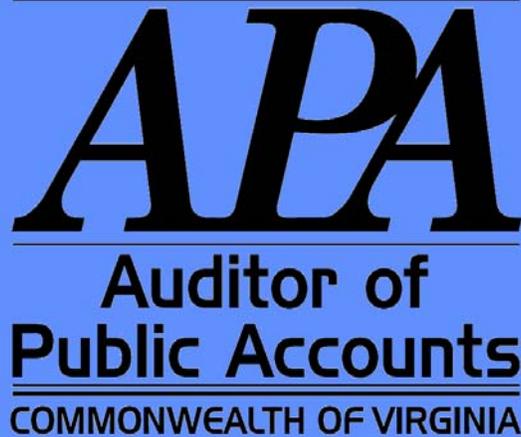


VIRGINIA ENTERPRISE APPLICATIONS PROGRAM

SEPTEMBER 2008



AUDIT SUMMARY

The Virginia Enterprise Applications Program (VEAP) does not have a formal strategic plan or direction. In addition, without resolving the question of information technology (IT) governance, the future need for the VEAP is questionable; and, without a reliable funding stream, the VEAP's ability to perform work is doubtful. The Commonwealth received value from the VEAP's original products provided under the public-private partnership with CGI, an IT service provider; however, these products are time sensitive and their value will fade if the Commonwealth does not use them or regularly update them.

As part of our Office's ongoing review of Commonwealth-wide system development efforts, we have been monitoring the Commonwealth's enterprise applications public-private partnership (PPEA). The Information Technologies Investment Board (ITIB) Chairman, Jim McGuirk, inquired if the Auditor of Public Accounts could report separately on the Enterprise Applications PPEA and the outcomes associated with the funding used to date. This report incorporates that request.

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Introduction and Objectives

As part of our office's ongoing review of Commonwealth-wide system development efforts, we have been monitoring the Commonwealth's enterprise applications public-private partnership (PPEA) and have issued updates on this project's status in our semi-annual systems development progress reports. During recent meetings the Information Technology Investment Board (ITIB) has raised questions regarding quantifiable outcomes associated with the PPEA managed by the Virginia Enterprise Applications Program office (VEAP).

The ITIB Chairman, Jim McGuirk, inquired if the Auditor of Public Accounts (APA) could report separately on the PPEA project and the outcomes associated with the funding used to date. As a result, we are providing information to address the following ITIB questions.

1. Study and determine the benefits received from the funding provided to the PPEA and the resulting outcomes including the specific expenditure of funds and the status of the projects they support.
2. Determine and report on the specific work products, including those delivered and those still in progress, that have been delivered to the Commonwealth as a result of the VEAP and its funding provided to date. Determine the value and usefulness of each work product compared to the amount spent for each item.
3. Understand and evaluate the VEAP's future enterprise applications strategy and the potential financial and operational implications of the strategy.

The primary reason the ITIB requested our review is the VEAP has experienced leadership, funding and directional changes since its origination and the VEAP has modified its approach to enterprise applications in response to these changes. The ITIB and others have had difficulty understanding and keeping current with the direction the VEAP is taking and this confusion has raised concerns over the effective use of and value received from the resources committed to this project.

Background

On January 4, 2006, the Commonwealth entered into a public-private partnership agreement with CGI, a private IT service provider, to upgrade and transform the state's current information technology systems and develop statewide enterprise applications. The Commonwealth and CGI developed the Enterprise Applications Master Services Agreement (PPEA) in December 2005. This agreement lays out the work that CGI can perform for the Commonwealth in achieving enterprise applications.

The Appropriations Act created the VEAP to manage the PPEA effective July 1, 2006. The Act gives the VEAP Director the powers necessary to direct the Commonwealth's efforts to modernize central administrative systems through the PPEA. The ITIB is responsible for approving the VEAP's implementation strategy including its milestones, deliverables, funding requirements, and budget.

The Governor selected a VEAP Director to serve under a six-year contract and she has responsibility for developing the PPEA’s implementation strategy and plan and has the authority to prioritize efforts to ensure the execution of the strategy. In addition, the VEAP Director reports to the Governor and ITIB regularly.

To date the VEAP has received General Fund appropriations totaling \$13.2 million; \$5.5 million in both fiscal year 2007 and 2008, and \$1.1 million in both fiscal year 2009 and 2010. In addition, the VEAP has access to a \$30 million working capital advance to pay for expenses and can receive revenue from enhanced revenue and cost recovery initiatives. Through June 30, 2008 the ITIB approved the VEAP budget for fiscal years 2007 and 2008 of General Funds totaling \$11 million for use in establishing the VEAP office and to begin planning the project and product selection activities associated with implementing enterprise applications. Through June 30, 2008 the VEAP spent about \$10.6 million of its \$11 million budget to support these efforts.

The VEAP is currently operating under a \$1.1 million General Fund appropriation for fiscal year 2009 and has received ITIB approval to spend \$11.6 million of its working capital advance. For fiscal year 2009 the VEAP is working on the following efforts and the budget estimates for this work are shown in the table below:

Table 1

Work Product Name	2009 Budget
Financial Management System Planning	\$ 584,000
Performance Budgeting System Planning – <i>no budget estimate to date but will be determined upon procurement.</i>	-
Business Intelligence	2,143,100
Human Resources System Planning	77,000
Enterprise Content Management	1,656,800
One Stop Portals	470,900
Web Services	27,090
Digital Signatures	108,360
Project Management Support and technical guidance	135,450
Virginia Election Registration and Information System – no budget for VEAP because the State Board of Elections provides the financial resources.	-
CIO/CAO IT Governance Initiatives	<u>428,000</u>
Total work product budget, excluding performance Budgeting	\$5,630,700
VEAP operational overhead	<u>371,054</u>
Total VEAP budget, excluding performance budgeting	<u>\$6,001,754</u>

Table 3 has a detailed description of these work products.

Current and Future VEAP Strategy

Although the VEAP’s role is directing the modernization of central administrative systems through enterprise applications, the nature of its work has changed over time. In partnership with the VEAP, the Department of Transportation is now leading the financial management system. The

Department of Planning and Budget is partnered with the VEAP to solution the budget system. This arrangement allows the VEAP to support additional efforts. One such effort is defining Commonwealth data standards, which is required under the 2009-2010 Appropriations Act. We believe this is currently the VEAP's most important work area because having data standards will ensure that newly developed systems, such as Transportation's financial system, can share information and improve data analysis.

In order to understand the VEAP's current mission and plan for enterprise applications, we asked the VEAP Director for a copy of its strategic plan. Since no formal, written plan exists as of the date of this report, we reviewed presentations given by the VEAP Director since January 2008 as well as a VEAP report to the ITIB and Chairmen of the House Appropriations and Senate Finance Committees, dated September 1, 2008. In the presentations and report, current work efforts are clearly articulated, but not placed in clear context to an overall enterprise applications strategic plan. For example, at the July 2008 ITIB meeting, the VEAP Director provided illustrations showing how she believes the individual work products relate to enterprise systems. She also explained that its current work products, as shown in Table 1 above, reduce project risk because they will lead agencies to use similar technology solutions, such as digital signatures and business intelligence tools or develop applications under common data standards. However, this presentation did not explain how this work relates to the VEAP's mission and its long-term goals. Without a strategic plan the VEAP is at risk of:

- performing work that is not consistent with its intended mission,
- performing work that is not useful in furthering enterprise applications,
- working on the wrong things, at the wrong time or in the wrong order,
- failing to obtain financial support to pay for the work, and
- misunderstanding why they exist and their authority.

While illustrations, presentations, and reports are helpful, they do not go far enough in explaining the VEAP's strategic plan. Without a plan or methodology it is difficult to understand:

- how the current work products support the goal of enterprise applications,
- whether the work has a methodical or ad hoc approach,
- what funding requirements are needed to get the work done,
- how the VEAP or the Commonwealth will raise the funding, and
- what work is needed in the future to meet the vision.

In 2008, the Governor appointed the VEAP Director to the additional role of Commonwealth Chief Applications Officer (CAO), a role that has duties beyond those of the VEAP Director. It is unclear whether some of the VEAP's current work products fit under her responsibilities as VEAP Director or if they are CAO related. Having a written plan for the VEAP would clarify and distinguish the work efforts.

Without a plan, there is a risk that the VEAP could work on initiatives that do not support the General Assembly's original mission for the VEAP or could redirect funding from completing this work. Since the VEAP was to direct the replacement of administrative systems, failing to manage its workload could result in a VEAP that is overburdened with ancillary projects that prevent it from

achieving its intended mission. We believe maintaining a current VEAP strategic plan would alleviate confusion and reduce fear that the VEAP is funding work that does not support its original mission.

We understand that the VEAP Director, in her dual role as the CAO, is actively working with the Commonwealth's Chief Information Officer (CIO) to develop a strategic plan for enterprise applications and has allocated resources in the VEAP budget for this work. We recommend the CAO and CIO complete this strategic plan.

Recommendation 1: Clearly Document and Communicate VEAP Plans and Strategies

The VEAP needs to clearly document and communicate its direction, and how much it anticipates it will cost the Commonwealth to achieve this direction, through the use of a strategic plan that includes both long and short term strategies. Without a plan, there is a risk that the VEAP's work will not maintain a focus on enterprise applications and will lose its momentum.

The VEAP's strategic plan must identify a budget as well as the source of funding. Without a comprehensive budget there is a risk that the VEAP will take on too many initiatives and not have sufficient funding to repay its working capital advance. Conversely, without a budget there is also the risk that the VEAP will assume it does not have sufficient funding and will not begin working on additional enterprise initiatives.

IT Governance and Long-Term Need for VEAP

Over the years both the Joint Legislative Audit and Review Commission (JLARC) and the APA have released reports regarding systems development implementations. These reports have raised questions about how the Commonwealth approaches new systems implementations and who should control and monitor the implementations. In response to these reports and other issues, the July 2003 General Assembly created the ITIB, giving them responsibilities including prioritizing agency systems development projects and recommending funding to the Governor and General Assembly. Since its creation, the ITIB has approved project management standards, issued templates and systems for collecting new project information, and developed processes for evaluating, prioritizing, and recommending agency systems development requests.

In late 2007, the ITIB had concerns about the lack of quality in agency proposed projects and their continued focus on individual rather than enterprise solutions. Soon thereafter the APA began an audit of the Commonwealth's IT governance processes which included comparing them to best practices. In December 2007, the APA issued its findings in a report titled, IT Governance, and indicated a lack of governance over agency-based applications. The report noted that the Commonwealth spends hundreds of millions of dollars annually to maintain and operate agency-based applications with little central oversight. The APA recommended that improved IT governance could reduce costs by eliminating redundant applications and redirecting the savings to modern, statewide applications.

In January 2008, the Governor responded to our report by appointing the VEAP Director to the additional role of CAO and assigning her responsibility for:

- developing an application governance model
- improving standardization of data across administrative systems by developing key data standards
- extending the Commonwealth's portfolio to include current applications in use to conduct state business
- providing funding recommendations to support for statewide initiatives
- developing support strategies to assist agencies in providing beneficial services to government and the citizen
- leveraging the VEAP to continue the identification and exploitation of enterprise solutions which span agency boundaries

Several of these CAO responsibilities overlap responsibilities already provided the ITIB and CIO by the 2003 General Assembly. For example, the ITIB is responsible for providing funding recommendations and the CIO has responsibility for enterprise solutions.

We believe the Governor and General Assembly should re-examine IT governance and determine whether application ownership and budget control should reside with individual agencies, the CAO, the ITIB and CIO, or some other alternative. Currently, all of these entities share responsibility, but none have ultimate authority and control. As the APA's IT Governance report indicated, there are opportunities to improve efficiencies and reduce cost by consolidating duplicative systems and their operations, but this will require strong governance.

Before the VEAP spends further money executing the CAO responsibilities, we believe the Governor and General Assembly must determine who governs agency applications. Dealing with this issue will determine the continued need for the VEAP and how the Commonwealth should fund applications.

Recommendation 2: Evaluate Long-Term Need for the VEAP

We recommend the Governor and General Assembly determine whether agencies continue to govern their own applications or whether that should be a CAO responsibility, fulfilled with VEAP office assistance. The Governor and General Assembly have three alternatives:

1. If the Governor and General Assembly determine that agencies should continue to govern their own applications, then the Governor and General Assembly may wish to eliminate the VEAP office since the CAO would have no authority to require agencies to use enterprise applications.

2. If the Governor and General Assembly determine the CAO should govern agency applications, then the VEAP office should continue and it should submit a formal strategic plan of how it intends to transform from agency managed applications to enterprise based applications.

3. As another alternative, the Governor and General Assembly could transfer agency application responsibility to the ITIB and the CIO, since they already have some responsibility as provided in the Code of Virginia.

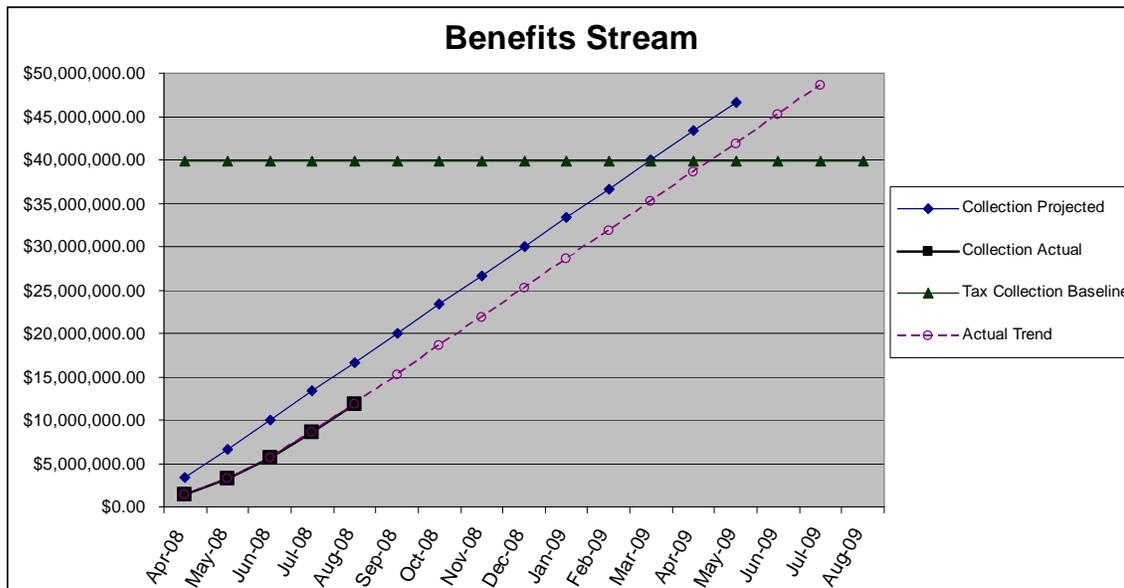
Current VEAP Financing

The VEAP Director expects to pay for its work using a combination of its fiscal year 2009 \$1.1 million General Fund appropriation and the ITIB approved \$11.6 million working capital advance. The VEAP expects to repay the working capital advance from enhanced tax collections, a program that CGI and the Department of Taxation began in April 2008.

Under the program, tax revenue that CGI collects in excess of a \$39.8 million baseline is deposited into the Technology Infrastructure Fund and is available for the VEAP to spend. At the July 2008 ITIB meeting the VEAP Director estimated that CGI would meet the baseline by March 2009 and by May 2009 there would be about \$6.3 million available in the Technology Infrastructure Fund. The VEAP Director explained that the program was new, that she only had two months of actual collections information at the time, and that she understood it would take a few months for the program to fully ramp-up, but she expected it would get on course.

Since the July 2008 presentation, we now have three additional months of actual collections information available and we have provided an updated chart, shown below. While actual collections have increased each month, the total actual collections continue to track lower than necessary to meet the VEAP's March 2009 estimate for achieving the baseline. Currently, we estimate that actual tax collections may not meet the baseline until May 2009, two months later than originally estimated.

Illustration 1



Original estimates assumed collections would average about \$3.3 million each month. Below are Taxation’s current records showing actual monthly collections.

Table 2

Month	Amount
April 2008	\$ 1,363,516
May 2008	1,916,490
June 2008	2,328,782
July 2008	3,033,677
August 2008	<u>3,224,221</u>
Total	<u>\$11,866,686</u>

The enhanced tax collections program was just one of many alternative financing ideas suggested by CGI when they negotiated the PPEA. Although the Commonwealth has determined that many of the CGI’s financing ideas were unreasonable or invalid, the VEAP should continue to seek alternative financing sources to pay for enterprise applications. One source of financing could come from improved IT governance over agency applications, as suggested in our December 2007 IT Governance report. In that report, we noted that the Commonwealth does not adequately govern agency-based applications and does not know how much agencies spend to operate and maintain those applications. Currently, agencies decide how they operate and when they replace their applications and do not separately identify these costs from their other agency operating expenses. Our report suggested that improved governance could allow the Commonwealth to identify inefficiencies, reduce cost, and redirect savings to pay for modern, statewide applications.

Recommendation 3: Develop Methods to Provide Alternative Funding

With no significant General Fund support and no alternative funding initiatives besides tax recoveries underway, the VEAP needs to seek alternative ways to pay for new systems. One funding model is for the Governor and General Assembly to provide the VEAP with the authority to govern agency applications and the authority to control the budgets used to maintain and operate these applications.

Should the Governor and General Assembly provide the VEAP with IT governance authority, we recommend the Department of Planning and Budget determine an appropriate funding mechanism that allows the VEAP to redirect agency application maintenance and operation funds to achieve enterprise applications.

VEAP Work Products to Date

Below is an inventory of VEAP work products along with their actual cost through June 30, 2008. Some of these items are complete and some are on-going. The on-going work products and their 2009 budget amounts are also shown in Table 1 above.

The first two work products represent early VEAP activities which primarily involved defining system requirement under the PPEA with CGI. The remaining work products, with the exception of business intelligence, primarily began in January 2008 after the VEAP allowed Transportation and Planning and Budget to take the lead in developing the enterprise financial management and budget systems.

Table 3

No.	Work Product Name	Complete/ On-Going	Actual Cost through June 30, 2008	Description of Work Product
1	Financial Management System Planning	Planning complete but procurement on-going	\$9,450,515	These completed future state documents define the financial management system requirements and Transportation is using them in their system procurement efforts. The VEAP is working with Transportation's procurement efforts and several agencies to establish data standards including a new chart of accounts for the general ledger system.
2	Performance Budgeting System Planning	Planning complete but procurement on-going	323,595	These documents define the performance budgeting system requirements and Planning and Budget is using them in their system procurement efforts.
Subtotal of initial VEAP activities			<u>9,774,110</u>	

Table 3 - continued

No.	Work Product Name	Complete/ On-Going	Actual Cost through June 30, 2008	Description of Work Product
3	Business Intelligence	On-Going	\$363,310	The VEAP has procured a statewide business intelligence tool that can allow agencies to analyze data across many lines of business. The next phase of this project is to develop a Business Intelligence Competency Center (BICC) with the agencies and to establish a BICC infrastructure.
4	Human Resources System Planning	On-Going	-	The Departments of Accounts and Human Resources Management have begun discussions for the replacement of current human resources and payroll systems.
5	Enterprise Content Management	On-Going	56,000	Enterprise Content Management is the technology used to capture, store, and manage content and documents, similar to record management or document management systems. The VEAP has defined a business case and identified the required functionality of an enterprise content management system. The VEAP anticipates the implementation of an enterprise content management system winter 2008/2009.

Table 3 - continued

No.	Work Product Name	Complete/ On-Going	Actual Cost through June 30, 2008	Description of Work Product
6	One Stop Portals	On-Going	113,880	The VEAP with the Department of Business Assistance developed and implemented a Business One Stop, and in May 2008 launched phase 1. This service provides a simple, one stop shopping for new businesses forming in Virginia. Work continues on phase 2 which will allow data sharing with more agencies.
7	Web Services	On-Going	11,388	The VEAP, with several agencies, are working to achieve data sharing and integration through the use of web services.
8	Digital Signatures	On-Going	45,552	In August 2008, the VEAP initiated a pilot to provide agencies with a mechanism for obtaining digital signatures through IdenTrust, a certificate authority provider. Several agencies are currently piloting the service, and the pilot will continue through the fall of 2008.
9	Project Management Support and technical guidance	On-Going	56,940	The VEAP is providing project management support and technical guidance for several agencies and initiatives, most recently accepting management from VITA to oversee and guide Virginia Interactive.

Table 3 - continued

No.	Work Product Name	Complete/ On-Going	Actual Cost through June 30, 2008	Description of Work Product
10	Virginia Election Registration and Information System	On-Going	-	The VEAP assumed management and oversight of the Virginia Election Registration Information System (VERIS) Project Office in June 2008. The Department of General Services had previously served in this function.
11	CIO/CAO IT Governance Initiatives	On-Going	133,491	To address Commonwealth IT Governance issues the Governor appointed the VEAP Director as the Commonwealth's Chief Applications Officer (CAO). The CIO and CAO determined that they should coordinate efforts to improve IT Governance. A number of work initiatives have resulted including efforts to complete the Enterprise Architecture, inventory existing applications, and identify shared application and data management needs to reduce future redundant development, and developing a Commonwealth Strategy for Applications.
12	Operational Overhead	On-Going	100,196	Project office support, operational costs, such as computers, phones, supplies, rent, PMD costs, eVA fees, travel/meals.
Subtotal of revised VEAP activities			<u>880,757</u>	
Total Cost of VEAP			<u>\$10,654,867</u>	

Value and Usefulness of VEAP Work Products

Work products 1 and 2, related to defining the financial management and budget system requirements as shown in the table above, are the VEAP's most significant work products and are the initial planning documents necessary to begin the acquisition and development of enterprise applications. These products involved defining the financial management and performance budgeting systems requirements and other planning efforts, and were largely complete by November 2007. The VEAP paid CGI \$6.2 million for their services related to these products which consisted of a requirements definition methodology and subject matter experts to assist Commonwealth employees. In addition, the VEAP used \$3.5 million in Commonwealth employee resources towards these work products for a total cost of \$9.8 million.

The VEAP estimated the financial management and performance budgeting systems would cost around \$100 million for software, configuration, and roll-out Commonwealth-wide. The VEAP Director employed Salvaggio, Teal and Associates in October 2007 to independently validate this cost estimate and their calculation totaled \$136.8 million. This means the VEAP's work to develop specific system requirements and ready those requirements for procurement (work products 1 and 2) represents \$9.8 million of the total cost of \$137 million, or 7.1 percent. We believe this percentage is reasonable for the planning phase of the project since it is less than amounts suggested under best practices. Best practices indicate this phase to generally represent up to 20 percent of the total budget.

We do believe, however, that the overall costs for work products 1 and 2 may have been less, particularly in the area of other Commonwealth employees, had CGI performed at a higher level. We participated in several work group sessions held to define system requirements and observed CGI staff that did not understand the methodology in use or did not possess adequate expertise. Generally, we found Commonwealth employees taking a higher degree of responsibility and leadership than originally planned. By May 2007, the VEAP Director took concerns about CGI's performance to the Secretary of Finance, the Governor's Chief of Staff, and CGI. As a result, these individuals held several meetings to discuss the matter and diminished CGI's role. We believe the Commonwealth's response to its concerns regarding CGI's performance were timely and appropriate.

Eventual funding issues resulted in a change of plans in how the VEAP approached enterprise applications and led to the formation of partnerships with the Departments of Transportation and Planning and Budget. Transportation and Planning and Budget are using work products 1 and 2 in preparing their requests for proposals for their financial management and performance budgeting systems. Therefore, work products 1 and 2 are useful to the VEAP and the agencies they have partnered with, and are providing value. There remains a risk, however, in that these agencies' systems may not incorporate all of the requirement areas defined by the VEAP and the requirements are at risk of becoming outdated and obsolete if they are not used in the near future.

Observation: The Commonwealth received value for the \$9.8 million spent defining the enterprise financial system requirements; however, the value will diminish if the requirements are not used in the near future and become outdated and obsolete.
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The remaining work products 3-11 total \$880,000 in cost, representing about eight percent of the funds spent by the VEAP through June 30, 2008. While these work products appear reasonable, it is difficult to understand how this work supports the implementation of enterprise applications because there is no strategic plan, as discussed previously.

Summary of VEAP Activities and the PPEA

The following timeline provides an overview of significant events, including changes in funding and leadership, that have affected the PPEA and VEAP since its inception. A detailed description of these events are included in Appendix A.

Table 4

Year	Leadership	Development/Events
2004-2005	Lem Stewart, Chief Information Officer (CIO)	November 2004 - The PPEA Proposal Review Committee begins a detailed review phase for enterprise applications with CGI and IBM.
	Tim Bass EA Program Director	November 2004 – August 2005 - IBM and CGI perform a due diligence effort to gather and analyze data related to the Commonwealth’s administrative systems and processes to be used in their final proposals
	Enterprise Applications Steering Committee	September 2005 - The Enterprise Application Steering Committee chooses CGI to partner with the Commonwealth to provide enterprise applications December 2005 - Commonwealth signs PPEA with CGI.
2006	Bill Leighty Chief of Staff	January - Chief of Staff gives presentation to Senate Subcommittee on Capital Outlay and Special Projects and requests \$30 million in General Funds for Phase 1. July - General Assembly appropriates \$11 million, \$5.5 million for both fiscal year 2007 and 2008. General Assembly also creates the VEAP office. July - ITIB releases \$550,000 from the fiscal year 2007 appropriation to cover start-up costs for the VEAP office.
	Jody Wagner Secretary of Finance	October - Secretary of Finance emerges as the leading spokesperson for the VEAP and gives ITIB presentation.
	Ned O’Neill Acting VEAP Director	December – Governor appoints Acting VEAP Director as the search for a permanent VEAP Director continues. VEAP tells ITIB that the financial management systems may cost \$100 million. Secretary of Finance requests ITIB to release all of the remaining \$10.4 million in 2007 and 2008 appropriations. The ITIB releases only the remaining fiscal year 2007 amount of \$4.9 million.

Table 4 - continued

Year	Leadership	Development/Events
2007	Peggy Feldmann VEAP Director	<p>January - Official project kickoff and workgroups begin defining system requirements.</p> <p>April - ITIB approves permanent VEAP Director.</p> <p>April VEAP Director reports meeting milestones to wrap up planning and issue RFP in September 2007. Enhanced tax collections may result in \$71 million in revenue over a seven year period. Requests ITIB release \$5.5 million 2008 appropriation. ITIB approves the release of \$1.3 million to sustain the VEAP office until July 2007 ITIB meeting.</p> <p>July - VEAP Director reports to ITIB that she has broadened the vision for enterprise applications and VEAP would be a program office rather than just a project office. Reported that General Funds and revenue initiatives would pay for project. Requests the release of remaining 2008 appropriation. ITIB approves.</p> <p>July thru December – system requirements work finalized and RFP readied.</p> <p>December – VEAP Director learns that the Governor provides no significant General Funds support in Governor’s budget and puts the RFP issuance on hold. Budget does provide General Fund support of \$2.2 million to continue VEAP operations.</p>
2008	Peggy Feldman VEAP Director/Chief Applications Officer (CAO)	<p>January - Governor appoints VEAP Director to a newly created position, Chief Applications Officer.</p> <p>January - CGI and Taxation sign Enhanced Tax Collections Agreement and CGI estimates it will generate revenue totaling \$71 million over 7 years.</p> <p>January - Financial management RFP is on hold while the project team evaluates alternatives and strategies.</p> <p>April – CGI begins enhanced tax collections.</p> <p>April – Transportation brief’s ITIB on plan to use VEAP developed system requirements to develop their financial management system, which will become the Commonwealth base system. ITIB approves idea.</p> <p>May - General Assembly appropriates \$2.2 million for VEAP operations, following the Governor’s recommended budget.</p>

Table 4 - continued

Year	Leadership	Development/Events
2008		July – VEAP Director briefs ITIB on enhanced tax collections progress and reports she estimates revenue will become available to VEAP beginning after March 2009. Provides ITIB an update of her work products and their budget. Requests release of \$1.1 million of 2009 General Fund appropriation and \$11.6 million from the working capital advance. ITIB approves.

History of CGI PPEA Selection

In late 2003, the Virginia Information Technologies Agency (VITA) received five unsolicited proposals under the Public Private Education Facilities and Infrastructure Act of 2002 (PPEA). As required by the Code of Virginia, VITA adopted procedures for reviewing PPEA proposals, formed an internal PPEA Proposal Review Committee, and conducted a preliminary review of the proposals. Because the proposals had aged, VITA requested that the vendors update and revise their proposals in April 2004. A review of the updated and revised proposals resulted in a recommendation to reject one proposal and proceed to the next stage with the remaining four proposals. The Secretary of Technology concurred with this recommendation and subsequently posted a public invitation for vendors to submit competing proposals. VITA did not receive any additional proposals by the August 2, 2004 deadline; however, the remaining four vendors submitted further updates to their proposals.

In August 2004, the Commonwealth's Chief Information Officer (CIO) expanded the PPEA Proposal Review Committee to involve individuals from other entities including the Secretaries of Finance, Administration, and Technology, the Departments of General Services, Motor Vehicles, Corrections, Education, Social Services, Planning and Budget, the Treasury, Transportation, Human Resource Management, and Accounts, and the Virginia Employment Commission. The CIO served as Committee Chair, and he divided the members into three new subcommittees to include Overall Scope, Financials, and Enterprise Applications.

The Overall Scope subcommittee considered the proposals approach to enterprise reengineering, the Financials subcommittee reviewed and ranked the financial aspects of the proposals, and the Enterprise Applications subcommittee reviewed and ranked the proposals approach to reengineering and automating the Commonwealth's enterprise-wide systems.

In November 2004, the PPEA Proposal Review Committee concluded that the proposals fell into two specific categories and recommended that the vendors proceed through the process as follows:

- Infrastructure - providing technologies such as mainframes, data centers, desktops, and laptops (IBM and Northrop Grumman)
- Enterprise Applications – providing solutions and business processes associated with human resources, accounting, budgeting, and procurement (CGI and IBM)

Since this report focuses on the Enterprise Applications PPEA, the rest of this section relates specifically to events surrounding this project.

In November 2004, the PPEA Proposal Review Committee received the Information Technology Investment Board (ITIB), Secretary of Technology and Governor's approval to begin a detailed review phase for enterprise applications with IBM and CGI. Subsequently, VITA, the CIO, and the ITIB reduced their involvement in the enterprise applications project since other agencies and individuals had assumed responsibility and had the expertise in Commonwealth financial and administrative applications. The Secretaries of Finance and Administration became proponents of the enterprise applications PPEA and were guided by several committees including an Enterprise Applications Steering Committee (Steering Committee) with representatives from the Secretary of

Technology and the Departments of General Services, Human Resource Management, Accounts, and Planning and Budget, and VITA.

The Steering Committee worked with IBM and CGI to gather and analyze data related to the Commonwealth's administrative systems and processes through a method known as joint due diligence. The Steering Committee also prepared a draft statement of work and draft comprehensive agreement (including terms and conditions) and provided them to IBM and CGI to use in completing their final proposals that were due in August 2005.

During August and September 2005, the Steering Committee evaluated the vendor's proposals and attended verbal presentations where the vendors described their approaches. The Steering Committee ultimately chose CGI, because their proposal demonstrated experience, resources, and methodologies for implementing enterprise application programs in governmental and commercial environments. Some of the critical CGI proposal points included the following.

- CGI agreed to share some risks in achieving the desired result.
- CGI would assist in identifying potential cost reductions.
- CGI agreed to work with the Commonwealth staff to understand all business requirements before promoting specific technology solutions.
- CGI would attempt to ensure the Commonwealth remains relatively self-sufficient in delivering core business processes. CGI suggested they could reduce the cost of implementing the new enterprise system by reducing operating expenses over the seven-year implementation period. CGI also asserted that the Commonwealth would be able to generate additional revenues to pay for the implementation through better collections and cost recovery programs which CGI proposed to establish.

The Steering Committee was concerned with several aspects of the IBM proposal, including the following.

- IBM claimed the enterprise system funding would come through large cost reductions resulting from a reduced workforce and significant enhancement of business processes and systems, and other improvements.
- IBM proposed current technologies and agency projects as a starting point for the enterprise solution, which would result in pre-selection of new software for many areas prior to working closely with the Commonwealth to define business requirements.
- IBM proposed to outsource a number of critical functions, including the maintenance of legacy systems from the outset.

The Steering Committee believed a public-private partnership with CGI served the Commonwealth's best interest; however the Committee had certain reservations. A Steering Committee report dated September 23, 2005 noted they were "skeptical of CGI's ability to generate the proposed levels of additional revenues and/or achieve the proposed level of Commonwealth operating cost reductions." These additional revenues and cost reductions are shown later in Table 7. The Steering Committee believed that the additional revenues and cost reductions identified by CGI could partially off-set the cost of enterprise applications in the years following their implementation, but anticipated the need for additional funding. The report did not specify the source of this additional funding.

Despite the Steering Committee's concerns, on January 4, 2006, the Commonwealth formally entered into a seven-year performance-based agreement with CGI to redesign and implement new administrative, financial, human resource, and supply chain systems by:

- identifying redundant administrative processes across state government;
- recommending reengineered processes to increase efficiency, productivity, and to reduce cost;
- proposing an enterprise computer system to help address these issues; and
- proposing collection and cost recovery programs.

History of Project Management and Leadership

From receipt of the unsolicited PPEA until March 2005, the CIO administered the vendors and Commonwealth teams. Around March 2005, ITIB directed that the CIO transfer leadership for the enterprise applications PPEA to the business owners, the Secretaries of Finance and Administration, since their financial and administrative agencies would own and manage the systems and processes.

In April 2005, the Governor designated a Project Manager for the enterprise applications PPEA and on December 30, 2005 the Governor, through Executive Order 105, created the Enterprise Applications Program and appointed an Enterprise Applications Program Director (EA Program Director). Throughout his tenure, the EA Program Director reported primarily to the Chief of Staff and Secretary of Finance and also relied on the expertise of the Steering Committee. The EA Program Director continued in that role until July 2006 when the Appropriations Act established the VEAP.

From July 1, 2006 until December 2006 the former EA Program Director functioned as the acting VEAP Director. Then, from December 2006 through March 2007, a certified project manager on loan from Transportation, agreed to serve as the acting VEAP Director while the Governor continued his search for a permanent Director. In April 2007, the Governor hired and the ITIB approved the permanent VEAP Director.

Project Budget

CGI's detailed proposal estimated the direct costs of the financial systems redesign and implementation agreement to total about \$300 million over the seven-year implementation period. This estimate used CGI's study of existing systems and processes, and CGI noted that a refined estimate would emerge as the Commonwealth finalized its requirements during Phase 1 activities.

Phase 1 would occur during the 2006-2008 fiscal years at a cost of \$30 million. The CGI prepared schedule below shows the work expected during the project's first phase along with the cost.

Table 5

Statement of Work Number	Phase 1 End Product	Cost
1	A CGI operated project office and staff that provides coordination of this PPEA and program management including documents, policies and procedures.	\$10,998,236
2	Documentation of the system requirements, recommended solutions, and implementation plan.	8,296,027
3	Data mining model for the Commonwealth and a pilot using existing payroll and personnel data.	3,618,624
4	System sharing model for the Commonwealth and a pilot using payroll and personnel systems.	4,575,050
5	Strategy to provide government services to citizens and employees using portals and a prototype using existing payroll and personnel systems.	1,733,641
6	Listing of collection opportunities.	406,756
7	Listing of cost recovery enhancement opportunities.	406,756
Total		<u>\$30,035,090</u>

Phase 1 primarily involved the establishment of a project office to manage the systems development effort and work to define system requirements. This phase had an estimated cost of \$30 million and the Governor's office proposed General Fund appropriations of \$3.3 million in fiscal year 2006, \$18.1 in fiscal year 2007, and \$9 million in fiscal year 2008 to pay for this phase.

On January 24, 2006, the Governor's Chief of Staff provided a presentation to the Senate Subcommittee on Capital Outlay and Special Projects. This presentation gave the legislature a briefing on the enterprise applications PPEA and explained what the Commonwealth would accomplish if the project received \$30 million in General Fund support. The Chief of Staff's presentation described that the Commonwealth had duplicative systems, redundant data, and old technology and that the PPEA with CGI was structured in three phases with each mapping to the biennium so deliverables and the State planning and appropriation processes would coincide.

Phase 1 (2006-2008) \$30.5 million (General Fund)

This phase would focus on administrative, financial, human resources, and supply chain process and outline the current operations and processes, propose changes operations and processes including how agencies can share data and leverage best practices. This phase consists of the seven statements of work shown previously in Table 5.

Phase 2 (2008-2010)

This phase would consist of evaluating and buying new systems and beginning a staggered implementation of the new system to lower risk.

Phase 3 (2010-2012)

This phase would involve completing the implementation for all remaining agencies and setup an ongoing improvement cycle to ensure the Commonwealth remains technologically current.

The Chief of Staff told the subcommittee that CGI's initial estimates for all three phases were \$300 million, but a more precise estimate would come near the end of Phase 1. He explained that at the enterprise applications project's conclusion by 2012, the Commonwealth would have:

- a modern, integrated Financial Management system,
- a modern, integrated Performance Based Budget system,
- specific integration of Financial and Human Resource Management systems in the areas of personnel, time and labor, distribution, and payroll,
- a modern, integrated Total Asset management system,
- a modern, integrated Automated Travel system, and
- a modern Enterprise Inventory Control system (integrated with eVA).

The Chief of Staff explained that CGI's proposal indicated revenue initiatives and cost savings that may offset the cost of enterprise applications. However, he cautioned that the financial estimates were early and that more refined estimates would appear at the conclusion of Phase 1. The Chief of Staff concluded his presentation by emphasizing four major points:

1. The \$30 million spent in Phase 1 will not deliver a system. Instead it will create a vision of what systems the Commonwealth needs and the system requirements.
2. The Commonwealth should not spend \$30 million in Phase 1 if it is not committed to what is going to come in the future.
3. There is a risk that the project would require more General Fund support beyond fiscal year 2007.
4. There is no proof that CGI's estimated cost savings and enhanced revenue projections (as shown in Table 7 below) will materialize. The Steering Committee's analysis is that there is not a lot of money out there and cost recovery has a lot of risk, including the potential that it may create new programs that may actually cost the Commonwealth more.

During the General Assembly session, House Appropriation and Senate Finance budget staff and the Chief of Staff held meetings to discuss the General Fund amount needed for Phase 1, as well as to revise the Governor's language regarding the enterprise applications program. An agreement was reached to: 1) reduce the appropriation from \$30 to \$11 million, 2) begin funding the program in fiscal year 2007 rather than 2006, and 3) to formally establish the VEAP to manage the project rather than having CGI lead a project office.

The budget staff and Chief of Staff agreed that only statements of work 1 and 2, as described in Table 5 above, were necessary to further the goal of identifying system requirements and selecting the actual software. The other statements of work involved developing capabilities using existing systems and data that the Commonwealth desired to replace anyway with enterprise systems and would not produce results without the development of data standards. In addition, the budget staff and Chief of Staff agreed that the cost for statements of work 1 and 2 were high due to CGI managing the project office. Instead, analysis demonstrated that the Commonwealth could establish a project office and manage the project for less, resulting in a reduction of the cost for statements of work 1 and 2 from \$19 million to \$11 million for the biennium 2007-2008.

Ultimately, the 2006 General Assembly created the VEAP and appropriated \$11 million to enterprise applications for the 2007-2008 biennium. The VEAP language funded the vendor selection and planning stages of the project. The ITIB controlled the release of the appropriated funds, including revenue that the VEAP may collect from CGI's revenues and cost recovery initiatives given in their initial proposal.

In July 2006, the acting VEAP Director, requested and received ITIB approval to spend \$550,000 of the \$5.5 million fiscal year 2007 appropriation to establish the VEAP management team and office. Three months later, in October 2006, Jody Wagner, Secretary of Finance and project sponsor, requested the ITIB release the remaining \$10,450,000 in fiscal years 2007 and 2008 appropriation; however, the ITIB only released the remaining fiscal year 2007 funding of a little less than \$5 million. At the October 2006 ITIB meeting, Jody Wagner explained the development phases and timelines and that additional General Funds beyond the initial \$11 million would be required to complete the PPEA work.

Then in April 2007, the VEAP Director, provided the ITIB with a project update and requested the ITIB approve the release of the 2008 appropriation of \$5.5 million. The ITIB had a lengthy discussion over concerns about the rate of spending and eventually agreed to release only \$1,674,000 of the \$5.5 million fiscal year 2008 appropriation. The ITIB concluded that amount appeared sufficient for the VEAP to operate until the next ITIB meeting, in July 2007, where the VEAP Director could give a detailed briefing and revised budget estimates.

The ITIB advised the VEAP Director to carefully manage the rate at which the VEAP was spending funds or risk running out of operating money. The VEAP Director has since noted that in April 2007 she was new to her position but was operating under the expectation that the VEAP would receive future General Fund support in fiscal year 2009 and could use some of its available working capital advance to get it through fiscal year 2008, if necessary. She thought that previous discussions had clearly communicated to the ITIB and others that CGI's revenue collections and cost recoveries would be insufficient to pay for the enterprise applications.

When the VEAP Director returned in July 2007, the ITIB agreed to release the remaining fiscal year 2008 budget although the ITIB questioned whether this move was appropriate given the uncertainty of future funding. Initial CGI revenues and cost recoveries had not materialized as originally planned and there was no assurance that General Fund support would continue at the current level. With so many uncertainties, the ITIB questioned spending money on work efforts that might go unused without an assurance of continued funding.

The Governor's 2009-2010 budget was released in December 2007 and it did not provide General Fund support for the PPEA to continue into Phase 2. It did, however, continue to include a working capital advance that the VEAP could use for enterprise efforts pending ITIB approval. Repayment of the working capital advance would come from revenues and cost recoveries initiatives outlined in the CGI's earlier proposal; however, as of the date of the budget introduction, the VEAP had no such collections or recoveries underway. The VEAP Office did receive minimal General Fund support totaling \$1,104,196 in both fiscal years 2009 and 2010 to continue its operations.

The timing of the Governors budget release coincided with the VEAP's planned release of a Request for Proposal (RFP) to enter Phase 2 by procuring a financial management system based on

the requirements that resulted from Phase 1 work. However, with no General Funds or revenue and cost recoveries to move to Phase 2, the VEAP Director placed the RFP on hold while it considered alternative funding and approaches. Transportation was particularly concerned about this delay since they needed a new system and had originally agreed to be part of the PPEA only because its timing coincided well with a systems replacement project they already had underway.

In winter 2008, APA representatives met with Transportation project managers and suggested that they consider another option. Under this option, Transportation would proceed with their systems development initiative, using the requirements generated in the PPEA's Phase 1. Once Transportation implemented the system, the VEAP could use it as a model for the Commonwealth's base financial management system. Transportation had sufficient funding to pay for their system and the VEAP, through the use of the working capital advance, could pay for the incremental costs to deliver the solution to other Commonwealth agencies. Transportation agreed to study this idea and later determined that it was a viable approach.

In April 2008, Transportation and the VEAP gave a presentation to the ITIB regarding the plan to implement Transportation's financial management system which could become the Commonwealth's base financial management system. The ITIB agreed that the plan appeared reasonable and approved Transportation to continue through the system planning phase. In the meantime, the VEAP continued to work on other enterprise related initiatives (see work products outlined in Table 3).

Below is a table that shows the VEAP's budget to actual expenses from its inception through June 30, 2008.

Table 6

Expense Type	Budget	Actual
Personnel:		
EA Project Management Office	\$ 578,471	\$ 522,327
CoVA Project Team	1,599,922	1,467,353
Office Space	-	7,858
Operational Costs	20,375	26,397
Other	34,177	52,310
Contracts:		
CGI Fixed Fee	1,200,000	1,200,000
CGI and Strategic Consultants Time and Materials	5,182,913	5,054,504
Planning Support	46,561	46,561
Executive Recruiter	55,102	55,102
Change Management	151,046	124,374
RFP Requirements Development	65,000	65,000
Procurement Assessment	67,479	67,479
Supplemental Project Subject Matter Experts	1,448,664	1,451,407
Business Case Development	191,080	257,990
Performance Budgeting Due Diligence	228,600	151,795
Independent Verification and Validation	115,779	90,779
Office Supplies	10,487	8,712
Travel/Business Meals	4,344	4,919
Total	<u>\$11,000,000</u>	<u>\$10,654,867</u>

Looking forward, the VEAP has \$2.2 million in General Fund support available for the biennium 2009-2010. In addition, the VEAP has access to \$30 million in working capital advance and has received ITIB approval to spend \$11.6 million of the advance. Table 1, shown earlier in this report, shows the VEAP's fiscal year 2009 budget for the work it intends to do using its General Fund appropriations and working capital advance.

CGI Proposed Revenue and Cost Recoveries

One reason the Enterprise Applications Steering Committee selected CGI was their proposal to provide alternative financing to at least partially off-set the expense of implementing enterprise financial management systems. CGI's initial proposal included the following sources of revenues and cost recoveries along with high and low estimates of amounts the sources would provide over the seven year systems implementation timeline.

Table 7

Source	High Estimate	Low Estimate
Enhanced Collection Initiatives		
<u>Consolidated Collections Service Bureau</u> CGI planned to target collections at Social Services, Medical Assistance Services, Transportation, Mental Health, Employment Commission, Taxation, UVA Medical Center, and courts. CGI would work receivables after the owning agency made first attempts.	\$294,700,000	\$178,500,000
<u>Cost Recovery Service Bureau</u> CGI planned to target special education related services, Child Care and Title IV-E federal programs, Medicaid administrative claims and others. The CGI strategy involved increasing indirect allocation of administrative costs and revamped cost reporting and rate setting methodologies.	<u>172,000,000</u>	<u>172,000,000</u>
Total estimated enhanced collection revenues	<u>466,700,000</u>	<u>350,500,000</u>
Less: Estimated fees to be paid to CGI related to these initiatives as well as payments to CGI for enterprise applications work over seven years.	(318,400,000)	(292,200,000)
Total estimated net benefits to the Commonwealth	<u>\$148,300,000</u>	<u>\$ 58,300,000</u>
Cost Savings Initiatives		
Reduction of maintenance fees and tech support costs on nearly 200 financial and human resources systems	\$ 2,900,000	\$ 2,900,000
Automated time and attendance data capture	26,800,000	26,800,000
Employee human resources self –services	4,470,000	4,470,000
Eliminating dual entry/reconciliation with redundant payment systems	20,100,000	20,100,000
Facilities Management	12,600,000	12,600,000
Fleet and Equipment Management	24,570,000	24,570,000
Consolidated collections full-time equivalent position reduction	<u>33,910,000</u>	<u>33,910,000</u>
Totaled estimated cost savings initiatives	<u>\$125,350,000</u>	<u>\$125,350,000</u>
Cumulative total benefits generation	<u>\$273,650,000</u>	<u>\$183,650,000</u>

Although the Steering Committee and Chief of Staff were skeptical that revenue and cost recoveries could yield the levels suggested by CGI, they did believe that some funding could result. Upon signing the PPEA with CGI in January 2006, CGI could begin work implementing their alternative funding plans and VEAP language allowed the deposit of money from the revenue and cost recoveries into the Virginia Technology Infrastructure Fund to pay for enterprise applications.

Since many of the CGI revenue and cost recovery ideas involved Medicaid programs and Secretary of Finance related agencies, the Deputy Secretary of Finance, served as the main contact with CGI relative to revenue and cost recoveries. The Deputy Secretary of Finance had been part of the Steering Committee and had expertise on issues involving Medicaid. CGI was directed to work with the Deputy Secretary of Finance on assessing the viability of their initiatives and where analysis showed an initiative may work, the Deputy Secretary of Finance would coordinate a discussion between CGI and the owner agency.

According to the Deputy Secretary of Finance, CGI has pursued limited initiatives, many of which the Commonwealth deemed unacceptable or are continuing to study and evaluate. The Commonwealth accepted one initiative, which involves work to increase tax collections through improved analysis and aggressive collection techniques. Taxation worked with CGI to negotiate an agreement for this work and it took months to finalize. Delays included the time required 1) to negotiate CGI fees, 2) establish a baseline above which the Commonwealth Technology Infrastructure Fund would receive revenues to pay for enterprise applications, and 3) obtain the Attorney General's approval that the agreement was appropriate under PPEA language from the Code of Virginia. In April 2008, nearly 18 months after first signing the PPEA, CGI began their enhanced tax collections work.

Under the agreement, Taxation will track the revenue collections against a set baseline of \$39.8 million. Once the gross revenue exceeds the baseline, Taxation will deposit any excess revenue into the Technology Infrastructure Fund. CGI estimates they will reach the baseline by March 2009 however our analysis shows actual collections tracking lower than originally planned and therefore we believe May 2009 is a more realistic date.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

September 24, 2008

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited Virginia's enterprise applications initiative and are pleased to submit our report entitled **Virginia Enterprise Applications Program (VEAP)**. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Scope and Methodology

Our audit included Commonwealth efforts relative to the enterprise applications initiative from its inception in April 2004 through the date of our report. We reviewed legislation, memos, reports, presentations, and ITIB Board minutes to understand the initiative and its background. In addition, we interviewed the State Comptroller, the Chief Information Officer, the VEAP Director, a former acting VEAP Director, the Director of the Department of Planning and Budget, and the Secretary and Deputy Secretary of Finance, to understand the enterprise applications initiative, confirm historical information obtained from documents, and gain an understanding of their expectation of future enterprise applications. Finally, we obtained financial reports from both the Department of Taxation and the VEAP Director and performed analytical tests to verify their reasonableness and make projections about future trends.

Exit Conference and Report Distribution

We discussed this report with the VEAP Director on October 21, 2008. The VEAP Director's response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

KKH:clj



COMMONWEALTH of VIRGINIA

Office of the Governor

P.O. Box 1475
Richmond, Virginia 23218

October 21, 2008

Mr. Walter J. Kucharski
Auditor of Public Accounts
Post Office Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

Thank you for the opportunity to respond to the Auditor of Public Accounts' review of the Virginia Enterprise Applications Program (VEAP). This review, requested by the Chairman of the Information Technology Investment Board (ITIB), was primarily directed at the outcomes associated with the funding used to date and a better understanding of the direction of VEAP.

As noted in the report the Commonwealth received value for the \$9.8 million spent defining the enterprise financial system requirements. The report also noted the value of those products will diminish if the requirements are not used in the near future. We are pleased to report that the requirements developed for the financial management system were utilized in RFP 2008-26, for which responses were received on 15 September 2008. The Virginia Department of Transportation, Department of Accounts and VEAP are currently reviewing the responses under the leadership of the Virginia Information Technology Agency's (VITA) Supply Chain Management (SCM) division. VEAP and the Department of Planning and Budget intend to use the performance budgeting requirements in RFP 2009-06.

The economic realities of the past two years have altered the direction of VEAP, but not the value. Originally envisioned as delivering large enterprise resource planning systems to replace our legacy financial, procurement, human resources and administrative systems; a task requiring hundreds of millions of dollars, VEAP is now delivering business value to the Commonwealth by partnering with lead agencies for replacing the central administrative systems and delivering business capability via shared services. These shared services not only support the larger central administrative systems, but create efficiencies by reducing redundant procurements and infrastructure.

Recommendation 1: Clearly Document and Communicate VEAP Plans and Strategies

VEAP, under the auspices of the Chief Applications Officer, is working closely with the Executive Branch agencies to develop a Commonwealth of Virginia Strategic Plan for Applications. This strategic plan will set forth a vision, goals, objectives and strategies which prioritize and align Commonwealth resources and programs. The draft of this plan is anticipated in December 2008. Until that time, working daily with over 30 agencies, VEAP has adopted and aligned its efforts to the existing Commonwealth IT Strategic plan.

For example, IT Strategic Plan Goal #1: "Increase accessibility to government" is being supported through the development of One Stops. The Enterprise Content Management and Business Intelligence shared services support Goal #2: "Facilitate IT collaboration and partnerships". VEAP is investing in digital signature solutions to meet Goal # 3: "Ensure a trusted and reliable technology environment". Goal #4: "Create a reputation of performance for technology" is supported by our efforts with the Virginia Election Registration Information System (VERIS), and the CAO work on application strategy, application portfolio and data standards. Finally, Goal #5: "Increase worker productivity through the use of technology" drives practically all of our efforts whether it be development of business intelligence, electronic forms, digital signature, web services or the workflow capability delivered within content management.

Governor Kaine's priorities are in the area of access, collaboration, outcomes measurement and transparency. As such, the VEAP program has been built around those priorities as noted in the Governor's Performance Management Agenda. Upon completion of the Commonwealth Strategic Plan for Applications, VEAP will develop and publish a VEAP strategic plan which clearly communicates its direction, through both short and long term strategies.

Recommendation 2: Evaluate Long-Term Need for the VEAP

The Chief Information Officer and Chief Applications Officer worked closely together to develop an operational plan. This plan includes addressing the need for a strategic plan for applications. This strategic plan, as explained previously, includes a vision for application governance. The vision recognizes the difference between enterprise applications, shared applications and agency applications. Understanding and recognizing these different categories of applications is a first step toward building proper governance processes for each, and recognizing that no one person or organization need govern all of the Commonwealth's applications for there to be effective oversight.

VEAP believes it is a mistake to view the governance of applications as an all or nothing proposition. Enterprise applications should be governed by the enterprise, shared applications by those that use them and agency applications by those that own them. All three should be managed to achieve optimum balance. The Strategic Plan for Applications will clearly articulate this vision, along with the goals, objectives and strategies to support it.

The CAO and VEAP provide value to the Commonwealth in realizing the efficiencies possible through consolidation. The Business Intelligence and Enterprise Content Management

shared services are two examples of the value in having an organization which facilitates cooperation and acts in the best interest of the Commonwealth, balancing the sometimes competing requirements of multiple agencies. We do not believe applications must be mandated in order for the Commonwealth to realize efficiencies. Agencies are realizing and voluntarily incorporating these business capabilities into their portfolios. Agencies that do not participate will quickly find themselves at a competitive disadvantage. The work performed on content management and business intelligence clearly demonstrates the willingness of agencies to participate in shared service offerings.

Recommendation 3: Develop Methods to Provide Alternative Funding

VEAP is working closely with CGI and TAX to monitor the tax recoveries. Significant progress was made in August, when TAX provided CGI with \$16M in new account placements. We anticipate this trend will continue and will allow CGI to meet the forecasts.

The table below shows actual collections and new account placements. The original assumption for enhanced collections was based on \$19.2M worth of new placements each month. Actual new placements have been far below that, until August of this year. In fact, CGI’s performance against actual placements has exceeded targets. In July CGI performance was 195% and in August it was 305%.

Month	Amount	New Placements
April 2008	\$ 1,363,516	\$7.2M
May 2008	1,916,490	8.8M
June 2008	2,328,782	6.7M
July 2008	3,033,677	5.7M
August 2008	3,224,221	16.0M
Total	\$11,866,686	

VEAP anticipates we will see an increase in revenue now that new placements are closer to the original assumption. To supplement the revenue stream, VEAP is working to establish repayment mechanisms for many of the services offered. These repayment mechanisms, based on user and transaction fees, will return money to the Working Capital Advance which was used to originally develop the shared service(s).

Additionally the Secretary of Finance has been working closely with Department of Accounts and the Department of General Services to identify alternative sources of funding.

VEAP applauds the professionalism of your staff, particularly Blake Bialkowski and Karen Helderman, in performing this review and preparing this report. We appreciate the advice of your office and look forward to working with you to improve the applications environment of the Commonwealth.

Sincerely,

A handwritten signature in black ink that reads "Peggy A. Feldmann". The signature is written in a cursive style with a large, prominent "P" and "F".

Peggy A. Feldmann
Director, Enterprise Applications

C: James F. McGuirk II, Chairman, ITIB
Hiram R. Johnson, Vice Chairman, ITIB
Members, ITIB
The Honorable Aneesh Chopra, Secretary of Technology
Judy Napier, Deputy Secretary of Technology

Virginia Enterprise Applications Program

Peggy Feldmann, Director