, review major contracts, solicitations, contract for goods & services, & provide state leadership);
- Thresholds for Coop now at 50K & less, 50K to 1M & 1M to 5M;
- Conflict of Interest provisions for employees' who have a conflict with family member vendor;
- CAT review contracts 5M or more

SB 532 (reports on and purchase of information technology by state agencies) DIR would have to submit a report to state leadership in even years on every state agencies' IT infrastructure, including security, inventory of storage capabilities, who are the vendors providing services. The report is also going to have to have a section on the use of cloud computing by every state agency.

Mr. Bacarisse asked: We have always been a cost recovery agency. Now that legislation has given DIR general revenue for Cyber Security. Do you sense that they are going to want to move more in that direction with general revenue with us?

Ms. Napier responded: I don't think so, because this session, in particular, general revenue was tight. I think they are very appreciative of agencies that don't cost the bill. I think because of Cyber Security they are willing to make some investments of general revenue. I don't see as a trend that they would change our funding model.

Mr. Bacarisse asked: One of the bills referenced regarding a state committee on cybersecurity. Will that group report to DIR?

Mr. Armstrong responded: Yes, Cybersecurity Council already exist within DIR. It's the Cybersecurity Coordinator but they just wanted to add some more teeth on it and really get the Governor's office involved and a House and Senate member. To encourage the private sector to sit down and work with us.

TOPIC	**10. Chief Technology Office Update**
Dısᴄᴜssɪᴏɴ	Mr. John Hoffman, Chief Technology Officer, provided a brief update on the Chief Technology Office. The CTO provides strategic direction for both the agency and the IT enterprise for the state. The Policy and Planning team has initiated efforts on the 2017 update to the State Strategic Plan. The advisory board, which is made up of representatives from all our customer segments, met in April. The team used this information to form a survey for IT leadership and received 120 responses which was a record high response. We will use this information to prioritize the strategies in updating the State Strategic Plan. We are continuing to expand our customer outreach through customer communications, technology showcases and representation at technology conferences such as the Texas Association of Government IT Managers. We are focusing on the ongoing development of new shared service models and opportunities

The Enterprise Solution Services team continues to drive legacy modernization efforts.   John Van Hoorn, Director of Enterprise Solution Services (ESS) to provide an update on these efforts.

Mr. Van Hoorn informed the board the purpose of Enterprise Solution Services is to provide consistent direction towards modern, adaptive IT services with a consistent mean to measure progress and effectiveness. We have implemented measures that are part of the new appropriations requirement or strategies for DIR.

In 2014, we oversaw the Texas Legacy Study Report. This was an opportunity for the state to have much better visibility to the current state of all it systems. We discovered there were around 4,000 business applications that existed in the state. Around half of those is what we call legacy based on the criteria that we had. In the 84 Regular Legislative Session, HB 1890 directed DIR to provide a legacy modernization guide. DIR created the guide this past summer and we did a deployment model on how agencies will be able to leverage it and move forward in the modernization practice.

Another part of the HB 1890 was the Application Development Decision Framework, this framework is a best practices direction for agencies and how they can go about understanding the approach to modernization and several topics associated with that. The Application Portfolio Management (APM) service this was a pilot and now moving into a program service offering. To allow agencies visibility to all their systems. The hardware and software that supports those systems and prioritize the rationalization of those systems across their agency. This system is being developed through our engagement with DIR's Data Center's Managed Application Services (MAS). This service will be offered to agencies at no or low cost.

TOPIC	**11. Chief Information Security Office Update**
DISCUSSION	Ms. Nancy Rainosek Chief Information Security Officer, provided a brief update on the Chief Information Security Office (CISO). Ms. Napier and I took a trip to Washington, DC in May to discuss the status of cybersecurity in the state of Texas and discuss what opportunities they may have for us. DIR met with Representatives John Ratcliffe, and staff of Senator Cornyn, Senator Cruz, Representative McCaul and Representative Hurd.

CISO has completed the upgrade of the SPECTRIM Portal, major system upgrade and redesign the system. In April, we hosted the two-day Information Security Forum, multi-track session. employees. We had 59 vendors that supported the forum and 364 attendees registered for the forum. We did hands on cyber exercises from the Air National Guard and Texas A&M Cybersecurity Center. This was a very successful and recent activity at the forum.

The goal for penetration testing per year is 48, for FY17-Q2, we have completed 25. We have had 60%, that is 88 agencies participating in penetration testing. Our goal is to do 15 security assessments per year and work with NTT Security. They go out and do security assessments and essentially reviewing the agencies for what they're doing in terms of their security plan. As of FY 17-Q2, we have completed 11. This is a volunteer assessment, agencies will ask DIR to come out and do the assessment.

The InfoSec Academy provides training to state agencies and institutions of higher education security teams. DIR gets a big discount on certification training classes because were buying in bulk. The contract for InfoSec Academy expired April. We went out for bid to expand the DIR Academy to include other courses beyond information security.

TOPIC	**12. Chief Operations Office Update**
DISCUSSION	Mr. Dale Richardson, Chief Operations Officer, updated the board on the Managed Application Services contract that the board approved in February. It officially goes live today, as of yesterday we were up to nine requests for solutions/services with five agencies. It is being well received and our vendor partners have been working well with us to integrating it into MSI.

TOPIC	**13. Data Center Services Update**
DISCUSSION	Ms. Sally Ward, Director, provided an update on Data Center Services. For the second fiscal quarter, three critical service levels did not meet the minimum target. Print mail SLA misses in January and February triggered a Service Level Improvement Plan with Xerox. Several corrective actions are in the works and service level performance is improving. The Server Software license renewal timeliness SLA missed its minimum target in December, which also triggered a service level improvement plan. That plan has largely been implemented and service level performance has improved.

Customer satisfaction with DCS vendor performance achieved 87% during this same period. Overall low scores in December and January, reflect feedback from one agency concerning dissatisfactions with a critical project implementation. These issues have been since addressed. In this current quarter, which is not reflected in this slide, we are experiencing a decline customer satisfaction scores. We believe this is related to the Print/Mail service delivery issues Lissette discussed earlier in the audit report as well as related to several data center and mainframe outages experienced

recently. We are still researching the root cause of the most recent scores and we expect to identify and implement improvement initiatives that will restore customer satisfaction.

The Customer Scorecard measures the Customers' rating of the DCS vendors' performance. On the other hand, the Annual Customer Satisfaction Survey, reflected on this slide, measures the Customers' satisfaction with the DCS program, to include their satisfaction with DIR's vendor management. The annual third-party customer satisfaction survey was conducted in February, and this slide shows historical trends of the overall DCS program customer satisfaction from 2011 to current. Ratings continued to improve year over year, reaching the highest levels to date with over 80% satisfaction.

Within the overall satisfaction ratings, there are several key service indicators that provide insight into our customers' scores. We saw an increase in satisfaction in both the Mainframe and Server areas, but a decrease in Print & Mail. As we discussed earlier, we will be implementing the audit report recommendations which are targeted to improve customer satisfaction as well.

One of DIR's LBB performance measures is Business Executives' satisfaction with DIR's management of the DCS program. Last year's rating noticeably declined, despite the positive upward trends in all other satisfaction areas that year. After working with our Business Executive Leadership Committee, we are pleased to see the rating improve to 72%, reversing the negative trend from last year.

Another program performance indicator is how likely a customer executive would recommend the DCS program to another agency. This year's ratings indicate most DCS customers would recommend joining the DCS program.

Mr. Villarreal asked: On a previous slide, you talked about outages, do you know what the reason was for the outages?

Ms. Ward responded: We had an unusual outage in the main frame area, where hardware failed even though it was redundant. The third party came in to fix the failed part and another part failed at the same moment. It brought the main frame down to a hard crash which is extremely unusual. That was a negative impact on our customers which was over a weekend. Then we had a data center outage and a network outage that affected several customers. It was restored but still a negative impact on customers. We believe that is influencing some of the trends we are seeing in the lower customer satisfaction.

Mr. Gatzke asked: How many responders are in that?

Ms. Ward responded: It's one business executive per agency, approximately 28. It takes maybe 1 or 2 people to have a negative impact. The IT staff area is a larger group more like 80 people.

Ms. Shaunessy asked: Is there any thought given to letting the people know that you are implementing new programs with Xerox to correct the issues and so that they know you heard them?

Ms. Ward responded: Yes

TOPIC	**14. Texas.gov Update**
DISCUSSION	Mr. Dale Richardson, Chief Operations Officer, provided an update on Texas.gov. In Q2 of Fiscal Year 17, there was a slight increase in transactions. Revenue shows a slight decrease in Q2, but you might recall that at the last Board meeting, Ms. Jennifer Buaas referenced that there was a revenue

adjustment made in Q1 for the single sticker program. Both revenue and transaction counts are consistent with previous quarters.

Ms. Shaunessy asked: Would you like to tell the new board members what the single sticker change was?

Mr. Richardson responded: It is eliminating inspection stickers for vehicles. Instead of registering for two vehicle stickers you can do a single sticker through the website, Texas.gov.

Application reliability performance for FY 17-Q2. The targets range from 99.8% to 99.9%. 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. We are pleased to report that the reliability targets were met at 99, 99 and 100 % for December, January and February.

The Texas.gov program provides great digital services for Texas constituents, but many residents still don't realize they are able to conduct their government business online. To make it as easy as possible for users, the Texas.gov website and Texas.gov applications are built using responsive design technology which allows the pages to render correctly on any type of mobile device. In 2016, 29.6% of the website traffic came to Texas.gov through a mobile device. This number continues to increase every year. Social media continues to evolve and in 2016, there were increases in both Twitter followers and Facebook fans.   The best news is the 93% satisfaction rating that comes from constituents directly following the completion of an online transaction.

TOPIC	**15. Communications Technology Services Update**
DISCUSSION	Mr. Wayne Egeler, Director, provided an update on Communications Technology Services (CTS).

We have two big upgrades going on. The first is the Core Router Hardware upgrade which is 75% complete. This upgrade will bring our hardware up to the current code and provided additional memory and route processing. There are 2 sites left to completed and tentatively have is scheduled for June 11th, but will depend on if there is a special 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. We are working the Texas Facility Commission on this. The electrical design and air conditioning designs are complete. They are trying to have the RFP out by September 1st.

We continue to transition from our legacy PBX phone system to our Voice over IP system. We currently have over 3700 phones/soft clients transitioned. Which is an additional 825 phones since our last meeting. Our customer base has increased 1 % from Q2 FY-16. Purchases have increased 3% from Q2 of FY16.

TOPIC	**16. Statewide Data Coordinator Update**
DISCUSSION	Mr. Ed Kelly, Statewide Data Coordinator, provided a brief update on the Statewide Date Program (SDP) activity for the FY17-Q2. Working in collaboration with the DIR Security team and the Procurement team, we developed and posted the RFO for the continuation of the InfoSec Academy training but with a larger focus on establishing a DIR Academy on Dec 30th. Offers were received

from the vendors in February and the evaluation started shortly after. We will have an update for you in August.

The Texas Enterprise Information Management (TEIM) Group is a data sharing, collaboration community group to which agencies and institutes of higher education participate. We continued to hold our monthly meetings with the TEIM data sharing community.   We also have been active within the TEIM subcommittee groups. The Texas Governance group working with them to establish the Data Management Framework, which is the essential of principles on establishing overall an enterprise information management or data management programs at agencies. We will be rolling out some additional training on it. TEIM also has subcommittee group has been working with State Agency Coordinating Committee (SACC) Legal group for establishing the Texas Statewide Data Exchange Compact, this is a boiler plate document from a memorandum of understanding which if we can get agencies to sign upon, this will be starting point to facilitate a more smooth and efficient data exchange of information.

We begin the development of an Open Data Portal Playbook (ODPP) which will provide agencies and higher education a guidebook on best practices related to identifying, managing, and making available open data for constituents to review, or use. One of the important sections of the guide will be around Open Data Governance.   We are working on Texas Government Data Forum which is continuing education and networking opportunities for agencies. The conference will be June 22, 2017. The dataset submission for the Open Data Portal increased 44% total of 67 new datasets (58 of the 67 from Department of Family and Protective Services - DFPS). The visits increase by 15% Q/Q by 10,793 (DIR and DFPS) and downloads increased 68% by 20,099 (Texas Department of Licensing Regulation (TDLR). Mr. Kelly discussed the briefings conducted in FY 17- Q2. Through these engagements we continue to create greater awareness and interest in the Program overall.

TOPIC   **17. Public Testimony**

No public testimony

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

ACTION   The meeting adjourned at 12:25 pm.

Approved by the Board Chair:

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Linda Shaunessy, Chair   Date