

**DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING**

Thursday, January 25, 2018, 10:00 a.m.

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

MINUTES

PRESENT Ben Gatzke (Board Chair)
Christian Alvarado
Stuart Bernstein
Charles Bacarisse (video conference)
Jay Dyer
Jeffrey Tayon
Bryan Collier, *ex-officio*
George Rios, *ex-officio*
Melody Parrish, *ex-officio*

ACTION *Mr. Gatzke called the meeting to order at 10:02 a.m., with a quorum present.*

TOPIC 2. Chair’s Remarks

Consider approval of meeting minutes from the October 26, 2017, Board Meeting.

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

ACTION The minutes were unanimously approved by 8 board members. Mr. Tayon abstained.

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

Ms. Napier congratulated the new board chairman and members. DIR will be working on three of the largest, most important contracts that DIR manages. Multi-sourcing Services Integrator (MSI), which we will discuss more today, Texas.Gov which we will bring to the board in March, and Data Center, which we have already begun the research phase, issued and RFI (will go live in 2020). It is a very long process and one that we are already active in. These three contracts touch at least 80% of DIR’s staff, who work to put those contracts in place for our customers. The staff that does all the contract work, they do in addition to all their other duties, which for many of them is operations, customer relations and contract management. Ms. Napier thanked the team today, a lot of them are not here because they are working on the contracts, but recognized staff that was attending meeting.

The MSI contract is the culmination of almost 2 years of work. DIR believe that the MSI model is a large factor in enabling this program to mature over the last 6 years from some very dismal customer service levels to where we are today, which is a vibrant, healthy program that continue to improve year over year. If the board approves the proposed contract, we will focus the team’s efforts into implementation for a go-live of September 1st.

DIR launched the annual customer service survey to executive directors and IT staff. This survey provides a lookback on 2017 and helps DIR staff, and our governance groups make improvements going forward. The results will be shared at the next quarterly meeting.

DIR has an Interim Legislative Hearing on March 27th, which is the Government Transparency Operation (GTO) Committee in the House. This will be a major interim hearing for DIR. In that committee, there are several interims that touch DIR. GTO Committee will be examining the role of technology in disaster preparedness, disaster recovery services, Public information Act as it relates to government contracting and procurement and interagency data sharing. GTO committee will probably have 4 or 5 DIR staff that will testify on the various charges. Ms. Napier will send the link for the board to watch it live.

DIR is meeting with customer agencies. We have met with twelve agencies this year and have a few more scheduled in the next few weeks. This is a great opportunity for us to have contact with the executives at the customer agencies to make sure they are happy with our services, what's working and what is not. It gives us direct action items to take back to our team.

DIR is legislatively mandated to produce around 30 different reports, a lot of it involves significant data gathering from our customer agencies. We are using a survey tool called IRDR, which is Information Resources Deployment Review. It gives us the data that feeds into these reports.

DIR will have a special topic board meeting on March 8th to address the Texas.Gov contract. This will be a one topic meeting. Ms. Napier welcomed the new staff members.

TOPIC

4. Finance Update

DISCUSSION

Mr. Nick Villalpando, Chief Financial Officer, discussed DIR's financial operating results for FY 18-Q1 and presented one budget amendment for the board's consideration and approval.

Telecom and Data Center revenues are trending close to budget for the year. In fact, at this point we are forecasting slightly higher revenues for Data Center Services (DCS) because of some increases in consumption of various Data Center Services (DCS), including the new Management Application Services (MAS) tower that we recently stood up. This allows our customers to purchase both application services and staff augmentation hours from the DCS program and we are beginning to see customers taking advantage of that offering. Because these services are new, we did not have an estimate of what FY 18 demand may look like; any MAS volume will be over and above the original forecast assuming that everything else is equal. We did see a higher cost of services in the first quarter primarily due to increase demand for DIR services and slightly higher costs than original budgeted in Telecom and Data Center Services primarily for non-recurring charges. I expect the rest of the year to show a more positive trend with increases in growth revenue being higher than increases in cost of services.

FY 18-Q1 total purchases through the Cooperative Program were 2% below the FY 17-Q1 and 8 % under budget. As a result, through November we were about 6% or \$217K below our administrative fee revenue budget. We will continue to closely monitor this trend and we have initiated a multi-departmental internal project to evaluate the trends and determine appropriate action plans to address reasons why we may be seeing the lower purchase volumes from our customers.

Operating expenses are running slightly under budget, primarily in salaries and other operating expenses. At this point we are forecasting to underspend the operating expenses by approximately

\$800k-\$900K for the year. The FTE cap, as you may recall, the Board approved DIR's request to increase our FTE maximum to 204 positions or 6 FTEs over our appropriated maximum. This is allowed according to provisions contained in the General Appropriations Act. However, DIR is required to report to the LBB and Governor's office once the maximum has been exceeded. At this point we anticipate possibly reaching the 204 headcounts in March/April. However, given turnover percentages and vacancies, we may not necessarily reach the reporting threshold this year because that requirement is based on a calculated average based on hours.

This year the budget includes approximately \$3 million in procurement related costs for several of our major shared services programs, as well as \$2.5 million in planned infrastructure upgrades at the San Angelo Data Center. This is why we maintain fund balances, in order to pay for items that are infrequent in nature without having to raise fees. We are still awaiting approval from the Legislative Budget Board (LBB) regarding our request to expend funds out of our beginning fund balance on the San Angelo upgrades, as we discussed back at the August board meeting during our discussion on the fiscal year 2018 budget.

There is one budget amendment today for your consideration and approval. This budget amendment provides for an increase to our Capitol Complex Telephone System (CCTS) Cost of Services of \$1.1 million and a corresponding decrease to professional fees in Security Services. There is no net increase to our budget because of this budget amendment. These costs are associated with Voice over Internet Protocol (VoIP) managed services that provide for operation and management of the VoIP platform. These updates should have been included in the budget that the board approved in August, however, we subsequently identified that the Security budget was overstated and the CCTS budget was understated. This amendment therefore corrects that condition.

Mr. Tayon asked: There is an increase of cost services, what is the major cost elements that are in that category?

Mr. Villalpando responded: Approximately slightly over \$3 million is in the consumption side in terms of our customer consumption in the data center program then the rest of that are for some higher cost of services within the Texan program early in the year, which I do not foresee recurring the rest of the year as well as some engineering studies that we paid for within the Data Center program that the vendor Altos had done.

Mr. Tayon asked: Anyone who uses the Data Center pays a fee?

Mr. Villalpando responded: Yes.

Mr. Tayon asked: Why aren't the fees covering the increase in cost of services?

Mr. Villalpando responded: The fees are intended to cover the increase in cost of services. What we see is for the increased volume, those fees are generating the 2.9% revenue. This fiscal year, our budget included 2.5 million in infrastructure upgrades in Data Center program. We anticipated; relying on and using the fund balances that we started the year with to cover those. All else being equal, yes you would expect fee revenues are efficient to cover the annual basis of expenses. Knowing that we have infrastructure upgrades planned for this year and have sufficient beginning balances to cover it. Those are some of the reasons you will see that in total the operating revenues are less than our planned expenses this year, because we are using our beginning balance to take care of that condition this year.

Mr. Tayon asked: The FTEs are about 185?

Mr. Villalpando responded: Yes.

Mr. Tayon asked: What is authorized in terms of personnel at DIR?

Mr. Villalpando responded: Yes.

MOTION

A motion was made to approve the Increase Capitol Complex Telephone System Cost of Services for \$1,100,000 and decrease Professional Fees Expense of \$1,100,000 by *Mr. Tayon and* seconded by *Mr. Bernstein*.

ACTION

The motion was unanimously approved.

TOPIC

5. Internal Audit Update

DISCUSSION

Ms. Lissette Nadal, Director of Internal Audit (IA), provided the board an update on the Internal Audit Annual Plan and reports. The audit reports were reviewed by the DIR Executive Director and pre-approved by the Finance and Audit Subcommittee during the meeting held on January 24th.

Ms. Cathy Sherwood, Audit Project Manager with Internal Audit, presented the results of the Data Center Services Vendor Management and Performance Audit. This report summarizes the scope, results, and recommendations from the work performed in conducting the Department of Information Resources (DIR) DCS Vendor Management and Performance audit. This performance audit was part of the FY 17 Annual Audit Plan. The audit objective was to determine whether the reported vendor performance for data center services complied with established service level agreements. To accomplish the audit objective, Internal Audit performed procedures to gain an understanding of service level management processes in place. We reviewed 12 months of service level performance measures and assessed whether support for activities or events included in Service Level Agreement (SLA) measures aligned with contract requirements.

The audit team:

- Interviewed subject matter experts, including staff from Atos and the Multi-Sourcing Services Integrator (MSI) Service Performance and Reporting (SP&R) team.
- We reviewed criteria, including the State of Texas Service Level Guide, policies and procedures and work instructions related to SLAs reviewed.
- We evaluated reports from source systems that were used to compile reported performance results.
- The audit team reviewed internal management reports prepared by the MSI as well as published enterprise compliance reports and recalculated performance measures.

The scope of this audit included selected reported performance results for service level agreements for selected months from the DIR contract with Atos based on project risk assessment results. Internal Audit focused its testing on activity from October 2015 to September 2017, and the selection of measures to review were based on the results from the team's project risk assessment. DIR management from the Chief Operations Office (COO) and Chief Procurement Office (CPO) 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. Management expects to fully implement action plans by the end of October 2018.

Mr. Gatzke asked: Did you find that we were generally performing service levels at expected rates, but this is mostly documentation and tracking of that performance on a consistent basis?

Ms. Sherwood responded: Based on the SLA requirement that were defined in the contract, we were typically following the procedures as written.

Mr. Rios asked: Given the focus on disaster recovery, who owns the process on when these plans need to be tested when they coordinating with the agency in order to test disaster recovery plans?

Ms. Sherwood responded: The schedule is approved by Ms. Sally Ward.

Ms. Sally Ward, Director of Planning in Governance responded: MSI owns the process and responsibilities to request agencies to fill out the schedule and what they want to test over the year. MSI coordinates testing dates with ATOS and then ATOS perform the test. There is a process, which includes documentation and communication to customers that MSI does to ensure they know the tests are available and the customers can put their applications on the test. The Internal Audit found that there were a number of agencies with higher priority applications and choosing not to test and saying, "no thank you". We didn't document the "no thank you". We just showed that there was no test scheduled for them. The requirement is now for MSI to get that documentation of a "no thank you" and expectation that DIR will communicate to agencies the importance of obviously using the service is embedded in the contract.

Mr. Rios asked: Generally, how long does the engagement take, is it under the complexity of the application that they are testing?

Ms. Ward responded: It's all the above, a good disaster recovery test is very time intensive. Some of the agencies do not have one or two, they have many. They choose not to test every application every year in disaster recovery, but they choose to take the higher risk applications and maybe test over a period of 2-3 years.

Mr. Rios asked: In the future, "the no thank you", will that be a higher end level?

Ms. Ward responded: Yes. One of the audit recommendations is to report to the ITLC, those agencies that have chosen to say no. To make sure the agencies leadership understands the decisions that are being made.

Ms. Nadal discussed the Audit Report for Network Security Operations. This report summarizes the scope, results, and recommendations from the work performed in conducting the DIR Network Security Operations (NSO) services assurance audit. This assurance audit was included in the Fiscal Year 2017 Internal Audit Annual Plan.

The primary objective of this assurance audit was to assess whether the operations of the DIR network security function were in compliance with state law and regulations. In determining compliance with state law and regulations, the audit team assessed DIR's compliance with 1) industry leading practices, 2) adoption of rules, 3) management, 4) services and support, 5) physical security, 6) training, and 7) contracted work. The audit team assessed the contractor's compliance with relevant a) deliverables, and b) service level agreements. In addition, the audit team also validated the implementation status of the audit recommendations included in the Chief Information Security

Office (CISO)/ Network Security Operations audit report #13-105. The audit team also interviewed selected network security from a sample of state agencies to gain insight on the agencies' perspective related to their roles and responsibilities over network security.

Recommendations to improve the NSO services controls were identified and communicated to DIR management who 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.

Due to the confidential nature of the activity audited, a separate confidential audit report was provided to the DIR Board and executive leadership including the overall conclusion, issues, and recommendations identified. Management responses were requested from DIR executive leadership charged with governance and sufficient authority and responsibility for implementing the corrective actions planned to address the audit recommendations reported.

State Office of Risk Management (SORM) conducted a review of the DIR Risk Management Program in FY18. The team noted minor issues mainly related to insurance, policies and procedures, and the COOP. SORM reported 17 recommendations mainly DIR management agreed to implement by March 31, 2018. These were discussed in detail with the DIR Executive Director and the Finance and Audit meeting held in December 2017.

The Texas Internal Auditing Act requires DIR to submit an Internal Audit Annual Report to designated state oversight entities, the DIR Board, and the DIR Executive Director by November 1st of each fiscal year. The State Auditor's Office (SAO) is charged with prescribing the form and content of the annual report.

The report includes the results of the FY 2017 Internal Audit Annual Plan. We had a very successful year and completed all planned projects with the exception of DCS Vendor Management and Performance and Network Security Operations

These assurance audits were carried forward to the Fiscal Year 2018 Internal Audit Annual Plan. In addition, Internal Audit did not have the resources to conduct the Tier 2 assurance audits.

- Statewide Accessibility Coordination Program
- The Technology Architecture

MOTION A motion was made to approve the Audit Report #17-101: DCS Vendor Management and Performance by *Mr. Tayon and* seconded by *Mr. Bernstein*.

ACTION The motion was unanimously approved.

MOTION A motion was made to approve the Audit Report #17-102: Network Security Operations *Mr. Tayon and* seconded by *Mr. Bacarisse*.

ACTION The motion was unanimously approved.

MOTION A motion was made to approve the Fiscal Year 2017 Internal Audit Annual Report *Mr. Tayon and* seconded by *Mr. Bernstein*.

ACTION The motion was unanimously approved.

TOPIC

6. Chief Procurement Office

DISCUSSION

Mr. Hershel Becker updated the board on the Chief Procurement Office (CPO). We are asking the board to consider approval for award of the Multi-sourcing Services Integrator (MSI) contract and for award of Cisco Smartnet Service. Ms. Sally Ward with the Chief Operations Office will provide a brief overview of the Multi-sourcing Services Integrator capability. Ms. Colleen Berkley, Procurement Director, CPO, will then provide an overview of the MSI procurement process that led to the recommendation for award.

Ms. Ward provided an overview, the multi sourcing services integrator, this is the model we moved to in 2011 and 2012. When we realized that DIR was providing a variety of services to our customers delivered by multiple service providers that needed a mechanism to integrate all of those services. With the MSI, we will have a single face to the customer and a single access point, that we could share and leverage some of the technologies needed to manage these types of contracts. DIR wanted one service desk, one IT service management system, one process and one tool for all our shared services. We designed a multi sourcing services integrator role that is becoming a more common role in the technology industry. The model is such that we can continue to add services for our customers under the multi sourcing services integrator. This provides DIR and our customers great visibility and transparency of our service providers, performance, SLA's and reporting of metrics.

Ms. Berkley discussed the process followed for the MSI award. DIR issued a request for offer on May 17, 2017 for responses from vendors for MSI services. We had a pre-proposal conference for vendors to come in and get a feel for what it was we were looking for. There was a very long question and answer period as part of the procurement process for a rolling period. Response were due on July 18, 2017. We received two responses at that time. The team made of DIR and external agencies employees were set to evaluate responses. Following the evaluation, we determined that both vendors were in the competitive range that DIR was looking for. We invited both vendors to come through for clarification sessions. A two-day meeting was set up with both vendors and walked through all the questions that had been identified by any evaluators during the initial evaluation period. Then a second round of clarification sessions was scheduled. At that point, we determined it was time to issue a request for a revised offer. We ask both vendors to take what they have learned from us in the clarification sessions and to revise their offer to better fit the requirements as set forth by the state. Second response was not scored, we used it to help prepare for integration sessions. Both vendors were allowed to meet with current service providers and also used it to prepare for due diligence requests. Following the integration and due diligence sessions, the state decided to issue a request for a revised offer, which we did score. Following that scoring, we had determined there was a clear winner, who presented the best value for Texas and it was Capgemini. DIR ended negotiations at the end of November 2017 and we are now ready to present the contract to the board for approval.

Mr. Bernstein asked: Is Capgemini a subsidiary component of Accenture?

Ms. Berkley responded: No

Mr. Bernstein asked: Why is Accenture on here?

Ms. Berkley responded: Accenture was one of the two bidding vendors.

Mr. Gatzke asked: There was a clear winner, is that on service or price or on both?

Ms. Berkley responded: We evaluated both vendors on five categories and across all categories Capgemini was the winning vendor.

Mr. Tayon asked: Capgemini is the current service provider for the MSI contract?

Mr. Becker responded: Yes.

Mr. Tayon asked: How long have they been in that roles?

Mr. Becker responded: 6 years, the contract was awarded in December 2011.

Mr. Tayon asked: Is there an option to continue the contract?

Mr. Becker responded: There is an option to renew the contract, DIR is electing not to extend the contract.

Mr. Tayon asked: Can you explain to the board why you elected not to renew the contract?

Mr. Becker responded: It is not based on performance, the vendor performed well under the contract. It was to position us better for the next generation of the contract and given where we are in the industry, in terms of the offerings to a digital MSI model. This also aligns with the implementation of Texas.gov.

Mr. Tayon asked: The services under the new MSI contract that you negotiated are somewhat different than the existing contract?

Mr. Becker responded: Yes.

Mr. Tayon asked: Recognizing that improvements in technology have occurred in the last year?

Mr. Becker responded: Yes.

Mr. Tayon asked: How does the cost under the prior contract compare to averaging cost across the new contract?

Ms. Ward responded: The cost in the current contract does not include these additional service component providers of Texas.gov, managed security services and some of the managed applications services. It is not an apple to apple comparison. The cost for MSI that is allocated to our customers cost will decrease as we bring on more services from other service providers.

Mr. Tayon asked: Do you anticipate on having more current and better services at a better price?

Ms. Ward responded: Yes.

Mr. Tayon asked: Was the Capgemini cost that is being proposed for approval less than the competitor offer that you had?

Ms. Ward responded: Yes.

Mr. Tayon asked: What range?

Mr. Becker responded: Over the course of the contract, based on the responses from revised offers and negotiating a lower price with vendor is \$16 M - \$20 M.

Mr. Gatzke asked: Your cost savings you mentioned customer costs. Are those dependent on additional consumption or current level of consumption that we are getting that savings?

Ms. Ward responded: It is assuming additional levels of consumption.

Mr. Gatzke asked: The budget and forecast of trajectory we've been on, we feel like we are going to have that level of consumption.

Ms. Ward responded: Yes, we do.

Mr. Rios asked: What are the areas that you are seeing this? Are we dealing with other counties or are we extending it outside of the agencies within the program?

Ms. Ward responded: For data center services with managed security, managed applications and data center, we do have the opportunity to offer those services to local entities by law. There are some that are very interested in managed security services. There are many local counties that are currently using Texas.gov and will then be using the multi sourcing services integrator.

Mr. Rios asked: What other states have that same format set-up?

Ms. Ward responded: Texas is one of the forerunners for the multi sourcing services integrator model, many other states are coming to Texas and taking our model and implementing it there. DIR has hosted a number of states for visits to see how we set-up our model.

MOTION

A motion was made to approve award the Multi-Sourcing Services Integrator to Capgemini and that we delegate authority to Ms. Napier or her designee to execute the contract by *Mr. Tayon* and seconded by *Mr. Bernstein*.

ACTION

The motion was unanimously approved

DISCUSSION

Mr. Becker presented the next contract to the board to consider approval for award of contract for Cisco Smartnet Service. The awardee is Exebridge, Inc., the contract term will end August 31, 2020. The scope of the contract is support for network components including software and hardware upgrades, technical support, digital support and smart capabilities.

Aiko Neill, Acting Enterprise Contract Director, provided the background for CISCO Smartnet. This contract is for the CISCO Smartnet Maintenance Service for the current network equipment that is deployed on the state's consolidated telecom network systems. The maintenance is for keeping the network equipment updated and operational. The CISCO Smartnet Maintenance Services provides technical assistance centers for hardware replacements, digital support, software updates and smart capabilities. Smart capabilities are the customer's ability to have one portal to manage CISCO inventory, review equipment life cycles, check contract status on equipment and access alert information. The estimated value is \$2.5 M for a 3-year term. The vendor will also provide managed services and training of the equipment at no additional cost.

Ms. Parrish asked: Who is the current contract holder?

Ms. Neill responded: Presidio

Mr. Alvarado asked: The contract is September 1, 2017 through August 31, 2020, is this the normal term for a contract?

Ms. Neill responded: Yes.

Mr. Hershel responded: The term is 3 years. The reason it is going to September 1, we were working through some issues with Cisco with respect to the maintenance. Cisco allowed us to continue use the Cisco products without the maintenance for a period. Part of this contract is passing that maintenance onto CISCO for that period for which we have not paid. They're are only providing services from award forward.

MOTION A motion was made to approve the award for Cisco Smartnet Services to Exebridge, and that we delegate authority to the executive director or her designee to execute the contract by *Mr. Tayon* and seconded by *Mr. Bacarisse*.

ACTION The motion was unanimously approved

DISCUSSION Mr. Becker informed the board, CPO negotiated the bulk purchase agreement for GovQA, a Public Management System. Cooperative Contracts section has awarded 60 contracts during the FY18- Q1. We are working on planning for DIR Connect 2018, it's an education conference we host targeting IT contracting and procurement professionals.

TOPIC **7. Office of General Counsel**

DISCUSSION Mr. Martin Zelinsky, General Counsel, presented a rule making action for publishing notice of adoption for consideration. Regarding, 1 TAC Chapter 206, related to the State Websites, we presented a proposed rule for this chapter at the August board meeting. This is a result of a rule review process that we started a year ago and reflect changes are for accessibility to state websites. We did receive comments from the Information Technology Council for Higher Education (ITCHE) and we made the same changes in the preamble to the rule. The changes are minor, we corrected the citation and modified a definition based on input from ITCHE.

Mr. Rios asked: Minimal impact to the state agencies.

Mr. Zelinsky responded: Yes, minimal depending on maturity of your accessibility model.

Mr. Rios asked: Is this posted for external facing sites?

Mr. Zelinsky responded: Yes.

Ms. Parish asked: When is this effective?

Mr. Zelinsky responded: It is effective 20 days after we submit to the Texas Register.

MOTION A motion was made to issue the attached order to adopt the new amendments to the rules 1 TAC 206 – State Websites and (2) authorize publication of the new sections in the Texas Register in substantially the form of the attached rule by *Mr. Tayon* and seconded by *Mr. Bernstein*.

ACTION The motion was unanimously approved.

DISCUSSION Mr. Martin Zelinsky, General Counsel, presented a proposed rulemaking to amend 1 TAC Rule 212.10 – Purchases of Commodity Items. The amendments are necessary to update the rule and to address the passage of Senate Bill 533 (85R), effective as of September 1, 2017. This bill increases the cap on purchases being made by state agencies, from \$1M to \$5M, the change is reflected in the rules. This will complete our implementation of SB 533. The statute and the rule apply only to state agencies and have no direct impact on institutions of higher education.

MOTION A motion was made to authorize publication of the proposed amendment for thirty days in the Texas Register in substantially the form of the attached rule 1 TAC 212 – Purchases of Commodity Items by *Mr. Tayon* and seconded by *Mr. Bernstein*.

ACTION The motion was unanimously approved.

TOPIC **8. Chief Technology Office Update**

DISCUSSION Mr. John Hoffman, Chief Technology Officer, provided a brief update on the Chief Technology Office (CTO). The CTO team’s effort is to provide consistent direction towards modern, adaptive, enterprise IT solutions. The Enterprise Services effort, Mr. Chad Lersch has continued to provide direction and support in the core services procurement under review today and those still underway. We are continuing to focus on defining the next generation of our data center services. In this process we are leveraging external research resources, the vendor community, our internal teams as well as our customers. As the data center effort makes progress, CTO looks forward to initiate efforts on new enterprise services which will enable state agencies to consistently, efficiently and effectively leverage technology.

The Modernization Services team continues to review the Application Portfolio Manager (APM), this tool is moving from pilots into production. To compliment the APM, Mr. John Van Hoorn continues work with the different agencies providing guidance and support in legacy modernization. Those efforts are defined in what we have as legacy modernization guide and formalizing these efforts into a training curriculum to be more efficient as we go from agency to agency.

The Policy and Planning Team has published the State Strategic plan, which was approved at the August board meeting and is now focusing on the Information Resources Deployment Review. This review, known as the IRDR, is a DIR survey where each agency performs a self-assessment of IT deployment and compliance with state standards. This survey also provides DIR with key information used to generate the various mandated studies and reports. Also, in Policy and Planning, the project framework team is formalizing performance indicators in the project tracking to ensure consistent reporting of major IT project implementations by state agencies.

Ms. Sue Atkinson is working alongside the procurement teams in providing outreach to our customers. In addition to our agency customers we need to ensure our non-agency customers are aware of DIR services and contracts. Last year there were monthly mailings sent to over 24,000 individuals, with a relatively high open rate we feel like the messages were pertinent and well received. We look to expand that target to 50,000 in 2018 through expansion of our distribution as increased frequency. We also exhibit and participate at DIR and other IT events through the year and leverage the vendor community for training.

TOPIC **9. 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. Rainosek discussed performance measures for the fourth quarter. In December we testified at the Senate Select Committee on Cybersecurity, which was created from HB 8. We will be testifying at the Government Transparency and Operations committee on March 27 to review the status of HB 8 implementation. Completed the Texas Cybersecurity Strategic Plan, which I will go over shortly. Also completed DIR’s portion of the Texas Homeland Security Strategic Plan and the State Preparedness Report, which went to the Department of Public Safety. Texas is participating in GirlsGoCyberStart, an initiative with the SANS Institute for high school girls.

Ms. Rainosek discussed the Texas Cybersecurity Strategic Plan. The purpose of this plan is to provide strategic direction for public sector entities and individual agency security plans. The last plan was published in 2008. Our target publish date is after this board meeting. The plan includes five overall goals: engagement, tooling, staffing, response and outreach. Each goal contains an overview, challenges, actions, and outcomes.

The end of the first quarter we have completed 2 penetration tests. The goal is 50 per year, the reason this number is low is because at the end of last fiscal year, we were in a transition period and for a time did not know whether the service would be continued at the beginning of the fiscal year or if it would wait on the MSS contract. We had to start these tests in July and August in order to finish them in the first quarter of the year. We did not schedule tests until we knew the contract was being extended into FY 18. As the quarter began, we also had 4 agencies postpone their pen tests until later dates. Now our vendor is working diligently to catch up. As of mid-January, we have 9 completed, 12 in process, and 14 scheduled.

Our participation rate was at 95 agencies or 66% for the fourth quarter. CISO completed 4 security assessments in the first quarter. In December, the Legislative Budget Board informed us that our performance measure would be increased to 40 assessments for this fiscal year. We have also increased our scheduling of these assessments, so that we will have 20 in process by the end of the second quarter under our current vendor and need to get 20 more scheduled to meet the LBB target. The vendor is working diligently to help us meet the numbers.

Mr. Gatzke asked: Do you have any concerns to meeting the target?

Ms. Rainosek responded: No, but the 40 assessments in the past has been voluntary, so it is a matter of agencies and universities volunteering to have the assessments. If we can't recruit enough then it may be an issue.

Ms. Parrish asked: Who's included in the 40, state agencies or higher ed?

Ms. Rainosek responded: Yes, state agencies and higher ed.

Ms. Napier asked: Are these the assessment that are part of the Sunset process.

Ms. Rainosek responded: Yes.

Ms. Napier asked: Do you want to explain it and who will be getting it through the Sunset process?

Ms. Rainosek responded: Yes, again they can volunteer through the Sunset process or not. HB 8 requires the Sunset Commission to consider the results of our assessments when doing the reviews. DIR is working with Sunset to let them know who had assessments and finding out from Sunset who needs assessments.

Mr. Rios asked: Are you seeking funding to increase that or is that your bandwidth 40?

Ms. Rainosek responded: We have funding for 50, we are really going to try to get 50.

Mr. Rios asked: You are not seeing agencies wanting to participate more?

Ms. Rainosek responded: HB 8 ask for assessment every two years, that is a self-assessment, eventually we could see this roll to assessment every two years for agencies. The penetration test does not require a lot of interaction with the agencies, where the assessment take agency time. This is part of the reason why it's more difficult to recruit agencies to have those assessments done.

Mr. Rios asked: In the meetings with Legislative leadership, what seems to be their 1 or 2 primary focus?

Ms. Rainosek responded: It's what's going on and what are the biggest issues in the state. We discuss a lot about education for users. The biggest issues we have are either social engineering or phishing tasks. Trying to come up with ways to not just educate cyber security professionals but all state workers on how their actions can impact and to be aware of an email or someone calling on the phone for remote access to their computer.

Mr. Tayon asked: What happens when you do the penetration test, are people successful in warding them off or you seeing systems that you shouldn't be?

Ms. Rainosek responded: Occasionally we will, we recognize vulnerabilities and we give them a report where they can close them up. Probably 1 in 5 we can gain access to their systems and we immediately let them know and they close it up.

Mr. Rios commented: We have had it done consistently for a number of years. It helps us identify things that we didn't see and utilize that to help us make any changes to comply with it too. It's very helpful!

Mr. Gatzke asked: Is there a retest?

Ms. Rainosek responded: Yes.

Ms. Parrish commented: If we find any vulnerabilities, I require the security staff do a corrective action plan.

Mr. Tayon asked: Is penetration testing done by DIR staff or is that being done by an outside contractor?

Ms. Rainosek responded: Our outside contractor, ATT

Mr. Tayon asked: What are the perimeters of the security assessment? When they are done, what are you looking for?

Ms. Rainosek responded: It's really a policy review. We have 40 key controls that they assess their maturity level on. It could be things like, good security training, do they have good user management or good policies. Then the vendor goes in and do an independent assessment on the maturity levels of the 40 controls.

Mr. Tayon asked: Is that ATT?

Ms. Rainosek responded: Right now, it's NTT. When the managed service contract becomes operational on March 1, it will transfer to ATT.

TOPIC **10. Chief Operations Office**

DISCUSSION Mr. Dale Richardson, Chief Operations Officer will provide the update for each of the programs - Data Center Services, Texas.gov and Communications Technology Services. The Directors for these programs have been busy in a lot of procurements.

TOPIC **11. Data Center Services Update**

DISCUSSION Mr. Dale Richardson provided an update on Data Center Services (DCS). The service level agreements (SLA) defines the performance of the systems in the data center mainframes. The SLAs are doing well consistently month over month. The last 4-5 months, customer satisfaction has been high. We did have an outage this month, the results for this will be reflected at the next board meeting.

TOPIC **12. Texas.gov Update**

DISCUSSION Mr. Dale Richardson provided an update on Texas.gov. FY 18-Q1 there were 11.3 million transactions. This was a slight decrease in transactions, total revenue and state share due to lower transaction volumes for vehicle registrations (DMV) and driver records (DPS). Vehicle registrations are cyclical, and it is not unusual to see a slightly lower volume in the fall.

The application reliability performance for FY 18–Q1, the targets range from 99.8% to 99.95%. September and October were at 99% and 97% while November only met 46%. There were 2 hardware failures that caused all of the texas.gov hosted apps. to be down for 2 hours.

Mr. Bacarisse left the meeting via video conference.

TOPIC **13. Communications Technology Services Update**

DISCUSSION Mr. Dale Richardson provided a brief update on Communications Technology Services (CTS). We are currently 20% complete in the planning phase of the 100Gig Core Router Upgrade. This IOS upgrade provides additional monitoring capabilities and keeps us at patch compliance on these routers.

Sonet Decommission, we are in the process of migrating customers off of the legacy sonnet network equipment onto a more advance network. There are 19 legacy nodes that will be decommissioned. This project is currently on schedule with a targeted completion date of August 2018.

Sam Houston Building Facility upgrade, we are working with Texas Facility Commission (TFC) on upgrading the facility power as well as upgrading our air condition units in the equipment room. TFC did not receive any responses to their RFP. TFC has made the decision to break this up into two projects and will be taking on the power upgrade and HVAC replacements internally. They plan to start the power work in February and we are awaiting a date for the HVAC replacement.

We continue to transition from our legacy PBX phone system to our Voice over IP system. We have roughly 6300 phones/soft clients transitioned, this is an additional 1,400 phones since our last meeting. We have roughly 2,100 phones scheduled for upcoming conversions. Our customer base has increased 0.5% from FY 17-Q4. Purchases have decreased 9% from FY 17-Q1. This decrease was mainly due to Tex-An amendments resulting in price reductions.

Ms. Parrish commented: Texas Education Agency is about 99% complete, it took us about 9 months to do the actual network switching once we did the upgrades. DIR came on site, we expected it take about a week to complete, but DIR was done in one day. Only thing left is fax machines and a few other pieces.

TOPIC **14. Statewide Data Coordinator Update**

DISCUSSION Mr. Ed Kelly, Statewide Data Coordinator, provided a brief update on the Statewide Data Program (SDP) highlights for the FY 17-Q4. In October we hired our data analyst and the Open Data Portal Administrator. With this hiring the SWDP increased our staff to a 100% and we transferred the full responsibility of management and administration of the Texas Open Data Portal from Chief Operations Office to the SDP.

We launched the Open Data Portal User Group (ODPUG), we have 10 agencies and 2 non-agencies that participate. We have brought the group together to start discussing best practices and standards associated with managing and governing open data.

We also began the planning process for two major events, the first is a partnership between the Office of Information Technology at St Edwards University and the State to participate in a civic hackathon. The hackathon was started in 2013 and dubbed ATX-Hack for Change. Traditionally focused at the city/local levels civic hackathon aims to provide the community with resourceful projects that will have a lasting, positive impact. We had a planning session with them and hoping to build some use cases that the state is interested in that could be considered for civic hack a thon effort. It will be June 1 – 3, several agencies have shown interest in participating. The second event is our own Data Forum, the forum is offered as an opportunity for continued education and networking for agencies, higher ed, city, county and public/private orgs.

Mr. Kelly discussed the Open Data Portal, the list of current ODP publishing entitles, total datasets, visits, downloads since inception. The leader for posting open datasets is Department of Family and Protective Services with Child Care Licensing, Adult Protection Services (Operations, Compliance, Demographic). The leader with total visits to the data is Texas Comptroller Public Accounts for unclaimed property. The leader in downloads is the Texas Department of Licensing and Regulation with 750K license holders, electricians, barbers, cosmetologist. Dataset submission increased 11% total of 38 new datasets, visits increased 18% by 22,053 and downloads increased 17% by 16,181.

TOPIC **16. Public Testimony**

No public testimony

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

ACTION The meeting adjourned at 12:14 p.m.

Approved by the Board Chair:

Ben Gatzke, Chair

Date