DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING
Thursday, August 24, 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 Ben Gatzke Jeffrey Tayon Bryan Collier, ex- officio George Rios, *ex-officio* Melody Parrish*, ex-officio*
ACTION	*Ms. Shaunessy* called the meeting to order at 10:01 a.m., with a quorum present.
TOPIC	2. Chair's Remarks Consider approval of meeting minutes from the June 1, 2017, Board Meeting. Mr. Rios had a correction on page 5 of the board minutes.
MOTION	Mr. Rios requested a motion to correct a name on page 5 of the minutes. A motion was made to change the minutes on page 5 by *Mr. Gatzke* and seconded by *Mr. Villarreal.*
ACTION	The change to the minutes was unanimously approved.
MOTION	A motion was made to approve the previous meeting minutes with amended change by *Mr. Gatzke* and seconded by *Mr. Villarreal.*
ACTION	The minutes were unanimously approved.
TOPIC	Consider Approval of Appointment of Ad Hoc Personnel Subcommittee Ms. Shaunessy stated the board would like to have an Ad Hoc Personnel Subcommittee created. The Ad Hoc Personnel Subcommittee will be Rigo Villarreal, Ben Gatzke, Charles Bacarisse and Linda Shaunessy. Mr. Bacarisse being the chairperson for the subcommittee.
MOTION	A motion was made for Approval of Appointment of Ad Hoc Personnel Subcommittee by *Mr. Gatzke* and seconded by *Mr. Villarreal.*
ACTION	The Appointment of Ad Hoc Personnel Subcommittee was unanimously approved.
TOPIC	**3. Executive Director's Report on Agency Performance** Ms. Napier welcome George Rios from Texas Parks and Wildlife Department (TPWD). Mr. Rios is replacing Ms. Dawn Heikkila who retired. Mr. Rios has served on the board before and is the CIO for TPWD. We are very grateful for his willingness to jump on board.

The Special Session just concluded on August 16. No specific technology issues were included in the Governor's call, but we did track a few pieces of legislation, none of which were passed into law so it was a lot of observing. DIR has now moved into implementation phase on the bills that did pass in the regular session. Legislative Affairs are tracking our new reporting requirements along with the Policy & Planning team who did a lot of the heavy lifting in this area. Legislative Affairs are also tracking and working with the appropriate divisions to make sure we are living up to the new responsibilities given to us by the Legislature. Those new duties were taken into consideration as we built this budget and will be presenting to you today.

Ms. Napier updated the board on FirstNet. AT&T was awarded the nationwide contract by FirstNet to build out a first responder network in response to federal legislation passed in the wake of 9/11. We have been working closely with DPS and the Governor's Office to assist in analyzing the Texas plan put forth by FirstNet. We are now approaching the point where Texas must choose to opt-in and move forward with AT&T or opt-out and proceed to build our own network. The decision rests with the Governor, and while DPS is the statewide point of contact, DIR has been very instrumental in analyzing the plan and providing feedback. Mr. John Hoffman has been primary contact for DIR and I wanted to thank him for his hard work on this effort.

Ms. Napier thanked and acknowledged the hard work that Mr. Villalpando and the CFO team has done in preparing the FY 2018 budget. This budget allows DIR to continue to provide excellent customer service and maintain the high level of operations that has come to be expected of us. The budget does include an increase in operating expenditures, the majority of which will go to infrastructure upgrades at the State Data Center and procurement assistance for our major procurements, both of which I see as essential to providing high quality services to our customers and ensuring that our contracts best represent the needs of our customers as well.

DIR has fully embraced the Legislature's directive on bulk purchasing. Chief Procurement Office (CPO) were able to accomplish not one, but three different offerings to our customers in a very brief time frame. Ms. Napier complimented Mr. Becker and CPO team on getting these bulk purchases done. The interest in DIR has extended beyond the borders of the United States. Ms. Napier was invited by Supreme Court Justice Jeff Boyd to present to a delegation of Ukrainian leaders (US-Ukraine Foundation, sponsored by congressionally authorized Open World Leadership Center) about our e-Government model at the end of September, and we were also approached this week to participate in a Texas-Israel chamber of commerce event in the fall to discuss how Israeli companies can do business in Texas, particularly in the arena of cybersecurity. A lot of people want to know how to do business with Texas.

Ms. Napier welcomed the new staff member. The next board meeting is October 26, 2017. Ms. Napier discussed the upcoming board meetings for the next two years. These board meeting are slightly different than what we have done in the past. In year's past, we have done quarterly meeting but we have found in these times and the number of procurements we are doing, there are times it would be helpful to have an option. This will be called a special topic meeting, these meeting will only occur if we have an action item for board approval. The special topic meeting would not include subject matter briefings that you get in the main board meetings, this meeting will be to consider and approve action items.

TOPIC	**4. Finance Update**
DISCUSSION	Mr. Nick Villalpando, Chief Financial Officer, discussed DIR's financial operating results through FY 17-Q3 as well as our financial forecast for the rest of the fiscal year. Mr. Villalpando discussed budget status as of May 31, 2017. Cooperative Contracts year-to-date revenue of $9.02 million is approximately $752 thousand below budget. Currently forecasting total revenue of $12.8 million for FY 17, or $1 million below budget. This is an improvement over the year, early in the year around November there were concerns with the trends that we were seeing with the Cooperative Contracts; giving the changes in Legislation in the previous session in terms of the types of purchases that can be made in the Coop program. We previously forecasted running about $2 million under the budget on revenue but as the year progressed, we did some trending upward in purchases on the cooperative program. It is still under budget not nearly as bad as it was earlier in the year.

Communications Technology Services (CTS) total forecasted operating revenue of $15.9 million and expenses of $15.5 million are on track with budget. Data Center Services (DCS) total forecasted operating revenue of $7.2 million is approximately $1.6 million higher than the original budget. Total forecasted operating expenses of $4.8 million are approximately $794 thousand below operating budget. We anticipate ending the year having earned approximately $36 million in operating revenue, we also estimating operating expenses at $31.7 million for FY 17. We anticipate being within our maximum fund balance for Cooperative Contracts Program and Telecommunications Program. Due to the increased consumption of DCS Services, the Data Center fund will come in above the maximum fund balance.

Through FY 17 DIR was limited to a maximum fund balance of two months' worth of operating expenses. Going into FY 18/19 in the new appropriations act, state leadership has increased our maximum allowable fund balance in that program to 1% of total revenue. They did see and agree with DIR as an internal service agency delivering services to our customers, we do have a need for a higher fund balance that we can maintain year over year.

There is a budget amendment request to increase the Data Center Services Revenue and Expenditures due to increase consumption of services by DIR Customers.

Ms. Shaunessy asked: It looks like it was a good year and it ended very well. Do you know why the increase in Data Center usage? Do you think it will continue to increase and do you see as a new trend?

Mr. Villalpando responded: We are forecasting next year to be under. The reason is typically first year of the biennium, we don't see a huge increase. A lot of times agencies get projects underway they may have delayed, so they may get delayed from first fiscal year into the second fiscal year. We see a lower amount in year one and a higher amount in year two. That's exactly what we saw this biennium.

Ms. Shaunessy asked: Do you think the increased operating revenue will continue?

Mr. Villalpando responded: Next year DIR is planning to reinvest the operating revenues again into the infrastructure upgrades. Typically, our operating expense budget historically within data center program has been fairly flat with the exception of a couple of items. We try to manage the program to be within legislative maximums and requirements.

MOTION	A motion was made to approve the FY17 Operating Budget Amendments by *Mr. Gatzke,* then seconded by *Mr. Villarreal.*

ACTION　　　　The motion was unanimously approved.

DISCUSSION　DIR's funding comes predominately from fees and charges from our customers. Historically we have not received general revenue, this is the first year in several years that we are going to receive general revenue. We forecast our customer demand for DIR Services and then we set our fees to cover our expenses. The intention of DIR is not to bring in additional revenues or fund balances, we have limitations and restrictions within the appropriations act on our balances. Three components govern cost: direct costs, other direct costs and indirect administration costs. DIR wants to maximize cost savings for customers, recover and minimize cost of program operations, minimize fee volatility for customers and comply with statutes and regulations.

Cooperative Contracts fees are paid to DIR by vendors who participate in the program, for example every time a customer buys a Dell laptop, Dell pays DIR an administrative fee. The fees for all services will not increase for FY 18. DIR is not anticipating any fee increases for the programs. The average Cooperative Contracts administrative fee for FY 18 will remain at 0.67%. Data Center Services (DCS) fee charge will remain at 2.95% for FY 18. The fee is applied to the monthly customer invoice based on amounts charged by DCS vendors. Communications Technology Services (CTS) vendor fees for FY 18 will be 2% - 12%. The fees are higher for CTS because it operates as a telecom service provider for the state. Prices varies based on service type for CTS.

Mr. Villalpando discussed the FY 18 budget highlights. This year's request represents a $31.4 million (8.4%) reduction in total expenditures from FY17. Major initiatives include: Procurement of Texas.gov and Multi-Sourcing Integrator (MSI), and beginning the procurement for DCS – Service Component Providers (SCP). Estimated FY 18 procurement and implementation costs of approximately $3 million. DIR plans to utilize provisions within the GAA to add six Full-Time Equivalent (FTE) positions to implement new legislation and increase service delivery. The action increases DIR's maximum headcount from 198 to 204, approximately $450,000.

Ms. Parrish asked: Is the administrative fee 2.95% for DCS a fixed percentage?

Mr. Villalpando responded: Yes

Ms. Parrish asked: How often is it reviewed?

Mr. Villalpando responded: We look at annually. It does require approval from LBB and Governor's office to increase.

Ms. Parrish asked: Has 2.95% been adequate to cover cost.

Mr. Villalpando responded: Yes

Mr. Villalpando continue discussing FY 18 budget highlights. We are anticipating doing infrastructure upgrades to San Angelo Data Center that are needed. The cost of the upgrades will cost $2.5 million. DIR plans to fund these expenditures with FY 18 revenues and the balance carried forwarded from FY 17, pending approval from the Legislative Budget Board (LBB).

Mr. Tayon asked: The 2.95% recovery from DCS, doesn't cover the DCS upgrades that are required now to the San Angelo Data Center for $2.5 million?

Mr. Villalpando responded: That is the revenue that is being spent on the $2.5 million. We are carrying forward previously earned balances from prior fiscal year to pay for the upgrades. We are using the fees that were generated from 2.95% to pay for those upgrades. The fee revenue that is

generated for FY 18 is not sufficient to pay for the $2.5 million. We are using the carry forward balance to pay for infrastructure.

Mr. Tayon asked: The carry forward balance is not just from 2.95% fees that your recovered from DCS?

Mr. Villalpando responded: In this instance, they actually are.   DCS fund is a standalone fund.

Mr. Rios asked: Have we always had a fund balance there? Have we gotten approval from the Legislature to cross biennium to carry it forward?

Mr. Villalpando responded: Historically the fund balance in DCS has been very low, in fact in earlier years DIR ran at a deficit in that fund. Over time we have been able to bring the balance up. The timing of the fund balance increasing is in line with the leadership change in our appropriations bill pattern that allows for the higher-level fund balance. This is the first time we will request additional authority to carry over that amount of the balance.

Mr. Villalpando discussed the FY 18 Operating Statement. DIR is anticipating $33.3 million in total operating revenue for FY 18. DIR does look at administrative fees annually closely and we understand the position of our customers and state agencies in tight budget years. Every dollar they pay us is a dollar not going to a constituent service. We feel confident bringing this budget to the board and will monitor it throughout the year. If any further action is needed then we will bring it back to the board for approval.

MOTION	A motion was made to approve the FY18 Annual Operating Budget and approve the FY18 Administrative Fees by *Mr. Gatzke,* then seconded by *Mr. Villarreal.*
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. The DCS Vendor Management and Performance Audit was put on hold due to pressing priorities to complete the Xerox Print Mail process audit. The Network Security Operations Audit contracted with the Ernst and Young, LLP auditing firm to conduct this audit. The final contract was executed in August 2017, and the audit team has already scheduled the entrance conference on August 29th. The audit will be completed in October 2017. Ms. Nadal discussed the 2017 Texas.gov Financial Audit. This audit was performed by Texas State Auditor's Office. They identified four issues and included eight recommendations. This audit was completed in July 2017, and the results were shared and discussed with the DIR Executive Director and the Finance and Audit Subcommittee. Management has already committed to implementing the recommendations. The follow-up on audit recommendations; there are 187 recommendations from all the audits, 18 are substantially implemented and 76 fully implemented, however on the fully implemented recommendations, IA has validated 13.

Mr. Collier asked: How far back did you say the 187 went?

Ms. Nadal answered: 2011

Ms. Shaunessy asked: When do you anticipate finishing the 187 or figuring out if the 187 has been implemented?

Ms. Nadal answered: IA request implementation statuses from management. If their report indicates incomplete or substantially incomplete implementation, then we don't take action because we understand they need additional time to implement accommodations. However, is it's reported as implemented then it will start the process of validation. As resources become available during the year then we dedicate those resources to validate.

Ms. Nadal discussed the FY 2018 Internal Audit Charter and FY 2018 Finance and Audit Subcommittee Charter. The Internal Audit Charter is shared with the board every year and emphasize certain areas of the charter. Auditing standards were revised in January 2017 and included new core principles. Both charters have been reviewed and approved by the Executive Director and the Finance and Audit Subcommittee.

MOTION A motion was made to approve the FY 2018 Internal Audit Charter and the FY 2018 Finance and Audit Subcommittee Charter by *Mr. Gatzke,* then seconded by *Mr. Villarreal.*

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 have one action item for the board to consider. Mr. Becker introduced Ms. Aiko Neill, Contract Manager within CPO. We are asking the board to consider approval for award of Statement of Work for MSI and Texas.gov Procurement Assistance. The contract holder is Symbio Ecosystems, LLC. They have provided services to DIR in various capacities and under various contracts for Data Center Services. The contract term date of award is 8/31/17 to 8/31/2019. The scope is procurement services, and Transition and Implementation Services for MSI and Texas.gov.

Ms. Shaunessy asked: Will Symbio have HUB services as part of the procurement? Will the HUB be done by DIR?

Mr. Becker responded: As part of the statement of work, they have proposed to include a HUB organization to supplement their own staff. They are not a HUB but are proposing using a HUB as a subcontractor.

Ms. Shaunessy asked: The procurement assistant services, what do you expect their assistance to include?

Mr. Becker responded: It is for MSI and Texas.gov. We have received initial responses for MSI and moving into discussion phase with the vendors. Texas.gov is still posted and responses are due September 18, 2017. It depends on each of those procurements, for MSI, the Symbio would help us with any clarification for MSI, subject matter expertise for any evaluations, additional clarifications that we need and integration support.

Ms. Shaunessy asked: Ultimately it will be DIR and your procurement office to make the final decision on the procurement? You are looking for Symbio to give you a recommendation.

Mr. Becker responded: Symbio will provide subject matter expertise. Symbio is there to supplement our team. We need folks who can roll up their sleeve and prepare for discussion negotiations and integrations sessions.

Mr. Tayon asked: How many people from Symbio do you expect to be involved with the process?

Mr. Becker responded: On average, around four individuals throughout the process. Symbio has proposed 8-10 people on the team and core activities.

Mr. Tayon asked: If for any reason you are not satisfied with the level of support that you are receiving. What are the termination provisions of the contract?

Mr. Becker responded: It includes our standard termination clause in each contract which has a 30 day for convenience with no penalties. If there is a reason to termination for cause then we would follow a different path.

Ms. Shaunessy asked: What measures have you taken to ensure that no member of the Symbio company has any interest in the proposed vendors?

Ms. Neill responded: The Symbio team will be submitting the Texas Ethics Commission form with the signed contract of any conflicts of interest of disclosure through that process. They have certified in their proposal that there is no conflict of interest or any other disclosure were certified through their response.

Ms. Shaunessy asked: Are any of the people at Symbio worked for or working at MSI?

Mr. Becker responded: Symbio team is not currently working for the MSI Vendor. Certain individuals have been employed by some of those vendors.

Ms. Shaunessy asked: What efforts have you taken to make sure whatever work they previously did with some of the vendors that they will oversee will not raise any problems?

Mr. Becker responded: Symbio team has demonstrated through our experiences with them that there's no bias to any particular vendor. These individuals have assisted us with MSI and Texas.gov procurements and it's through their certifications, acknowledgments and actions that we witnessed that there appears to be no bias.

Mr. Zelinsky stated that the vendors are subject to confidentiality provisions that protect the state from disclosure of the state's information.

Mr. Gatzke asked: Doing the math, it makes me think this is twice the premium you will pay on hiring folks directly. Not that you have the headcount for this project. Do you feel like this is additional value and expertise beyond the savings and headcount you get from this?

Mr. Becker responded: Yes and given their experience that this particular company has done. They have done this type of work in Texas, Georgia, Arizona and other states.

Ms. Parrish responded: From an agency perspective, we sometimes hire people and know that contractors are going to cost more. It is when you need someone to do term work and it is not ongoing work that will be there forever. Also, sometimes you need a level of expertise that this team can bring in and only needed for a brief time. They can also cross train your team while they are onsite doing their work. We use contracted services often even though it cost a little bit more.

Ms. Shaunessy asked: Executive Director Napier, are you in favor of this contract?

Ms. Napier responded: Yes.

MOTION	A motion was made to approve award for Procurement and Implementation Support Statement of Work with Symbio Ecosystems and that we delegate authority to Ms. Napier or her designee to execute the contract by *Mr. Gatzke*, then seconded by *Mr.* Villarreal.
ACTION	The motion was unanimously approved

Mr. Becker discussed bulk purchasing of computers, DocuSign and Salesforce. Mr. Becker indicated he is very appreciative of the Legislature and the Governor for signing this into law effective immediately. DIR took advantage of this to make these purchases available to agencies so that they would be able to use FY 17 funds should they have the availability to do that. For each of these categories of purchases we arrange for the procurement window to be immediately beginning in August through December 31. This gives agencies and other customers the opportunity to use FY 17 funds to the extent they can issue a purchase order in August and FY18 funds purchased in September - December. The computers and DocuSign purchases are available to all DIR Cooperative customers, we extended that beyond Texas State agencies, also includes Higher Ed, K-12, both public and private, state entities and local government entities. DIR's outreach to make the customers aware that it available to them. Salesforce is a little more limited and only for state agencies and does not including Higher Ed or local government and it is for new license only. Mr. Becker recognized Kelly Parker, Director of Cooperative Contracts, she has single hand negotiated and arranged for each of these bulk purchase deals. Congratulations to Ms. Parker and team.

Ms. Napier asked for Mr. Becker to share volume for an anchor client with the computers and what their total spend is anticipated to be and savings. These are not actuals until we get the reporting spend from the vendor and maybe discuss the volume purchase for this computer purchase. Mr. Hershel responded the single anchor client was budgeted around $15 million in computers and will get 50% off msrp. They purchased computers for 15 million but valued at $30 million

Mr. Becker discussed the DIR fraudulent purchase orders. Perpetrators are taking advantage of purchase orders issued by state agencies. We have bad actors that are pretending to be me and issuing purchase orders on behalf of the State of Texas specifically DIR. I won't talk a lot about it publicly because we are working with law enforcement and an active investigation associated with it. We have put the vendors on notice that they should look very closely at anything they get from DIR or any agency. Initially the perpetrators were pretty sloppy producing the documents with spelling errors, division and use of other state agencies' watermark on DIR solicitations

Cooperative contracts spend for FY 17 is trending a little behind from FY 16 spending. We are always looking at the numbers and trying to understand them. CPO is reviewing where we can do additional outreach to get in front of those customers groups.

Ms. Shaunessy asked: The HUB commodity spend is very high. What do you contribute that to?

Mr. Becker responded. This could have been from a main purchase and we used a HUB reseller.

Ms. Shaunessy asked: Do you participate that your HUB spend will continue to meet or exceed HUB goals?

Mr. Becker responded: Yes, except for special trade.

TOPIC	**7. Office of General Counsel**
DISCUSSION	Mr. Martin Zelinsky, General Counsel presented to the Board, five rule making actions for consideration. Mr. Zelinsky presented a recommendation for a proposed rule to 1 TAC Chapter 201 related to Contract Approval Authority and Responsibilities. We are trying to make our contract approval process more efficient and many contracts come to the board for approval. We are taking a two-prong approach. One approach we are taking is having more board meetings with six board meetings annually instead of four. Two meetings are primarily for contract approval. The other approach is to better clarify the definition you see in this rule making for significant statewide impact.

In 1 TAC Chapter 203, related to the Management of Electronics Transactions and Signed Records, we began a review of this chapter primarily because of an inquiry by another state agency, who had a question regarding the electronic and digital signature. The amendments are necessary to clarify the processes and policies of current practices and further defines digital and electronic signatures along with removal of some language.

In 1 TAC Chapter 206 related to State Websites, the amendments are necessary to clarify the processes and policies of current practice primarily around accessibility practices. That is the accessibility of a state website to those citizens or employees with disabilities. We clarified the effective dates of complying with new standards that are coming out from the federal government. We added a new requirement for DIR to assist in setting statewide goals for other agencies and tracking performance and progress as those goals are implemented by state agencies. DIR has the statewide accessibility coordinator, we certainly provide a lot of IT leadership in accessibility.

1 TAC Chapter 212, related to purchases of commodity items. This is a very simple rule amendment implementing Senate bill 533 from the most recent session. This bill raised the cap from $1 million to $5 million for state agencies that use our cooperative contracts. It goes into effect September 1, 2017, and we are communicating with all state agencies regarding the new requirement and the new cap.

1 TAC Chapter 216, related to project management procedures, these rule amendments implement House Bill 3275. That bill requires that we establish rules by December 1, 2017. This rule amendment will clarify the processes and polices of current quality assurance team practices.

Mr. Gatzke asked: How long the rules comment period?

Mr. Zelinsky responded: The comment period is for 30 days once the rules are published in Texas Register.

Ms. Shaunessy asked: Do you know how many state agencies are not accessibility compliant?

Mr. Zelinsky responded: I do not know the number, but I can tell you there are very few websites that have accessibility issues.

MOTION	A motion was made to approve proposed amendments to 1 TAC 201, 203, 206, 212, 216 for publication in the Texas Register for public comment by *Mr. Gatzke,* then 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. There is an enormous amount of effort going on at DIR and the CTO team is very excited about the work to be done in FY18. Our effort is to provide consistent direction towards modern, adaptive, enterprise IT solutions. In the Enterprise Services effort, Chad Lersch will continue to provide direction and support in the core services procurements underway. We are also now focusing on defining the next generation of DCS. In this process, we will leverage external research resources, our internal teams as well as our customers trying to see how technology is evolving so we can position DIR and the State in the best way. Mr. Lersch is looking forward to initiate efforts on new enterprise services which will enable state agencies to consistently, efficiently and effectively leverage technology.

The Modernization Services team will have a huge FY18 as the Application Portfolio Manager project is moved to development and pilots into production. To compliment the APM John Van Hoorn and his team will develop and provide legacy modernization training and support modules for agencies to leverage the toolkits. The Prioritization of Cybersecurity and Legacy Systems projects and the efforts with the Legislature and we are working with the security team reviewing the report and the funding processes to ensure that next year's report will be even better.

The Policy and Planning Team is well into design, research and writing on numerous reports. Ms. Endi Silva was recently promoted to the Director of the group and is providing strong leadership in the coordination of critical reports such as the State Strategic Plan and Biennial Performance Report. This year there are new studies such as the Infrastructure Report and the Digital Study, we have been asked to provide to the Legislature. Innovative approaches are underway with the project framework, QAT and accessibility efforts to ensure timely and efficient project implementation and transparency are achieved.

The last component I will mention is Sue Atkinson's efforts with non-agency Customer Outreach. We want to ensure local municipalities, K-12 and higher education are aware of our contracts and opportunities such as the bulk purchase. While we broadcast our message broadly we will focus on the Local Government channels in FY18 as we believe there is strong growth opportunity in that market.

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). During the past quarter, we began distribution of Monthly Situational Awareness Report to agency information security officers. This was developed by OCISO and NSOC to increase communications to state agencies and higher education institutions. It shows the types of threats and vulnerabilities being seen on a statewide level. This report intends to increase awareness so that agencies can further protect themselves.

The OCISO is planning for Cybersecurity Awareness Month in October. DIR is working with the Governor's Office to prepare a proclamation formally declaring October to be Cybersecurity Awareness Month. OCISO is working on developing activities for the month, including an event at the Capitol. The event at the Capitol is tentative scheduled for October 12. This is called the Game of Threats. This is an exercise using game theory that is designed to simulate the speed and complexity of an actual cyber breach. This exercise is aimed at c-level executives. We plan to have the morning session on the 12th be aimed at legislative staff, and the afternoon aimed at agency leadership.   It stimulates what happens in an actual incident. We are also talking to University of Texas Austin

about working with one of their classes to do a flag simulation exercise with UT students running the exercise. This is an exercise where two teams compete to catch hackers. Information Security staffs would be the intended audience for this event. We are also planning two events that are geared for end users.

The Homeland Security Strategic Plan progress report was submitted August 3. DIR is the lead agency on five priority actions. These actions will help fulfill the goal of enhancing statewide cybersecurity efforts to protect information assets.

Ms. Rainosek discussed FY 17 Q3 performance measures. At the end of quarter 3, we have completed 36 penetration tests. We are on target to meet the goal of 48 for the year.   We had an increase in agency participation, going up to 104 agencies or 71% for the third quarter. This is due to the Information Security Forum which was held in April. OCISO also completed 4 security assessments, putting the total at 11 completed at the end of the third quarter. We are on target to complete 15 this fiscal year. The legislature appropriated $1.5 million per year for us to perform assessments in the upcoming biennium. This measure will be increasing for next year.

TOPIC	**10. Chief Operations Office Update**
DISCUSSION	Mr. Dale Richardson, Chief Operations Officer, updated the board on the Chief Operations Office (COO). As mentioned at the last Board meeting, DCS experienced a couple of major outages in Q3 because of faulty maintenance work being performed. As a result, FY17- Q3 performance, as it relates to service delivery and customer satisfaction, was not one of the best quarters. COO immediately took the necessary steps with our vendors to ensure they are following the right change management practices and procedures when performing maintenance as well as other corrective actions to stabilize service delivery. Since then, DCS have seen positive results to date which are reflected in early Q4 results that will be presented to the Board in October.

The new Managed Services contract for Managed Application Services or (MAS) that was approved by the Board last February was successfully launched effective June 1st. Since then we have received 25 agency Request for Solution (RFS) requests from 10 different agencies seeking application development and maintenance services. This was a very successful procurement and implementation of a new managed service within our Shared Services program. Mr. Richardson thanked the Chief Procurement Office, Sally Ward and team and Jennifer Buaas and team for the hard work.

TOPIC	**11. Data Center Services Update**
DISCUSSION	Ms. Sally Ward, Director, provided an update on Data Center Services. Service Level Agreement (SLA) for the third fiscal quarter, three Critical Service Levels did not meet the minimum target. Print/Mail missed its 100% minimum SLA in two different months as well as missed its Document Delivery timeliness in two different months. Xerox continues to implement corrective actions and improvements in response to these service levels and in response to DIR's procedures audit, as you may recall we discussed in the last board meeting. Both the MSI and the Mainframe service providers missed the mainframe availability SLA in March. This is the first time in the history of this contract that the mainframe experienced an outage, and extensive remediation efforts have been put in place. Mainframe availability has returned to its expected targets.

Customer satisfaction with DCS vendor performance improved to 82% during the third fiscal quarter, and June results, reached 90%. Scorecard feedback indicates significant improvements achieved in Backup and Recovery, an area that had been reporting lower scores in multiple previous quarters.

Ms. Ward discussed adoption rate of cloud email services. There are over 67,000 email licenses in the DCS program, which allows DIR to gain volume discount pricing for small agencies that otherwise would not be available to them. Also, important to note is that 11 new agencies and local governments joined the DCS program to purchase cloud email, including one agency that was previously exempted from the DCS program by legislation in 2006.

Public Cloud Adoption and Server Virtualization, with the implementation of hybrid cloud in the DCS program, we intend to report quarterly our public cloud adoption rates. We currently have 6% of server compute residing in one of the public clouds. Adding in public cloud to our traditional view of consolidated and non-consolidated servers drops our total consolidation percentage from 75% to 70%. Server hardware virtualization was a key financial driver in the Legislative Budget Board's Performance Review that recommended creating the DCS program. These statistics show that the program is gaining financial benefits from sharing server hardware across Texas agencies.

TOPIC	12. Texas.gov Update

DISCUSSION   Ms. Jennifer Buaas, Director of Engineering, provided an update on Texas.gov. In Q3 of Fiscal Year 17, transactions increased by 1.7 million and total revenue increased by $2.8 million dollars. The main reason for this increase in transactions is an increase in vehicle registration renewals during March. March is one of the busiest months for vehicle registrations (both in person and online transactions).

The targets range from 99.8% to 99.95% for the application reliability performance. The percentage of Texas.gov applications that met their SLA target for reliability compared against the percentage of applications that missed the SLA target. In March and April, the targets were only met at 44 and 29%, but May was met at 97%. To elaborate on the misses in March and April, the outages were minimal, but did impact all the hosted applications therefore each hosted application missed their target SLA in two months. There were 2 outages in March and two outages in April that impacted all the hosted applications. An example of a hosted application is license renewals such as driver license renewal and nurse license renewal. The longest outage was 38 minutes and was related to infrastructure issues. We've been working with our partner to build in additional measures where these types of outages can be minimized.

Texas.gov program partnered with Department of Public Safety (DPS) to implement their driver record monitoring pilot program that launched in June of this year. The driver record monitoring application allows vendors to subscribe to daily monitoring of Texas driver records and receive alerts for any type of convictions or status changes. There are 2 pilot vendors that have signed agreements with both DPS and Texas.gov and 2 vendors that are being onboarded. To date, both the third-party vendors and DPS have been very pleased with the pilot.

To keep in true Texas.gov spirit, it's important to highlight some of the awards the program has received this year. Most importantly, we are very proud of the Texas Veteran's Portal for receiving three very prestigious awards this year from Best of Texas, NASCIO and TASSCC. For new board members, the redesigned Veteran's Portal launched last November and was a collaborative project between numerous agencies. To elaborate on the success of the new portal, the Texas Veterans Commission Deputy Executive Director, Cruz Montemayor, is joining us today.

Cruz Montemayor, Deputy Executive Director for Texas Veterans Commission, the portal has grown expeditiously. Our Veterans really benefit from it. Ms. Montemayor thanked DIR for their partnership and for this great tool, the Veteran's portal.

TOPIC   **13. Communications Technology Services Update**

DISCUSSION   Mr. Wayne Egeler, Director, provided an update on Communications Technology Services (CTS). The Core Router Hardware upgrade was completed on August 20th. This brings us in to compliance with our core routers. The next upgrade is our Sam Houston Building Facility. We are working with Texas Facility Commission on upgrading the facility power as well as upgrading our air condition units in the equipment room. Texas Facility Commission is on track to send construction and installation bid out September 1st. The construction for this upgrade will begin January 1, 2018 – August 31, 2018. We continue to transition from our legacy PBX phone system to our Voice over IP system. We currently have over 4300 phones/soft clients transitioned. This is an additional 618 phones since our last meeting. Our customer base has increased 3% from Q2 FY-17. There have been no significant changes in the purchases.

Ms. Shaunessy asked: Have you encountered any problems or have things went smoothly with VoIP transaction

Mr. Egeler responded: The VoIP transaction is going smoothly, with the exceptions of those not funded.

TOPIC   **14. 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-Q3. In Q3 we continued to plan and address several priorities of the Statewide Data Program. During the 85 Legislative session, SDP provided any necessary support and documentation related to data related bills and testified at the Government Transparency and Operations Committee. DIR Academy/Data Training, working closely with the Information Security group and DIR's procurement office in developing the requirements for the Request for Offer (RFO)

Our monthly Texas Enterprise Information Management (TEIM) data collaboration meetings were put on hold during the session as requested by the group but we continued our work with a subcommittee of the State Agency Coordinating Council (SACC) legal group, which legal representation from DIR, Texas Workforce Commission (TWC), Texas Health and Human Services (HHSC) and the Department of Public Safety (DPS) in structuring and putting together a template to be able to facilitate an effective data exchange. On September 22, 2017, we will be presenting to the larger SACC Legal Group. Our goal is that this template will serve as standard and help to reduce the barriers for future data sharing opportunities.

We continue to develop our Open Data Portal (ODP) Playbook, a resource guide for existing and new ODP customers. The playbook will provide valuable information on the definition of open data, best practices and the roles and responsibilities when using the ODP. We also have been working on the Data Management Training Vignettes. The training vignettes, 3-5-minute mixed media products that provide agencies with common terminology and definitions to the principles of the Texas Data Management Framework.

Texas Government Data Forum was held on June 22nd. This an education and networking event that provides state and local government and higher education data focused individuals with data related

topics and use cases We had over 250 people attend from local and state government. It was the first annual and we are already planning for the next one.

For the Open Data Portal Status, we added a new customer, the Texas Commission on the Arts and continued to work with other agencies who have shown interest in using the ODP. Datasets continued to be added with the Department of Family Protective Services adding the most. To date they have 263 open data datasets on the portal Under visits, DIR continues to be the leader with people coming to the portal to look at contract information that we post. Lastly under downloads the Texas Department of Licensing and Regulation is the leader with over 41K individual downloads. Four datasets from the Comptroller' Office were removed., a bill was passed during the session, SB1086 which required them to remove hotel occupancy tax receipts from the open data portal. In talking with my contact from the Comptroller moving these datasets which were open for the public access has caused 100s of individual public information requests to be sent to the Comptroller for the same information.

Ms. Shaunessy asked: Are they going to try to change that?

Mr. Kelly responded: It is the statue, maybe in the next Legislation session there may be some conversation on it.

The quarter over quarter view shows that datasets increased 49% by a total of 80 datasets. (mostly from the Texas Department of Family Protective Services TDFPS). Visits increased by 3% with a total of 1,712 visits. Downloads also increased 3% Q/Q by 3,076 downloads. A download, to us, is a constituent self-serve public information request that did not travel through the normal agency request process. We estimate that this avoided PIR process for the 3,076 downloads equates to an opportunity cost savings of more than $200K for Q3 of this year. Mr. Kelly discussed the various briefings that were conducted during the 3rd quarter.

TOPIC   **16. Public Testimony**

No public testimony

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

ACTION   The meeting adjourned at 12:24 pm.

Approved by the Board Chair:

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Linda Shaunessy, Chair   Date