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DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING

Thursday, November 1, 2018, 10:00 a.m.

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

M I N U T E S

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

ACTION   *Mr. Gatzke* called the meeting to order at 10:00 a.m., with a quorum present. Mr. Gatzke called the meeting into executive session to consult with its attorney pursuant to Section 551.071, Government Code and to consider a personnel issue pursuant to Section 551. 074 at 10:04 am.

The executive session ended at 10:31 am.

Mr. Gatzke stated that a quorum of the Board is present. I am calling the meeting back to order following the executive session. The Board did not vote or take action in executive session.

TOPIC   3. Chair's Remarks

Consider approval of meeting minutes from August 23, 2018, board meeting.

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

ACTION   The motion was unanimously approved.

DISCUSSION   Mr. Gatzke stated Stacey Napier has accepted a new position with the University of Texas Systems and congratulated Ms. Napier. Ms. Napier's service at DIR has been a delight for me and the board. Ms. Napier's leadership has been strong and the legacy you leave here is something that everyone should be proud of. Mr. Gatzke thanked Ms. Napier for her time and service and wished her the best in her new role.

Mr. Gatzke stated he would like to establish a personnel subcommittee of the board to do a search for a permanent Executive Director. This subcommittee will be charged to do the following work with designated DIR staff to do the following: post the job immediately, obtain qualified applicants, review the applications and down select based on demonstrated qualifications including conducting preliminary interviews as

necessary, and present recommendations to the full board with a goal of having a permanent Executive Director by February 1, 2019. The full board will interview one or more final candidates before deciding on a final selection of an executive director. The selection will be made in public at a future board meeting.

MOTION   A motion was made to approve the Ad Hoc Personnel Subcommittee which will be Jeffrey Tayon, Charles Bacarisse, and Jay Dyer by *Mr. Alvarado and* seconded by *Mr. Bernstein.*

ACTION   The motion was unanimously approved.

DISCUSSION   Mr. Gatzke stated the board has also considered the need for the appointment of an Executive Director while we do the search. DIR has a skilled Executive Director and Deputy Executive Director, which is also the CIO. In the last few years, DIR has had this role split between the Executive Director and CIO and that has worked well for internal operations of the agency and the external operations of the agency. It has been a very successful model and State CIO has done a fantastic job in that role representing the technology needs of the state and the agencies. This has worked well having the split in the roles and we will continue to have the split in the roles going forward. DIR has a very strong leadership team and any of the leadership team could have stepped in and filled this role. The board has considered the appointment of Executive Director and please make a motion to appoint Mr. Nick Villalpando as Interim Executive Director.

MOTION   A motion was made to appoint Mr. Nick Villalpando as Interim Executive Director by *Mr. Tayon and* seconded by *Mr. Bell.*

DISCUSSION   Mr. Gatzke stated Mr. Villalpando has touched almost every aspect of the agencies workings and has testified before the legislature and has served a long-tenure at DIR and has done a great job.

ACTION   The motion was unanimously approved.

DISCUSSION   Mr. Jeffrey Tayon thanked Ms. Napier for her service. I wish you the best of luck in your new position. I'm disappointed that you are leaving because you have done such a wonderful job.

Mr. Mike Bell also thanked Ms. Napier for her service. You have done a fantastic job and wish you the best. Congratulations!

Mr. George Rios stated when you think of technology and what the board handles here and its integrated into about every business aspect that we do. I really appreciate the partnership, listening, leadership, guidance and helping us move a little closer to be able to offer the service for the citizens. Thank you!

Mr. Jay Dyer stated I had the opportunity to work with Stacey at three separate agencies. I'm looking forward to working with her in her new position. Everywhere she worked, she has done world-class work. Ms. Napier's reputation is impeccable, and we are sad to see you leave here. I look forward to working with you again.

TOPIC	4. Executive Director's Report on Agency Performance

DISCUSSION   Ms. Stacey Napier thanked the DIR team, everywhere I work I take a team approach and nowhere is it more relevant than here at DIR. The Executive Leadership Team: John Hoffman, Martin Zelinsky, Todd Kimbriel, Nick Villalpando, Nancy Rainosek, Hershel, Dale Richardson, Ed Kelly, and Robert Armstrong. The combined knowledge and experience of this team is second to none in state government. I cannot overstate how much having that team in place helped to make me a success and I feel that we have accomplished so much in the 2 ½ years. Putting in place the new Texas.gov contract, MSI contract, Managed Application Services, Managed Security Services and what is coming down the line for Data Center Services. Without this team and the skill set, I don't think it would be possible. I will miss you and thank you so much.

I have truly enjoyed working and getting to know each of you on the board. It has been my absolute pleasure. Thank you for trusting me and your support of the team. Ms. Napier also thanked all the employees of DIR. The team at DIR is world-class and I will miss each of you. Ms. Napier introduced the new employees.

The next meeting is January 10, 2019.

TOPIC	5. Finance Update

DISCUSSION   Mr. Nick Villalpando, Chief Financial Officer, gave an update on DIR's financial operating results for FY 18-Q4. Financial Operating Results for the year, operating revenue before the DIR expenses came in at approximately $31.2M. Data Center Services and Telecom programs came slight positive this year. Operating expenses came in under budget, for the year it was $30.4M. The net revenue/income was right around 850,000, we broke even on the fiscal year. DIR is ending the year at about $6.4M across all our funding sources in terms of our balances that we will carry forward to the next fiscal year. These balances will be needed and used to provide funding for our 2019 Operating Budget.

TOPIC	6. Internal Audit Update

DISCUSSION   Ms. Cathy Sherwood, Interim Internal Audit Director (IA), presented a status update/staff report. I will present two audit reports – (1) the Data Center Services Compliance with the Texas Administrative Code Audit and (2) the Texas Area Network (TEX-AN) Vendor Management and Performance Audit); I will also present the fiscal year 2019 audit plan, and the fiscal year 2018 annual report for your approval. Reports are included in your board books, but the DCS Compliance with Texas Administrative Code Audit Report is the publicly available version. As allowed by reporting standards, the detailed report will not be publicly available because of potential damage that could be caused by the misuse of any information related to security.

DCS Compliance with Texas Administrative Code Audit. This audit was completed to assess whether IT security practices within statewide data center services operations were performed in accordance with requirements of TAC 202 and TAC 215. TAC 202 establishes a statewide baseline of minimum IT security control standards and is the basis for DIR's Security Control Standards Catalog. (This resource specifies the purpose,

levels of risk, implementation overview, and implementation examples for each control activity.) TAC 215 enables DIR to directly operate, or contract with another entity to operate, statewide data centers to provide services on a cost-sharing basis.

The audit team found that overall data center services operations were performed in accordance with TAC requirements and DCS vendors complied with requirements from the Security Control Standards Catalog. The team reviewed 252 in-scope controls and found a total of 15 compliance issues, with approximately 70 percent related to a lack of documented policy requirements. Nine issues were categorized as low risk and six were categorized as moderate risk as defined in the reporting methodology table on page 6 of the detailed report. Issues were discussed in detail with DIR's Chief Operations Office, Chief Information Security Office, and security management from DCS vendors who also agreed with recommendations and assisted in providing planned implementation dates for management action plans.

The next report is the Texas Area Network (TEX-AN) Vendor Management and Performance Audit. This audit was on the fiscal year 2018 audit plan, and the objective was to assess whether the TEX-AN vendors were (a) being properly managed and (b) performing in accordance with established service level agreements. The Texas Area Network (TEX-AN) is a communications network supporting statewide voice, video, and data services within the Communications Technology Services program. One of the goals of DIR's next generation of TEX-AN services is to continue to meet the diverse and evolving needs of its customers. Some TEX-AN vendors are large with complex ordering and billing systems, and DIR has limited visibility into their information systems and source data.

Overall TEX-AN vendors were managed as required based on established controls and responsibility for managing vendors was shared among DIR's operations, contract management, and finance divisions. Recommendations were made to strengthen controls related to vendor performance – specifically regarding developing more comprehensive monitoring and remediation processes.

Issues were reported in three main categories: vendor performance, vendor management, and DIR process improvements. The executive summary summarizes issues within each category. Vendor performance topics align to operational tasks required to provide a service to a customer from initial order through installation and service, billing and cancellations.

Vendor management topics referred to practices in place to manage vendor performance as required by TEX-AN contracts and mandated under the Texas Government Code Chapter 2170.

Other process improvements were recommendations directed to DIR management about internal processes and organizational issues, such as developing formalized policies and procedures to ensure provide guidance and standards for performance (12); including customer partner involvement in governance and develop an escalation process if vendors are not remediating recurring issues timely (14); separate duties for billing management and system administration (17); risk matrices needed to be updated so that management/monitoring plans consider enterprise level risks.

All reported issues were discussed with DIR management and staff during the audits. DIR management agreed with the reported recommendations and responded by developing action plans to address reported issues. The final draft reports were presented to the Finance and Audit Subcommittee and are being presented for your approval.

Mr. Tayon asked: The DCS Audit is performed by an outside auditor, is that correct and who was it?

Ms. Sherwood responded: Yes, and Crowe, LLP.

Mr. Tayon asked: Based on the report, did they find that the data center(s) were generally secured, that is, no significant deficiencies were noted?

Ms. Sherwood responded: Yes

MOTION   A motion was made to approve the Internal Audit Charter and Finance and Audit Subcommittee Charter by *Mr. Alvarado* and seconded by *Mr. Dyer.*

ACTION   The motion was unanimously approved.

MOTION   A motion was made to approve the DCS Compliance with Texas Administrative Code Audit Report and the Texas Area Network (TEX-AN) Vendor Management and Performance Audit by *Mr. Dyer* and seconded by *Mr. Bell.*

ACTION   The motion was unanimously approved.

The fiscal year 2018 Internal Audit Annual Report – The Texas Internal Auditing Act requires DIR to submit an annual report each year to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office, the DIR Board. The State Auditor's Office prescribes the form and content of the annual report, and the purpose is to provide information about audit activities completed – to assist oversight agencies in their planning and coordination efforts. A copy of the report is included in your Board Book.

Fiscal year 2019 Annual Audit Plan, an annual risk-based audit plan is required by statute (TGC Chapter 2102) to identify individual audits to be conducted during the year. In the current year plan, projects were selected based on risk, and the projects were budgeted assuming three full-time staff and two outsourced/co-sourced audit projects. Any needed changes during fiscal year 2019 will be brought to the Board for approval, and updates to the audit plan will be documented as required.

MOTION   A motion was made to approve the FY 2019 Internal Audit Report by *Mr. Tayon* and seconded by *Mr. Bernstein.*

ACTION   The motion was unanimously approved.

MOTION   A motion was made to approve the FY 2018 Internal Audit Annual Plan by *Mr. Bell* and seconded by *Mr. Tayon.*

ACTION	The motion was unanimously approved.

TOPIC	**7. Chief Procurement Office**

DISCUSSION	Mr. Hershel Becker, Chief Procurement Officer, provided a brief update on FY18-Q4 to the board. The Chief Procurement Office (CPO) continues to support the Next-Gen Data Center Services Procurement. Just this week, we posted one of the DCS Component Solicitations in draft for vendor comment. It is for the Private Cloud Facilities and Computing Services. CPO also posted a Request for Information for the Imaging-Print-Mail component. Included in that request for information, is a separate but similar offering that will be solicited under our Cooperative Contracts program. As of earlier this week, we have just under 700 contracts.

CPO published our FY17-FY18 Bulk Purchase Report. We reported that based on copies of Bulk Purchase Orders that we received from customers. Primarily state agencies, purchases totaled $45.8M with total savings of $10.9M above the savings realized through negotiated pricing in our cooperative contracts. If we calculate the sales and savings based on vendor sales reports associated with the Bulk Purchase Agreements, our customers saved an additional $36.3M on reported sales of $49.3M

CPO also continues to deliver IT Negotiations Training to state agency personnel, going to their offices and through other forums. As we indicated in our last board meeting, we anticipated changes to our FY19 Procurement Plan. We have included minor updates to the plan in your book. CPO combined 2 SOWs for Procurement Assistance and Implementation Support into a single procurement

DIR Spend, no purchases in the (3) Construction Categories, for Professional Services, with a limited spend of only $188K, we did not meet our HUB goal of 23.7%. However, for Other Services we exceeded our goal of 26%, ending the year at 33% and for Commodity Purchases, we also exceeded our goal of 21.1%, ending the year at 26.67%

Purchases through the Cooperative Contracts Program, with over $1.8 billion total spend, HUB represents almost 1/3 of that, 32.43%. The stars on the map represent events that we participated in throughout the year where our HUB team had a presence, which may have included hosting a booth, providing training to customers and providing training to vendors.

TOPIC	**9. Chief Technology Office Update**

DISCUSSION	Mr. John Hoffman, Chief Technology Officer, provided a brief update on the Chief Technology Office (CTO). I would like to spend just a couple of minutes reviewing the FY18 CTO initiatives and highlights of the Strategic Oversight Subcommittee meeting held on October 25th.

First, in the Enterprise Services effort, Chad Lersch has continued to represent strategic initiatives in the creation of the Next Generation Data Center Services and DIR Services. Chad and I continue to ensure transparency with our customers through presentations at the Business Executive Leadership Committee, the Customer Advisory Committee and at the DIR Technology Forum. The Technology Forum, the event was held October 9th

at the University of Texas Pickle Center and was attended by over 300 state, higher ed and local government participants. The attendance was 15% higher than in 2017 and the technical sessions focused on cloud services, security, and application development, and feedback survey results were very positive.

The Policy and Planning Team has been very busy with legislative reports. The policy initiatives including the QAT dashboards directed by HB3275. Those dashboards are now on the LBB's website showing overall status as well as project breakdowns of each projects progress toward schedule, cost, scope, and quality.

The Modernization team and the Technology Planning and Policy team worked with the Office of the CISO to publish the Prioritization of Cybersecurity and Legacy Modernization report on October 1st.   This report is driven by HB 1, Article IX, and aggregates all the legacy or cybersecurity projects submitted to the LBB and provides reporting of each project's risk. During the last session this report was used as a reference document for many of the legislative staff and we hope it will provide value to them in the upcoming project evaluations.

The IT Infrastructure report was directed by SB 532 (85R) to obtain an inventory of all agency IT infrastructure and managed services and produce a report that addresses agencies efforts to address high-risk infrastructure via modernization, use of cloud services, and the use of the statewide technology center.   This report is due to leadership on November 15, 2018.

An overview of the Biennial Performance Report and the Digital Storage Report was provided to the Strategic Oversight Subcommittee by the Policy and Planning director, Endi Silva.

The Biennial Performance Report as directed by Texas Government Code Chapter 2054 requires DIR to:

- Assess progress on the priorities outlined in the State Strategic Plan
- Describe major accomplishments and problems in statewide technology management
- Make recommendations for improving statewide technology management
- The report is due to the Governor and Legislature by November 15, 2018, and a draft of the report is in the board book.

The Digital Storage Study was a recommendation made in the 2016 Biennial Performance Report and was formalized through HB 8. It requires DIR, in collaboration with TSLAC, to assess:

- State agency digital data storage and records management practices and associated costs to the state
- Possible solutions and improvements recommended by the state agencies

It is due to leadership on December 1, 2018, and a draft of the report is also in the board book.

TOPIC	**10. Chief Information Security Office Update**

DISCUSSION	Mr. Andy Bennett, Deputy Chief Information Security Officer presented the highlights and performance measures for the Chief Information Security Office (CISO). CISO has implemented an election assessment that can be purchased through the Managed Security Services Contract. CISO is working with the Secretary of State (SOS) to get this assessment out to the counties. The State Cybersecurity Coordinator testified at the House Select Committee on Cybersecurity Education and Outreach.

We hosted a webinar on managed security services and hosted an ISO/IRM orientation session for new people joining a state agency. Infosec Academy has been very successful, with 50% of state organizations having participated in certification courses. CISO also hosted a cyber awareness presentation over cybercriminal tactics at the Capitol for National Cybersecurity Awareness month. Also, first ever hosted a Cybersecurity PSA contest in partnership with the Texas Education Agency for high school students to raise cyber awareness during National Cybersecurity Awareness Month.

Performance metrics for controlled penetration testing has been met by completing 50. The metrics for security assessments was not met because of the lag time between two contracts to provide those services to agencies.

Mr. Gatzke asked: On the penetration testing was that also one that we were lagging?

Mr. Bennett responded: We were, and we made it.

Mr. Gatzke asked: On the election assessment, do you have any numbers on the adoption rate since our last visit.

Mr. Bennett responded: 100 plus counties expressed interest, we are working with FEMA grant funding to help SOS provide funding to those counties to get their election systems assessed. At the next meeting, we will have the numbers for the board.

Mr. Tayon asked: When you do an election assessment, what do you do in general?

Mr. Bennett responded: We will assess the network that the systems use and the processes, very similar to what was done in the DCS Audit.

Mr. Tayon asked: Do you have a checklist that you do for the assessment?

Mr. Bennett responded: Yes, the vendor has a checklist that they go through to establish the minimum starting point and to figure out what areas they need to investigate more thoroughly with each county.

Mr. Tayon asked: How many parameters are on the checklist?

Mr. Bennett responded: 100s of parameters.

TOPIC	**12. Data Center Services Update**

DISCUSSION   Ms. Sally Ward, Director of Data Center Services, provided a brief update for Data Center Services (DCS).   For Service Level Attainment (SLA) for the fourth fiscal quarter, SLA attainment remained strong. In June, we had three SLAs measuring the timeliness of root cause analysis and related corrective actions missed their target for Xerox and Atos. In July, Xerox missed the document delivery timeliness target.

Customer Scorecard: The scorecard is our customer's rating of the vendors' performance, which we use as an indicator of customer satisfaction. The program closed out the fiscal year having achieved over 86% satisfaction every month. Customer concerns expressed in the fourth quarter are primarily related to Enterprise Services delivery of application development projects in our Managed Applications Services program. In response to these concerns, DIR initiated a Service Level Improvement Plan with Enterprise Services. In addition, several customers identified server availability improvements for Atos to implement and one customer needed an immediate correction in a software renewal, which was completed.

Hybrid Cloud Consolidation: The DCS program has continued to excel in its consolidation mission. As of the end of fiscal year 2018, we have over 80% of our customers' servers in either public or private clouds. The LBB monitors agency consolidation plans semi-annually on the roughly 19% of servers that are not consolidated. We expect agencies to consolidate some, but not all of these servers as they are due for technology refresh.

TOPIC   **13. Texas.gov Update**

DISCUSSION   Ms. Jennifer Buaas, Director of Engineering provided an update on Texas.gov. In FY 18-Q4, there were 13.7 million transactions. Total revenue was at $26 million and state share contribution was $8.1 million. The highest volume of transactions was through the vehicle inspection and batch driver record applications. This volume of transactions is consistent with historical trends. The targets range from 99.8% to 99.95%.

June was met at 91%, July at 97% and August at 100%. While August did meet the SLA's at 100%, I wanted to point out that the Texas.gov portal and hosted applications did have planned downtime during the weekend of August 10th-12th. During this weekend, all of the Texas.gov networking components were successfully transferred into the State Data Center.

September 1, 2018 was a big day for the DIR Shared Technology Services program. A few highlights from transition include:

- The new Multi-Sourcing Service Integrator (MSI) contract went live on 9/1. Through this contract with CapGemini, a new platform was implemented that allows for more automation and digitization.
  September 1st was also the go-live date of the new Texas.gov business model and contracts to Deloitte and NIC. Texas.gov moved from a public–private partnership to a traditional cost of services model. Since 9/1, a total of 279 incidents been opened specifically for the Texas.gov program. 265 of those incidents have been resolved and 14 are currently in the backlog. Each week, we see an increase in Requests for Service. A type of request might be an agency requesting to integrate with the Texas.gov payment engine or an agency requesting some type of application.

The program was in hyper care for the first month and now we have started phase 2 to work through any defects within the systems or process. We have an all hands-on-deck approach and all of our providers and customers have provided tremendous support. I wanted to take the time to recognize the DIR Enterprise Relationship Managers, led by Lorie Ramirez. This is the DIR team that is on the front line with the customers and they are working night and day to support the customers, hear their feedback and bring it back to DIR and the providers so we can further improve the solution.

We have several scheduled releases for the digital assistant. The first two releases provide the foundational capabilities needed to transact an online service. The first phase was completed in September. In this phase, an account can be created. Release 3 scheduled to launch this next summer will provide the first online transaction which will be vehicle registration renewal. In fiscal year 20, we will start promoting the digital assistant to constituents.

| TOPIC | **13**. Communications Technology Services Update |

| DISCUSSION | Wayne Egeler, Director of Operations provided a brief update on the Communication Technology Services Program. CTS is currently 70% 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. |

Sonnet Decommission is the process of migrating customers off the legacy sonnet network equipment onto a more advanced network. There are 19 legacy nodes that will be decommissioned. We are targeting completion by the end of November.

For the 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 is finalizing start date with the vendor. They are pushing to have this work completed by end of quarter 2 in FY19. TFC has completed installing four electrical panels.

CTS continues to transition from our legacy PBX phone system to our Voice over IP system. We have 10,172 phones/soft clients transitioned. This is an additional 1,268 phones since our last meeting. We have roughly 500 phones scheduled for upcoming conversions.

The customer base has increased by 3% from Q3 FY-18. Purchases have decreased 9% from Q4 of FY-17. This decrease was due to TEX-An amendments resulting in price reductions.

| TOPIC | **14. Public Testimony** |

No public testimony

MOTION   A motion was made to adjourn the meeting by *Mr. Tayon a*nd *Mr. Alvarado s*econded the motion.

ACTION   The meeting adjourned at 11:43 a.m.

Approved by the Board Chair:

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Ben Gatzke, Chair   Date