

Summary: VITA's Transition to a Multi-Supplier Service Model

WHAT WE FOUND

Implementation of multi-supplier model is significantly delayed and preliminary performance suggests improvements are needed

Implementing a multi-supplier IT infrastructure model was a substantial undertaking for VITA. This transition was particularly challenging because VITA was not staffed or organized sufficiently to implement the new model.

In addition, VITA had to modify its strategy midway through implementation because of difficulties disentangling from Northrop Grumman, its previous IT infrastructure supplier. VITA has largely kept customer agencies' systems and services running under the new IT infrastructure model, but improvements are needed.

Full implementation of VITA's new multi-supplier IT infrastructure model has been delayed over six months. As of July 2019, VITA's suppliers still had not completed all critical deliverables needed to fully implement the model. Delays have prevented VITA, customer agencies, and suppliers from accessing some core services.

Suppliers have not been reporting some performance data or meeting many of their performance requirements even though they are receiving full payment from VITA for their services. Suppliers have also already had three formal contract disputes with VITA even though most suppliers have been providing services in Virginia for less than one year.

VITA staff estimate that the cost of operating the multi-supplier model is at least \$49 million less each year than the cost of VITA's previous model; however, savings are not projected to be realized until FY21 because of the one-time upfront costs of transitioning to the new model.

VITA's contracts with suppliers and procurements are generally effective and sufficient, with a few exceptions

VITA's new IT infrastructure contracts are generally aligned with industry practices and peers, and they include most of the provisions needed to ensure supplier performance and protect the state from risk, according to a law firm with expertise in IT outsourcing that JLARC staff hired to review VITA's contracts. A few contract deficiencies were identified that VITA should address as soon as practicable.

WHY WE DID THIS STUDY

The Appropriation Act directs JLARC to review and evaluate VITA on a continuing basis (Item 31 E. of Chapter 854, 2019 Acts of Assembly). As part of this on-going oversight, JLARC members approved a motion in December 2018 for JLARC staff to conduct a detailed review of VITA's IT infrastructure services. JLARC staff assessed the status of VITA's implementation of a multi-supplier model. JLARC staff also assessed VITA's contracts with suppliers, procurement and management of suppliers, resolution of service and supplier issues, and rate-setting process.

ABOUT VITA

One of VITA's primary responsibilities is to facilitate the provision of IT infrastructure services to Virginia's executive branch agencies. IT infrastructure services include end-user devices (computers and laptops), email, internet and phone, print, security, mainframe, and server storage and data center services. VITA outsources these services to eight suppliers and pays for them through customer agency billing.

VITA's procurements for IT infrastructure suppliers were competitive and each had three or more suppliers participate. VITA's procurements also included key stakeholders, such as staff from customer agencies, staff from Virginia's Office of the Attorney General, and IT outsourcing consultants. However, aspects of the evaluation of suppliers could be improved for future IT infrastructure procurements.

Contract management function has been inadequately staffed and has not held suppliers accountable for meeting contract requirements

VITA's contract management function was inadequately staffed to manage a multi-supplier model. As of March 2019, only two full-time staff were responsible for managing all eight IT infrastructure contracts. VITA recently created additional positions and now has six full-time contract manager positions to support the function.

In part because of inadequate staffing, VITA has not effectively held suppliers accountable for meeting contract requirements. VITA staff did not begin tracking whether suppliers had completed many contract deliverables until eight months after the contracts started. As of August 2019, VITA was still not formally tracking whether suppliers were completing hundreds of additional contract requirements related to the provision of services.

VITA also has not addressed the majority of instances where suppliers failed to meet contractual requirements. For example, VITA has not penalized suppliers for failing to report performance data or meet contractual performance requirements, even though it has the authority to collect penalties automatically in its contracts.

Major issues with IT services and suppliers are not being resolved in a timely manner

VITA and its suppliers are not resolving many major IT service incidents within their contractual timeframes. As a result, multiple agencies have experienced prolonged problems with key VITA services—such as phone, internet, and email—that have hindered their operations. VITA suppliers also have not resolved billing disputes or agency requests for new IT services in a timely manner.

VITA has an issue resolution platform for addressing unresolved and widespread service issues, but the platform is not resolving many issues in a timely manner. VITA has a growing backlog of unresolved major issues, and many of these issues have gone several weeks without any action. These challenges are partly due to VITA's lack of policies guiding how issues should be referred to the platform and resolved within it.

VITA also does not currently address all service and supplier issues through its platform. Staff have allowed agencies to circumvent the platform and appeal directly to VITA's leadership to resolve issues. Staff have also resolved some issues, such as formal disputes with suppliers, outside of the platform. This results in a lack of transparency, predictability, and perceived fairness in VITA's issue resolution process.

VITA leadership needs to better ensure the agency is implementing the multi-supplier model effectively

VITA's leadership is ultimately responsible for determining how VITA implements its multi-supplier model. To date, VITA's leadership has not required agency staff to hold IT infrastructure suppliers accountable for meeting their contractual requirements. This has allowed substantial supplier performance problems to persist. VITA leadership has not consistently supported VITA's issue resolution platform, preventing it from maturing effectively. Furthermore, VITA leadership did not reorganize the agency to operate a multi-supplier model until April 2019—eight months after the new model began. This delay caused key staff positions to remain vacant for several months during a critical time. It is also not clear whether the reorganization is complete.

WHAT WE RECOMMEND

Legislative action

- Require VITA to comprehensively review its organizational structure and staffing to determine whether any additional staff positions or structural modifications are needed for the agency to effectively operate the multi-supplier IT infrastructure model.

Executive action

- Address all deficiencies identified in IT infrastructure contracts as soon as practicable.
- Modify the procurement process to ensure that suppliers are evaluated using a reasonable number of criteria that are appropriately prioritized.
- Ensure the status of all IT infrastructure contract deliverables and obligations is tracked through a comprehensive tracking tool.
- Automatically collect penalties from suppliers that do not report performance data or meet performance requirements, and develop guidelines for when penalties can be waived due to extenuating circumstances.
- Develop and implement policies establishing (1) criteria for when issues should be referred to VITA's issue resolution platform, (2) a target metric for how long issues should take to be resolved within the platform, and (3) a process for automatically escalating issues that exceed target metrics.
- Ensure issues experienced by customer agencies and issues with suppliers are addressed through the issue resolution platform.

The complete list of recommendations is available on page v.