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DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING
Thursday, May 3, 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
	Charles Bacarisse
	Mike Bell
	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 10:00 a.m., with a quorum present. Mr. Gatzke called the meeting into Executive session at 10:02 am.

The executive session ended at 10:27 am.

TOPIC   3. Chair's Remarks

Consider approval of meeting minutes from the March 8, 2018, Special Topic Board Meeting.

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

ACTION   The minutes were approved.

TOPIC   **4. Executive Director's Report on Agency Performance**

Ms. Stacey Napier provided a report on agency performance. DIR has been very busy implementing the many initiatives taken by the board in the last few months. The Managed Security Services (MSS) offering officially went live to customers on March 1st. We've gotten some positive feedback already about the ways in which this service is needed.

I'm sure you've all seen the news reports of ransomware affecting cities and states across the nation. The Chief Information Security Office (CISO) has been in regular contact with agencies providing updates and information, and I sent a communication directly to other executive directors on the various DIR services that can assist them as they seek to fortify their own systems. Many of the offerings in the new MSS tower can help local governments get access to much needed services in an easy and cost-efficient way.

DCS procurement will move into a new phase of DCS, moving from research to writing RFO. DIR has been very heavily involving our customers as well as our governance groups to gain insight into what our customers want to see in the next generation data center and we look forward to sharing that with you and getting your feedback as well in the coming months.

DIR also just wrapped up our biennial survey the Information Resources Deployment Review (IRDR), this is the instrument that provides DIR with much of the data needed to produce the many Legislative reports that we are asked to generate, and we are very thankful to our customers for their cooperation. We've just concluded our annual Customer Service Survey and will be sharing those results with the board here in the next few weeks. DIR executive team continues to meet with executive leadership in other agencies. We've just met with DSHS and DFPS to hear directly from them on how we can improve and how their agencies are consuming DIR services. DIR is finalizing our Agency Strategic Plan internally and seeking your input on that before it is submitted to the Legislature at the end of the month.

Nancy Rainosek, Ed Kelly and Dale Richardson testified in March at the House Government Transparency and Operations committee on a variety of topics that are being studied in the interim. Todd Kimbriel and I testified before the House Appropriations Committee in April, this was an interim hearing where the committee was studying a variety of topics including shared services, cooperative contracts and cloud computing. This month, the House Select Committee on Cybersecurity will be meeting in San Antonio and DIR will likely also be participating in that hearing.

Our budget folks are gearing up for the big task of preparing for your consideration our operating budget for the next fiscal year as well as the Legislative Appropriations Request (LAR) for FY20/21. We will be reaching out to each of you to arrange briefings on the budget during the summer and look forward to your input as we tackle this very important topic.

Ms. Napier said "thank you" to all the staff who work so hard to put our board meetings together. I can say confidently that without Chandra, this meeting could not run as smoothly as it does, thank you to Chandra and Desiree for keeping us all on task and in line as we prepare for these meetings. Also thanked the IT staff, who is always here and ready to assist as needed. IT staff also provided the board with the tablets and we're experimenting with electronic board books, so feel free to give us any feedback on those after the meeting. Ms. Napier welcomed the new staff members.   A Special Topic Board Meeting is tentatively set for June 28, 2018.

TOPIC	**5. Finance Update**
DISCUSSION	Mr. Nick Villalpando, Chief Financial Officer, discussed DIR's financial operating results for FY 18-Q2 We have no action items for your consideration at this time. From a revenue and Cost of Services (Cost of Goods Sold) standpoint, through the end of Q2 DIR is trending close to budget for 2 out of 3 revenue generating programs. Data Center Services and Communications Technology Services are trending on target with budget. However, our Cooperative Contracts Program, where vendors pay a fee to DIR based on their sales of technology commodities and services to customers, is generating less revenue than originally budgeted.

Through February, admin fee revenue from this program of $5.8 million, or 9% below budget of $6.4 million. We are now forecasting a total fee revenue from the Cooperative Contracts program for the year to be $12.2 million versus am original budget of $13.6 million, a 10% negative variance. Because of this continued downward trend, we initiated a review of our efforts regarding customer outreach and forecasting to determine possible strategies to address this negative trend and we will report back to the board on our finding and strategies going forward.

The total year-to-date operating expenses are $13.6 million, and we expect total operating expenses for the year to be at $33.7 million, approximately $2.3 million under budget for the year.   We do expect our fund balances to be well within our allowable maximum amounts. The full time equivalent positions, through the end of Q2 we were at 187 FTEs. DIR expect to be at 196 by the end of the fiscal year, below our 198 appropriations cap and the 204 approved by the DIR Board in August.

We also received approval from the Legislative Budget Board to carryover our Data Center Services Fund Balances from FY 2017 in order to fund power equipment upgrades at the San Angelo Data Center. We submitted a request to the LBB last September to carryover the DCS fund balances. We received their approval in March and we sincerely appreciate State Leadership's approval of this critical request. We will continue to update the board on DIR's progress on upgrading the power and cooling distribution systems at the San Angelo Data Center.

| TOPIC | 6. Internal Audit Update |

DISCUSSION   Ms. Cathy Sherwood, Audit Project Manager for Internal Audit (IA), presented a status update on the FY 2018 Internal Audit Annual Plan for Lissette Nadal. The Finance and Audit Subcommittee held a meeting on May 2, 2018, to review the status of projects on the Internal Audit Annual Plan. IA has completed and reported on two of the Assurance Audits; DCS Vendor Management and Performance and Network Security Operations. The TEX-AN Vendor Management and Performance is still in progress, but IA is expected to complete it by the end of June. One of the Consulting Services/Non-Audit Services projects, the Federal Compliance Audit (Single Audit) was completed in February. There were no reportable issues from the audit. Special Projects: IA completed a Peer Review of Texas Commission on Environmental Quality (TCEQ) Internal Audit Department in January 2018. We worked with the Director of Audit from the Governor's office and staff from the Department of Insurance to assist with the project. The Risk Assessment Process Optimization project will be closed shortly because we found that the TeamRisk module, part of the system currently used to document electronic working papers, was not a viable option for IA use in our annual risk assessment process. Even through the tool will not be used to develop the risk assessment, IA will be able to utilize the work performed in completing the IA FY 19 Risk Assessment and Annual Plan. IA will continue to use other reliable tools for administering surveys and compiling risk assessment details.

| TOPIC | 7. Chief Procurement Office |

DISCUSSION   Mr. Hershel Becker, Chief Procurement Officer provided a brief update on FY18-Q2 to the board. Chief Procurement Office (CPO) continues to support the Data Center Services (DCS) Market Research and prepare for the DCS procurement. CPO also continues to support Bulk Purchase Initiative for GovQA, a Public Records Management System, available to our customers for the bulk purchase rate through May 30th. CPO has awarded approximately 27 Coop contracts during Q2, bringing the FY 18 total to 125. Additional 68 contracts in negotiations, with 10 active procurements.

Facilitated discussions with 18F, an office within the US General Services administration (GSA). 18F was created shortly after the Healthcare Portal issues.   18F has been instrumental in helping federally-funded agencies make the shift from traditional system development methodologies to current industry standard methodologies. CPO invited 18F state and local practice leadership team to present at the DIR Connect Forum and facilitated internal DIR

meetings, and a discussion forum at the Capitol, focusing on Agile Development Methods. CPO helped our agency customers with procuring for agile through the use of our offerings, including cooperative contracts like Deliverable-based IT Services (DBITS), and our Shared Services, specifically Managed Application Services.

Mr. Becker discussed the DIR Connect Forum, there were over 500 attendees from State, Local and Higher Ed. The Expo is held every 2 years with a focus on IT Procurement. The overall theme was Negotiating IT Contracts. We worked with the state Comptroller's Office to ensure that participants would be able to earn ongoing credits toward their procurement and contracting certifications. This was the largest DIR Connect in history; attendees came from across the state of Texas. There were 16 different sessions at the conference.

Mr. Becker discussed the Cooperative Contracts Sales. The sales for FY 18 are running a little behind from FY 17 sales and what was projected for this year. HUB is on track for HUB spend for Q2. HUB is doing a significant amount of outreach. CPO recently presented an overview of DIR and various IT contracting vehicles available to the following entities on April 24th and 25th: TDCJ, Huntsville ISD, Sam Houston State University, University of Houston, Texas Southern University and MD Anderson.

TOPIC	**8. Office of General Counsel**
DISCUSSION	Mr. Martin Zelinsky, General Counsel presented rule making actions for rule review and publishing notice of adoption for considerations. The Notice of Rule Review for 1 TAC Chapter 204 – Interagency Contracts for Information Resources Technologies and 1 TAC Chapter 205- Geographic Information Standard, both will be reviewed for continued necessity. Posting the notice of the rule review allows the public to provide comments prior to our bringing a proposed rule to the board.
MOTION	A motion was made to authorize publication for thirty days in the Texas Register a Notice of Rule Review for 1 TAC Chapter 204 and 1 TAC Chapter 205 by *Mr. Bernstein* seconded by *Mr. Alvarado.*
ACTION	The motion was unanimously approved.
DISCUSSION	Mr. Martin Zelinsky, General Counsel, presented a proposed rulemaking to 1 TAC 215 – Statewide Technology Centers for Data and Disaster Recovery Services.
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 215 – Statewide Technology Centers for Data and Disaster Recovery Services by *Mr. Tayon* and seconded by *Mr. Bacarisse*.
ACTION	The motion was unanimously approved.
DISCUSSION	Mr. Martin Zelinsky, General Counsel, presented a rule adoption 1 TAC 212 – Purchases of Commodity Items. This revision which was brought to the board as a proposed rule before, is the last implementation of SB533 from the 85th Legislature session and completes the notice of the $5 Million cap. This revision completes our implementation of the bill.
MOTION	A motion was made to issue the attached order to adopt the new amendment to the rules; and (2) authorize publication of the new section in the Texas Register in substantially the form of the attached rule for 1 TAC 212 by *Mr. Bell* and seconded by *Mr. Bernstein*.

ACTION	The motion was unanimously approved.
TOPIC	**9. Chief Technology Office Update**
DISCUSSION	Mr. John Hoffman, Chief Technology Officer, provided a brief update on the Chief Technology Office (CTO). Chad Lersch, Enterprise Services, has continued to provide direction and support in the core services procurement under review today and those still underway. We have completed the research activity on data center services by leveraging external research resources, the vendor community, our internal teams and customers engaged in this effort. We reviewed our strategy with the Strategic Oversight Subcommittee during last week's meeting and are in the process of formalizing the documents to provide them to the CPO team to initiate procurement. As the data center effort moves through the procurement process, Chad and I look forward to initiating efforts on new enterprise services which will enable state agencies to consistently, efficiently and effectively leverage different technology the state needs.

The Modernization Services team completed the Application Portfolio Manager tool review and is supporting the move into production. Mr. John Van Hoorn and recent addition to the team Robert Benejam are meeting with agencies providing guidance and support in legacy modernization and application development practices. They have formalized these practices into a training curriculum. They are currently putting it forward to DIR, the first entity to review and work out any issues.

The Policy and Planning Team has received information from State Agencies through 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 information provides DIR with key information used to generate the various mandated studies and reports.

The DIR Agency Strategic Plan has been drafted and is in internal review. The process and core operational goals were reviewed in depth during the Strategic Oversight Subcommittee meeting. The Plan will be distributed to the board members the week of the May 21st for review and comments and will be submitted to the board chair for approval on May 29th. The project framework team is moving forward with the implementation of House Bill 3275. HB3275 requires DIR to identify and formalize project performance indicators for major IT projects in the areas of Cost, Scope, Schedule and Quality. It will ensure consistent reporting of major IT project implementations by state agencies. It also requires visual representation of these indicators on a public dashboard and inclusion in the Quality Assurance Team (QAT) annual report. The initial indicators have been identified and align with Project Management standards such as Earned Value approach.

SB 533 requires the QAT, of which DIR is a member, to create an automated project review system. The automated project tracking tool has been identified with licenses purchased so projects can be loaded into the system. Agency reporting through the new project tracking tool, including the new performance indicators, and the creation of the public dashboard is expected in July. Tom and the entire QAT team has worked hard to ensure the identification and public reporting of project metrics is seen as an accurate reflection of the project status and a positive effort of ensuring transparency.

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

DISCUSSION	Ms. Nancy Rainosek Chief Information Security Officer provided a brief update on the Chief Information Security Office (CISO). As Ms. Napier mentioned earlier, DIR testified at the House Committee on Government Transparency and Operations. CISO participated in Cyberstorm VI and participating Jack Voltaic Cybersecurity Exercise, which will be Houston. We have implemented the Managed Security Services. We met with various Legislative and Executive Branch leadership on cybersecurity issues. Since HB 8 passed last session, CISO continues to track implementation on this bill. We divided it up by quarters because it will take awhile to get it done. We have successfully completed the items planned for the FY Q2. Fourteen penetration tests were completed in FY 18 Q2. The security assessment progress: 5 were completed, 7 in progress and 3 in the queue.

Mr. Gatzke asked: You're seeing an uptick interest from Legislatures on Cybersecurity. We know they you are very proud of the complexity and competency of your team has. How is that impacting what your current known efforts are and is effecting any changes on how you approach cybersecurity in the state.

Ms. Rainosek responded: We are trying to do new offerings, for example increasing our communications. Our work load is steadily increasing, but we are managing and trying to keep the workload even. One thing we must do is stay abreast on what is going on in the news because you never know what you're are going to get an email about tomorrow. Keep in touch with agencies, so they know things they need to watch out for in terms of what's going on across the country.

Mr. Bacarisse asked: In your testimony before the legislature, what is on their mind? What are they talking to you about?

Ms. Rainosek responded: Pretty much what's going on with the other states, what happened in Atlanta, ransomware, phishing events, the grid and the election system.

Mr. Gatzke asked: In many ways you have the responsibility, but not necessarily the authority over other agencies and their implementation of security practices. I imagine the challenge on prioritizing those best practices. Do we anticipate any action on a new budget in the upcoming budget process?

Ms. Rainosek responded: We are working on a list. We have a list of items that if there was an open checkbook it is prioritized on what we would do to improve security. CISO has a report that is due by November to the Legislature on recommendations for them.

TOPIC	**11. Chief Operations Office**

DISCUSSION	Mr. Dale Richardson, Chief Operations Officer informed the board each director will give an update on each program. Texas.gov will have an action item for Automated Clearinghouse (ACH) transaction fee.

TOPIC	**12. Data Center Services Update**

DISCUSSION	Ms. Sally Ward, Director, provided an update for Data Center Services. Service Level Attainment (SLA) for the second fiscal quarter, the San Angelo data center experienced a power outage that caused Atos to miss a critical service level in January. In addition, Print/Mail missed its 100% minimum SLA in all three months. A total of 52 pieces missed the mail due date out of a total of 3.7 million pieces over the three months.

As you know, the scorecard is our customer's rating of the vendors' performance, which we use as an indicator for customer satisfaction with DCS program. DCS vendor performance continued reporting strong results, reaching 93% in February. The small December drop in satisfaction to 87% was due to several service delivery issues that were since corrected.

The percentage of public cloud adoption remains relatively unchanged overall, at just under 5%. The monthly chart depicts the natural and expected fluctuation in compute, and as public cloud adoption increases with our customers, we can expect to see greater fluctuation month to month, even day to day as customers use the elasticity of the public cloud to spin up and spin down test and development instances.

Mr. Bacarisse asked: Can you give me an example of entities in the private cloud vs. public cloud?

Ms. Ward responded: The public cloud is going to be TXDOT, Dept. of State Services, Dept. of Licensing and Regulations. The larger agencies have shown to have more public cloud adoption than the smaller agencies.

Mr. Bacarisse asked: Who has the private cloud?

Ms. Ward responded: The Data Center Services (DCS) program. All 28 state mandated agencies have private cloud compute in DCS.

TOPIC	**13. Texas.gov Update**
DISCUSSION	Ms. Jennifer Buaas, Director of Engineering provided an update on Texas.gov. Transactions for FY 18 Q2 there were 12.5 million transactions and revenue increased by $100,000 over FY18 Q1. The Application Reliability SLA Performance was met 99% except for in January 2018 was 96%. In January, there was one outage to the DPS over the counter application and it was for 20 minutes related to a short in network equipment. Ms. Buaas discussed the Automated Clearing House (ACH) fee motion. Texas.gov offers ACH functionality to all customers. Texas.gov offers ACH to all of the state and local customers. Currently, 34 state agencies that have enabled ACH for their applications. Totals to 101 applications that have ACH enabled. The current fee is set at $0.25 per transaction, effective September 1, 2018, we are proposing a reduction to $0.00 for all ACH transactions that are processed through the State of Texas bank. We are also proposing a fee reduction of $0.25 to $0.00 for all the ACH transactions that are processed through the NIC bank. We have 77 transactions per month that are processed through the NIC bank and not through state treasury, that is due to regulations with certain agencies.
MOTION	A motion was made to propose fee reduction of the ACH fee from $0.25 to $0.00 by *Mr. Bacarisse a*nd seconded by *Mr. Bernstein*.
ACTION	The motion was unanimously approved. Ms. Buaas provided discussed the implementation of the new contract for Multi-Sourcing Integrator (MSI) and Texas.gov services and payment services. All the new contracts commence on September 1, 2018, they are all on the same implementation schedule. We are working this as an Enterprise Program since everything goes live September 1st. Due to the financial model changing specifically for Texas.gov program, DIR staff and the Texas.gov

service providers have been meeting with customers. The meeting is to explain the financial model changes and how it impacts the agencies, specifically with the flow of funds going through DIR.

TOPIC	**14. Communications Technology Services Update**

DISCUSSION   Mr. Jeremy Wilson, Manager, Network Security Operations provided an update on Communications Technology Services (CTS). CTS is currently 30% complete in the planning phase of the 100G core router upgrade, this IOS upgrade provides additional monitoring capabilities and keeps us at patch compliance on the routers. We are in the process of migrating customers off the Legacy SONET network equipment onto a more advanced network. There are 19 legacy nodes that will be decommissioned, this project is currently on schedule with a target completion date of August 2018.
CTS is working with the Texas Facility Commission (TFC) on upgrading the facility power and HVAC system   in the equipment room for the Sam Houston Building Facility upgrade. We continue to transition from our Legacy PBX phones to the VoIP system. This project includes 95 agencies and 18,000 phones for project completion. 7,732 phones have been transitioned and we are projecting 8,513 to be transferred by FY 18-Q3.

Mr. Jeffrey Tayon asked: What are we doing internally?

Mr. Dale Richardson responded: TFC will be looking at sourcing internally for the upgrades at the Sam Houston Building Facility because that haven't received any vendors for the bid.

TOPIC   **15. Public Testimony**

No public testimony

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

ACTION   The meeting adjourned at 11:31 a.m.

Approved by the Board Chair:

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Ben Gatzke, Chair   Date