

JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION BRIEF

Chief Information Officer of the Commonwealth
Michael Watson

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Who we are and what we do

VITA is comprised of about 350 professionals who connect, protect and innovate for Virginia, as part of four main statutory roles.

We provide services to agencies with General Assembly oversight and reporting.

1. **Cybersecurity:** Protect people, assets and information from loss, damage and misuse
2. **Infrastructure:** Ensure the operating environment is efficient, secure, available, and delivers the best value
3. **Governance:** Provide policy and standards for technology, best practices, cybersecurity, project management, enterprise optimization and data (now with the Office of Data Governance and Analytics (ODGA))
4. **Procurement:** Provide governance and risk mitigation for executive branch IT procurements and develop value-driven statewide IT contracts that enable Commonwealth public bodies to obtain the best value for their organizations



Data Centers

Physical data centers

QTS Ashburn
QTS Sandston

Virtual data centers

Amazon web services (AWS)
Microsoft Azure
Oracle cloud infrastructure (OCI)
Google cloud



65

Executive branch
agencies



1,700

Locations served
in Virginia



Enterprise services and solutions

Enterprise Solutions
Business Platform Solutions
Application Modernization and
Integration Services
Artificial Intelligence

Cybersecurity in everything!



Managed storage

~66

petabytes
petabyte = 1,000
terabytes

Mainframe
IBM

Computers

61,599 PCs
4,290 Servers

Communications

31,652 VOIP phones
3,200 Circuits
1,406 Managed
network devices

Mailboxes

67,477
Accounts

Procurements

Over 150 state contracts
8 Supplier Towers
400 COV Ramp solutions
Over \$1.3 billion of
contract spending

Key Commonwealth initiatives



Paid Family and Medical Leave

PFML background

- State law (SB 2/HB 1207) signed by Governor Spanberger in April 2026; guarantees up to 12 weeks of job-protected, paid leave to bond with a new child, recover from a serious health condition, or care for a family member.
- Administered by VEC and funded through shared employer/employee payroll contributions; benefits launch December 1, 2028.

VITA's support for VEC's Statewide Paid Leave System Implementation

- Providing governance and oversight guidance throughout the implementation lifecycle
- Facilitating weekly coordination meetings with project stakeholders to ensure alignment
- Collaborating on technology management strategy
- Procurement risk management
- Partnering with VEC to define and validate project requirements
- Monitoring project risks on an ongoing basis, including potential impacts stemming from recent VEC staffing changes

HR1 DMAS/VDSS

What is HR1?

- Federal reconciliation law enacted July 4, 2025, requiring new Medicaid eligibility rules
- Medicaid expansion adults (ages 19–64) must complete 80 hours/month of qualifying work, training, education, or community service to keep coverage
- Federal compliance deadline: January 1, 2027

VITA's support for DMAS and VDSS on HR1 compliance

**DMAS - HR 1
Community Project**
(target pilot launch of
Dec. 18)
\$8M
**Procurement
governance requests
(PGR) \$15M**

**VDSS- Interview
Assistant Project**
\$3.2M
PGR \$2.5M

**VDSS-CommonHelp
Project**
(benefits portal)
\$4M
PGR \$7M

**VDSS-Identity
Proofing
Implementation**
\$3M
PGR \$4M

Partnership with Digital Services team and AI Task Force

- **Executive Order 22 and the Virginia AI Task Force:** VITA will partner to support efforts to deliver improved access to government services by applying modern tech, human-centered design and agile practices through VITA's responsibilities for governance, standards, registration and approvals of AI systems across the Commonwealth
- **Goals:** strengthen the Commonwealth's digital capabilities, improve public service delivery and build a more responsive government that better serves every Virginian



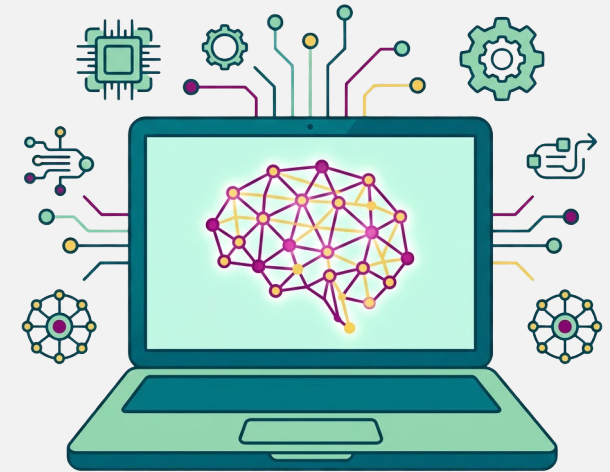
VITA's three strategic pillars



Recompetes

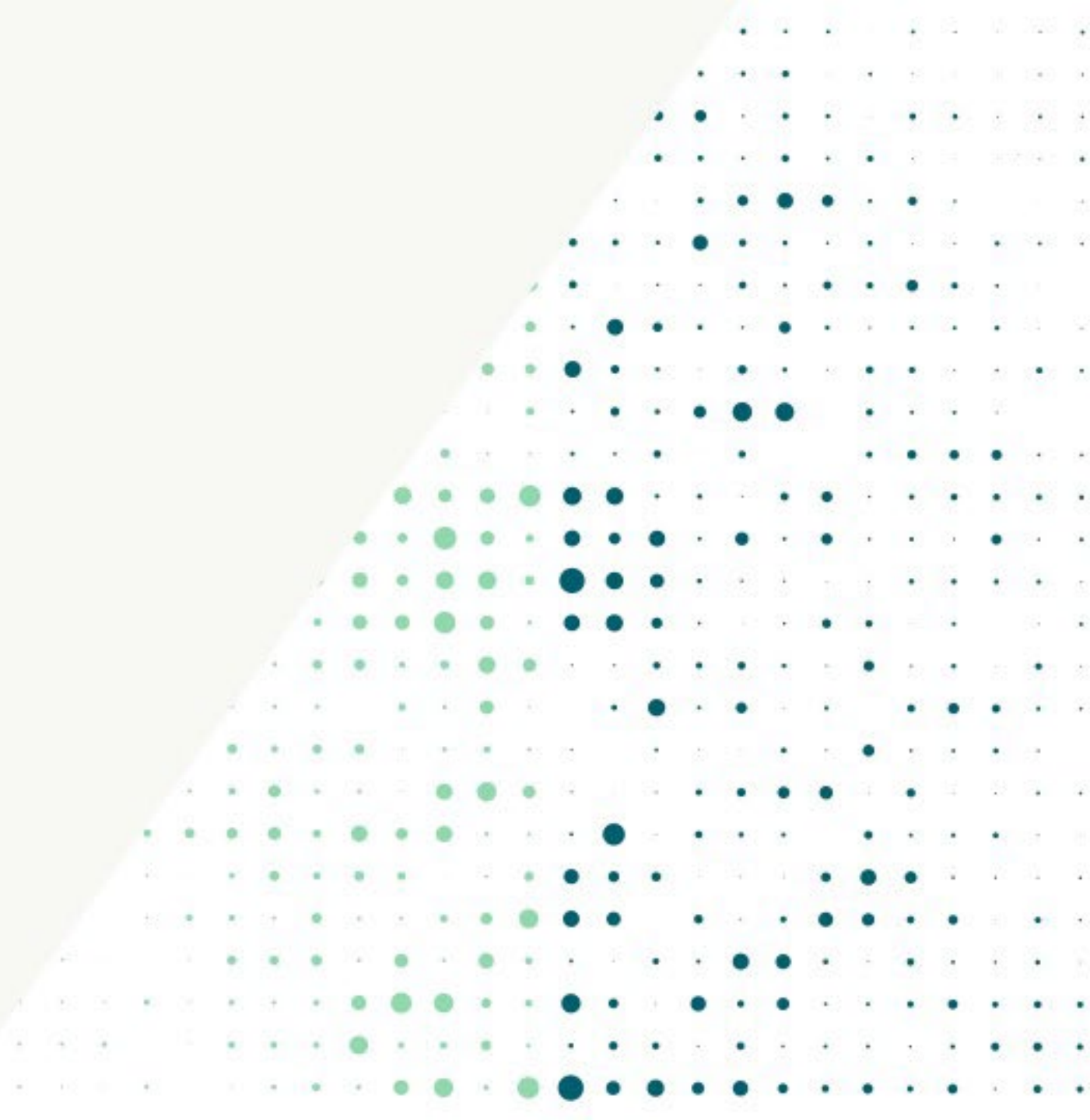


Governance



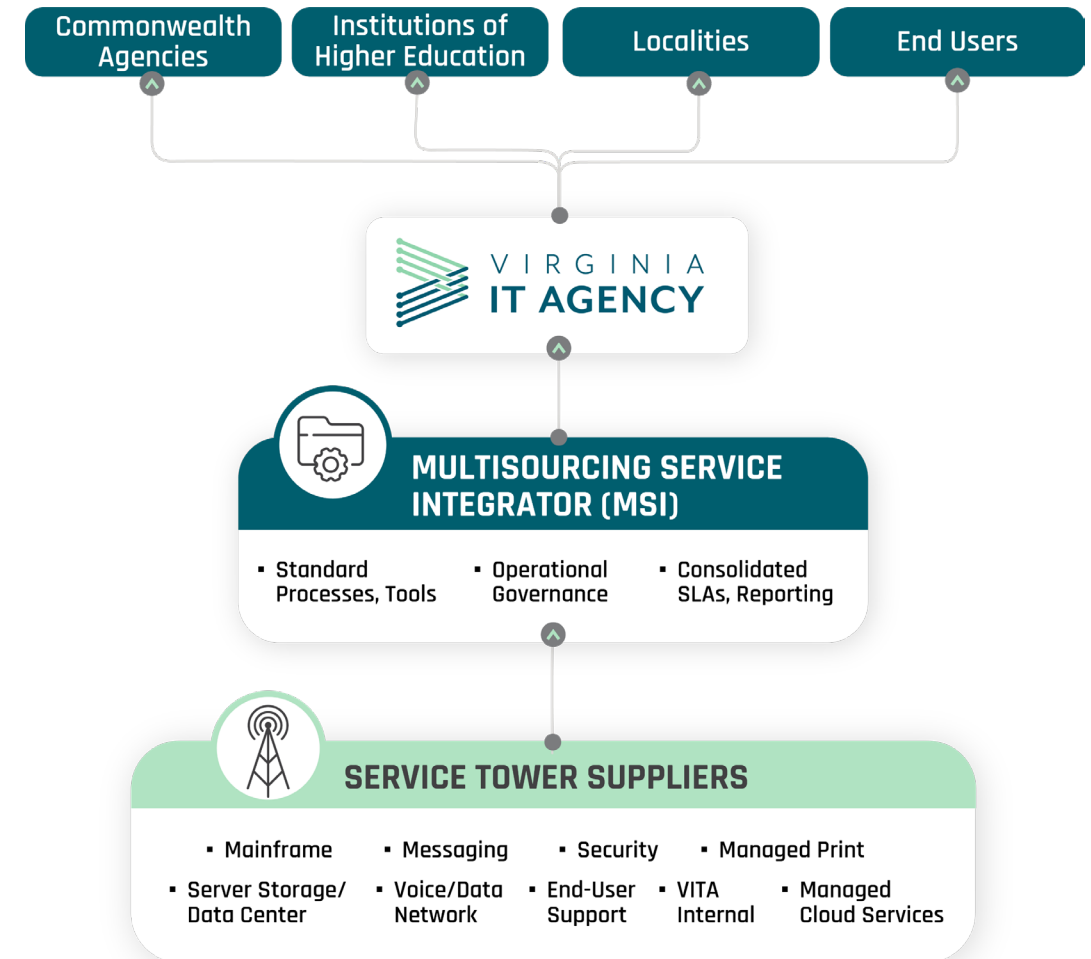
**Artificial
Intelligence (AI)**

Recompetes



Supplier contract recompetes and agency involvement

- We have one multi-sourcing integrator (MSI) and supplier areas ("towers") of services
 - All contracts are directly with VITA
 - COV-owned, Vendor-supported
- Tower changes since 2021:
 - Messaging (awarded to NTT DATA)
 - Mainframe (re-awarded to Peraton)
 - Cloud – Azure (awarded to NTT DATA)
 - Managed Security (MSS) (awarded to CSRA/GDIT)
 - Cyber Incident Response (insourced)
- Currently underway
 - Server/Storage & Cloud (CY26/27)
 - End user compute (CY27/28)
 - VITA is leveraging the Chief Information Officer Advisory Council to ensure agencies' business requirements are included
- Future recompetes:
 - Multisourcing service integrator (CY27/28)
 - Voice, Data, Network (CY28)





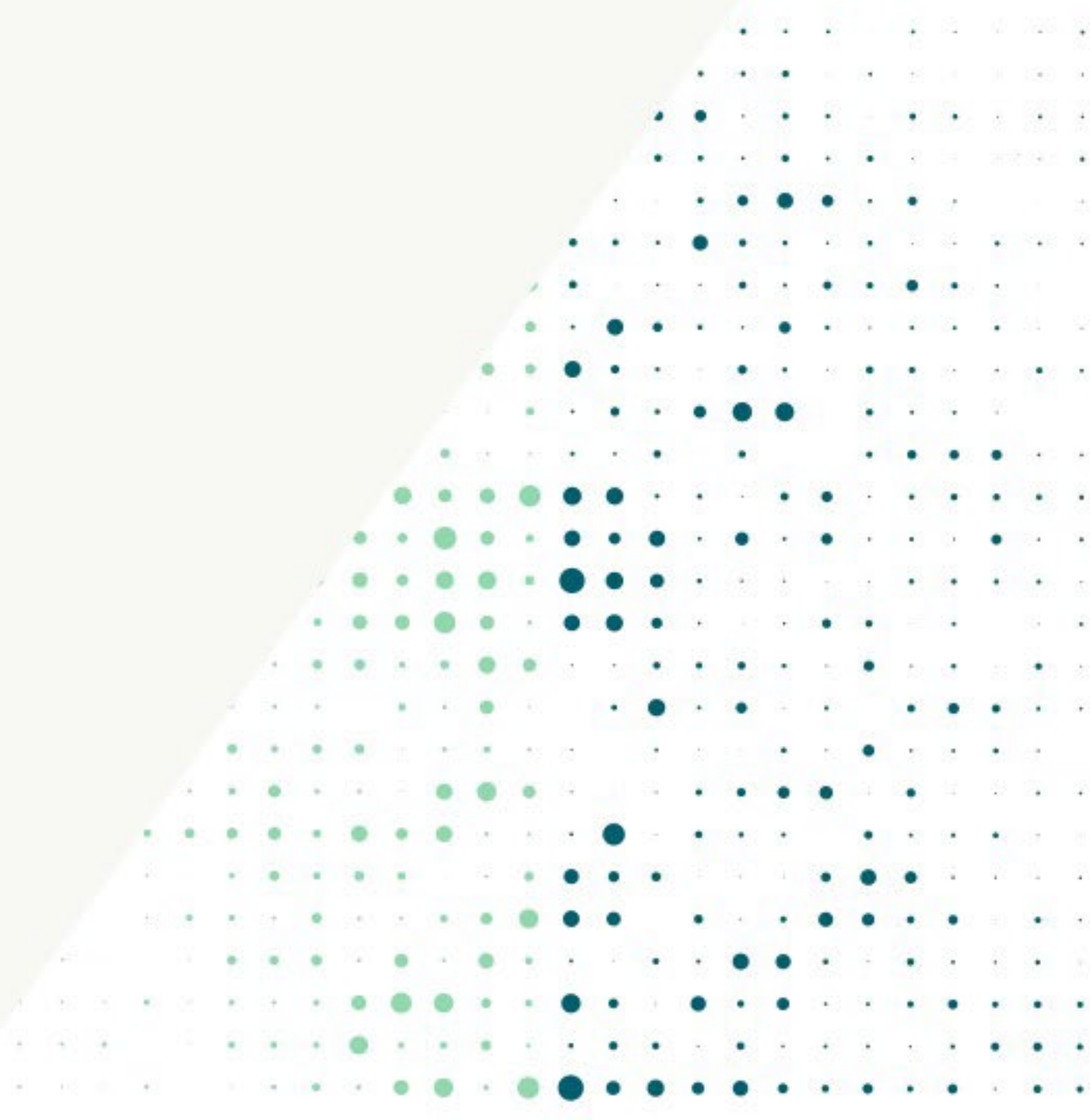
Market impact challenges

- Expecting **significant budget impacts in coming years**
- Market forces are driving **end user compute cost increases of 3-20% per month** since late 2025
- **AI and data-center computing** coupled with supply chain disruptions is pushing up prices for **memory, storage, and processors.**
- **What this means:**
 - **End user systems:** “Memory and storage costs made up roughly 15-18% of our PC bill of materials. And we currently estimate this to be roughly 35% for the year.” (HP, Inc., Feb 24, 2026)
 - **Servers:** “[Memory chips] now make up over half of the bill of material cost of a traditional server, and this share will continue to rise as component costs increase” (HPE, March 9, 2026)

Forecast outlook:

- Market **price escalation** is expected to continue through 2028 and likely beyond.
- From Q1 to Q2 2026, **memory is more expensive by 100%:** “we do expect them to further increase in the latter part of the year.” (HP, Inc., Feb 24, 2026)
- Chip makers responsible for 89% of world-wide memory chip production (SK Hynix, Samsung, Micron) are locked in long-term contracts with major cloud companies, **shrinking the supply** left for the rest of the market.
- Component manufacturers (SK Hynix CEO) believes **2027 will be the worst** from a supply perspective, and “customer demand will remain higher than our supply capacity even beyond 2030.” (Reuters interview, July 10, 2026)

Governance



VITA's approach to technology strategy – One Commonwealth

Strategic alignment

- Every initiative is aligned with stakeholder initiatives
- Clear scope, objectives and a resource model

Value focused

- Business cases and investments show value

Bounded risk

- Spend does not always represent risk
- Risk tiers establish governance requirements

Accountability

- VITA and agencies jointly tied to successful business outcomes



VITA's cyber strategy – protecting COV systems and data

Managed security supplier (MSS) enablement

- Security services are slated to expand and mature zero trust initiatives started under the current MSS vendor, adding technologies to:
 - Secure data across third-party software as a service (SaaS) providers using Security Service Edge and Secure Access Service Edge (SSE/SASE) technology
 - Limit the impact of attacker movement through micro-segmentation
 - Bolster identity and access management (IAM) practices
- Rollout is expected to be complete by November 2027

Cyber strategy

- Zero trust: Ensure recompetes incorporate zero trust principles into all services
- AI: Establish governance for the safe use of AI by agencies



VITA's cyber program

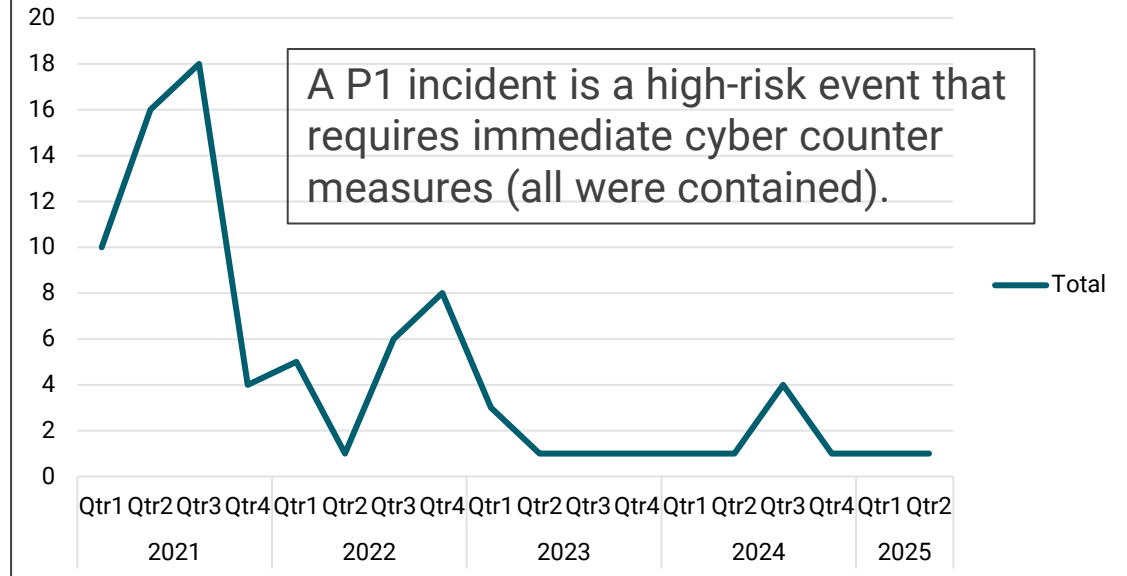
Cyberattacks decline as detection improves (CY2025)

- 329 million attack attempts (591M in 2024)
- 59,435 pieces of malware blocked

Agency cyber program improvements

- Further developed zero trust posture:
 - Created a strategic plan and subsequently prioritized investments in key areas for immediate benefits, including:
 - Identity and access management
 - Vulnerability management (from 90 days to 30 days for critical/high vulnerabilities)
 - Orchestration and automation
 - Cybersecurity asset management
 - Micro-segmentation
 - Cloud security hardening
- Presented the 14th annual COV-wide Security Conference

Priority 1 Incident Trend

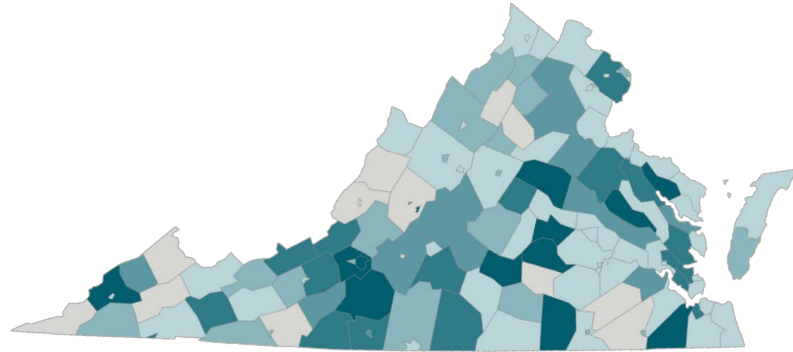


Proof point

For three years in a row, the COV cybersecurity insurance policy decreased. The current policy reflects an 11% rate reduction over the prior year policy while maintaining equal or better coverage. **The COV continues to be counter to the industry trend.**

State and local cyber grant program – locality grants

Cybersecurity plan capability assessment and capability improvement projects

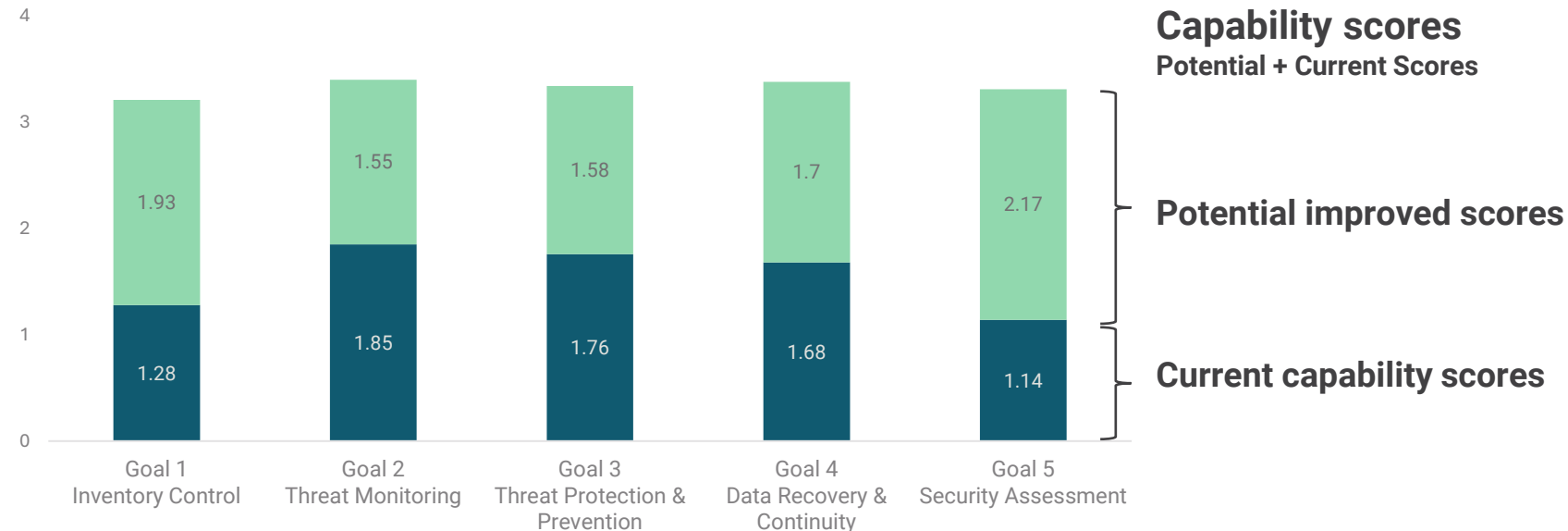


201 local government entity participants across first two phases

- 42% local government (cities, counties, towns)
- 42% public school districts
- 15% other (tribal government, authorities, etc.)
- 64% rural participants

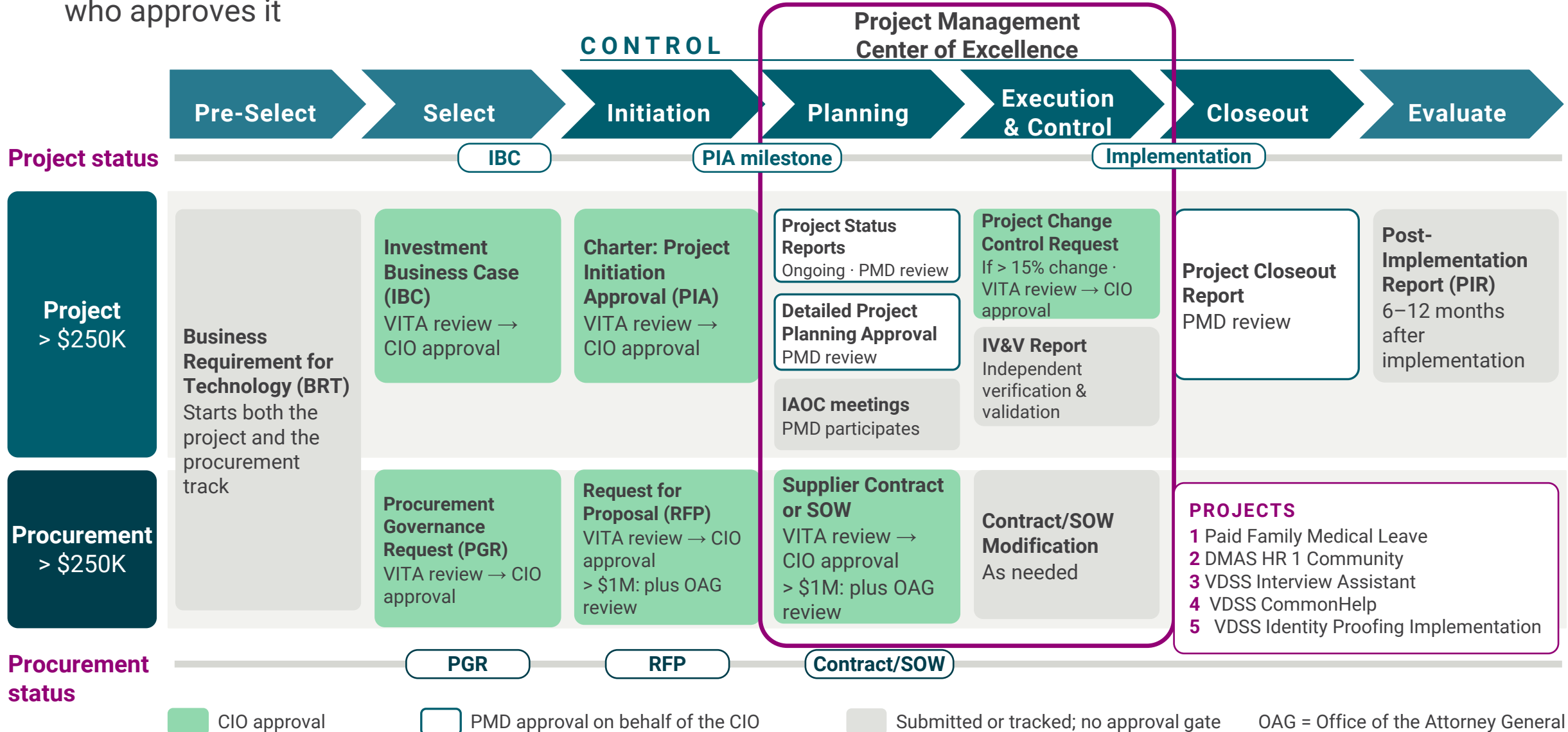
Federal funding program concluding

- Program elements have been successful
- Investigating how to support entities in the future



IT investment governance and oversight: lifecycle at a glance

Projects and procurements over \$250,000 – what gets submitted in each phase, who reviews it and who approves it



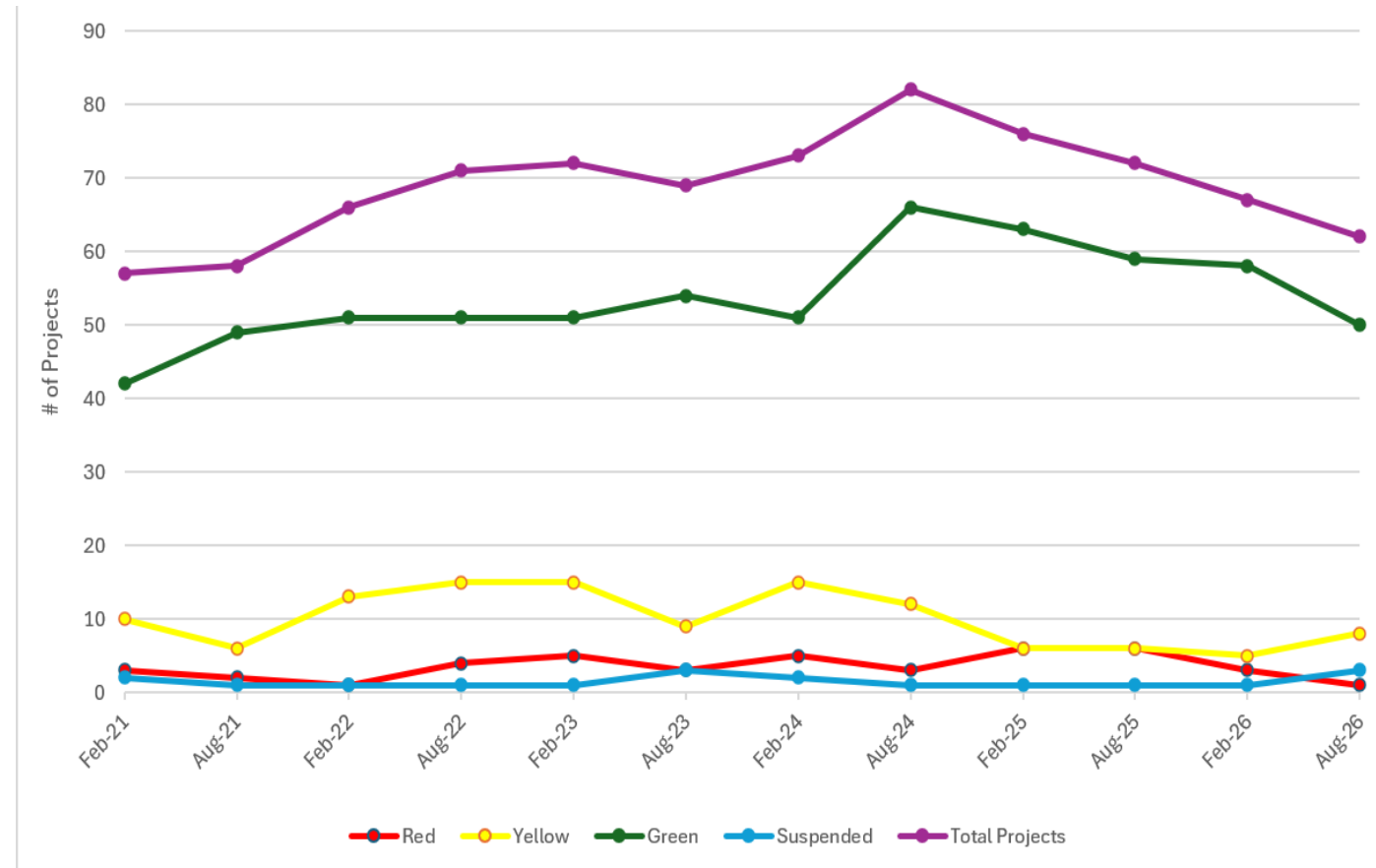
VITA's Project Management Center of Excellence (PMCOE)

July 2025 – June 2026

- The General Assembly approved the funding for the PMCOE with the FY26 budget
- VITA developed the PMCOE Concept of Operations and staffed key members
- PMCOE engaged with high-risk/troubled projects to replan and restructure them into a sustainable path.

July 2026 – Present

- PMCOE engages with agencies to achieve the intended value and benefits with their investments across the full lifecycle
- PMCOE members provide scalable guidance and expertise in planning, and support to high-risk/high-value projects



Detailed key: Red – significant issues; Yellow – warning;
Green – as planned;
Blue – suspended; Purple – total projects

Managing Commonwealth contractual risk

Procurement governance of executive branch agencies

200+ contracts;
\$1.35B FY26
spend

Agency procurement of cloud hosted solutions

- 76 cloud agreements executed in 2025
- AI registry if there are AI components
- COV Ramp assessment and approval
- Cloud terms and conditions executed
- New AI related terms now included

Agency solicitations and contracts

- 148 risk reviews completed in 2025 (\$2.5B)
- Cross-functional reviews by VITA:
 - Major risk reviews (>\$1M and <\$5M)
 - Cross-functional high-risk reviews (>\$5M)

Supporting technology staffing and procurement needs

IT Contingent Labor Program

- Enables efficient way to obtain IT contingent labor through staff augmentation or fixed-price engagements through a managed service provider model
- Designed to leverage competition with transparent award decision
- VITA governance applies – PGR approval over \$250K; major review for SOWs over \$1M
- FY26 numbers:
 - \$220M staff augmentation
 - 73 active statements of work (SOW) as of June 2026 valued at \$40M
 - 1,316 contingent labor resources engaged

IT Procurement Training

4 half days

3 trainings completed in 2025

272 attendees from 88 unique public bodies, 97% satisfaction

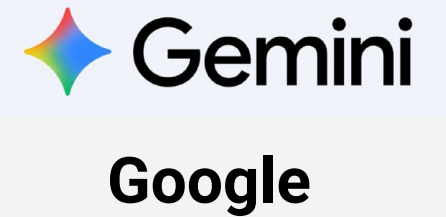
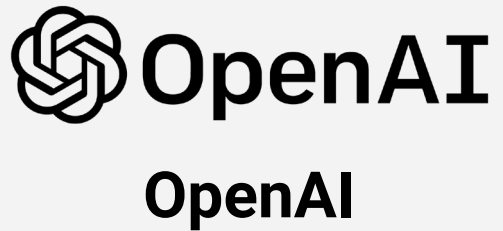
2 trainings completed in 2026

419 attendees from 130 unique public bodies, 100% satisfaction

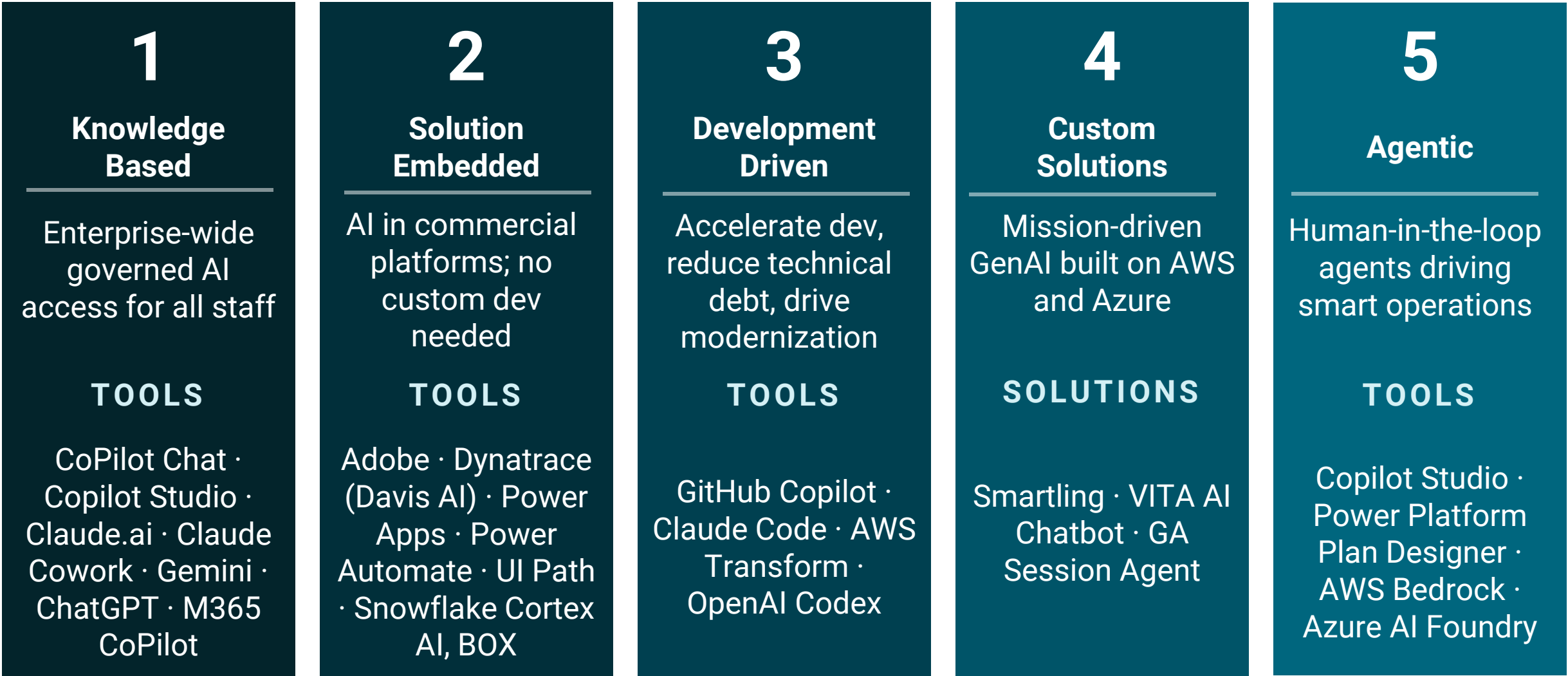
Artificial Intelligence (AI)



AI contracts

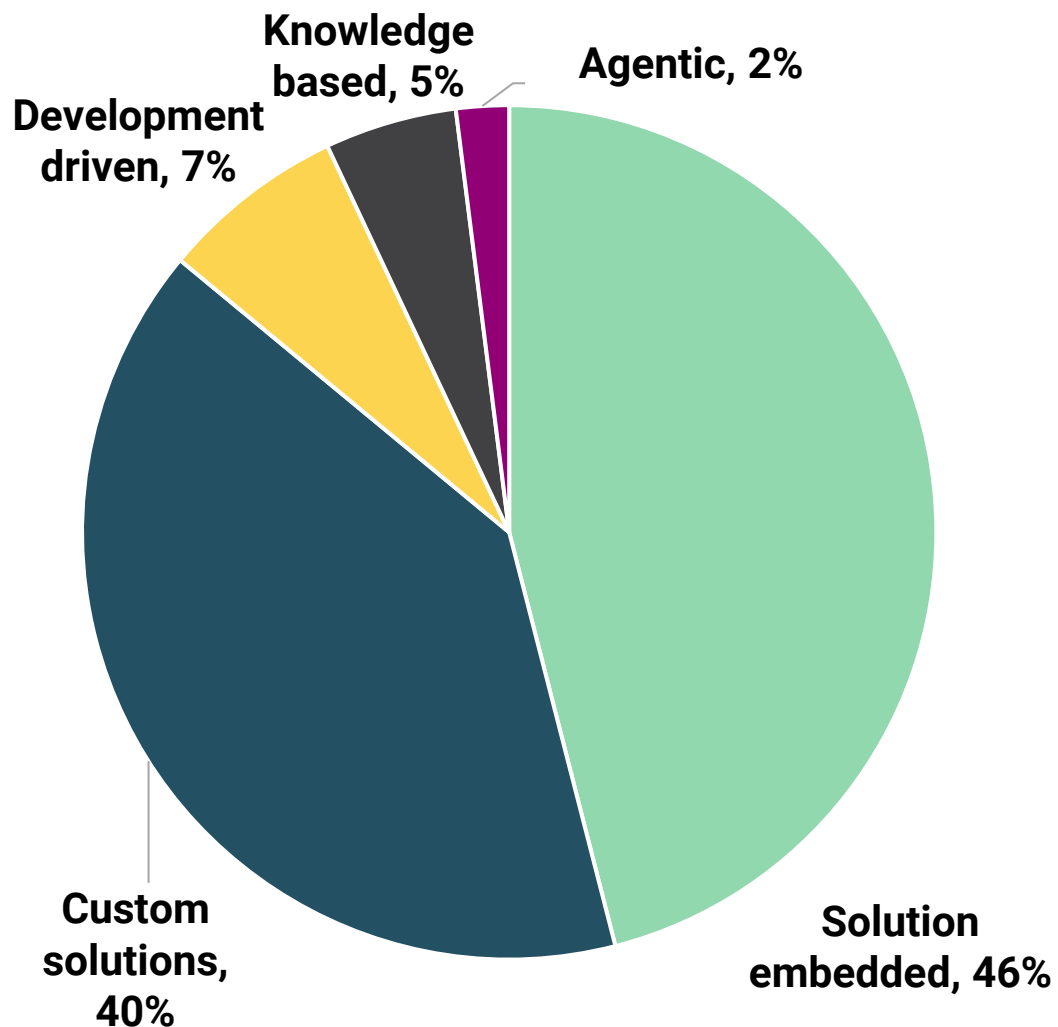


AI adoption categories



AI readiness

Percentage of AI use cases in the COV



46%

Solution embedded

Translation, meeting transcription, content and video generation, form data extraction, identity verification, data Q&A built into tools, cybersecurity and video analytics.

40%

Custom solutions

Constituent chatbots, Medicaid member risk prediction, claims-error prediction, form data extraction, plain-language data queries, document summarization, internal policy chatbots

7%

Development driven

Code assistants (GitHub Copilot, Claude Code, Codex, Amazon Q), legacy code modernization, test automation, low-code helpers

5%

Knowledge based

General staff assistants: Gemini, Claude, Copilot Chat, ChatGPT

2%

Agentic

Voice self-service bots, ServiceNow email routing to service towers, claims repricing, data dictionary automation

Partnership on JLARC recommendations

Recommendations

- AI training plans
- AI risk assessment and risk-tiered approach
- Updated enterprise architecture standards and policies
- AI process map
- AI inclusion in acceptable use policy
- Review for AI coding assistance tools
- Sharing AI general use tools
- DSS support on SNAP needs
- Use case listings
- Streamline safe AI adoption

Ongoing efforts

- AI readiness efforts: success in the use of AI depends on the Commonwealth being ready
- Continual governance updates
 - Workforce
 - Process maturity
 - Data quality
 - Tech capacity
- Support structure to help agencies become AI ready
 - AI customer hub development
- Multiple contract negotiations and pilots underway
- AI training pilots underway

Thank you for your support and commitment

We are grateful for the Commission's and the General Assembly's continued support for technology in the Commonwealth and the focus on AI.

We look forward to our continued partnership and shared commitment. Together, we must continue lifting the state of technology in our agencies to better deliver critical services to all Virginians.