



VITA's Transition to a Multi-Supplier Service Model

Study motion

- Review VITA's new multi-supplier service model, including
 - procurements
 - contract management
 - issue resolution
 - transparency of rates charged to agencies
 - any other relevant topics

Study motion approved by Commission on December 11, 2018.

In brief

Implementation of VITA's multi-supplier model is significantly delayed and improvements are needed.

VITA's procurements of and contracts with suppliers are generally effective.

Contract management has been inadequately staffed, and VITA has not held suppliers accountable for meeting contractual requirements.

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

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

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Background

Status of new model

Contracts and procurements

Management of contracts

Issue resolution

Organizational management

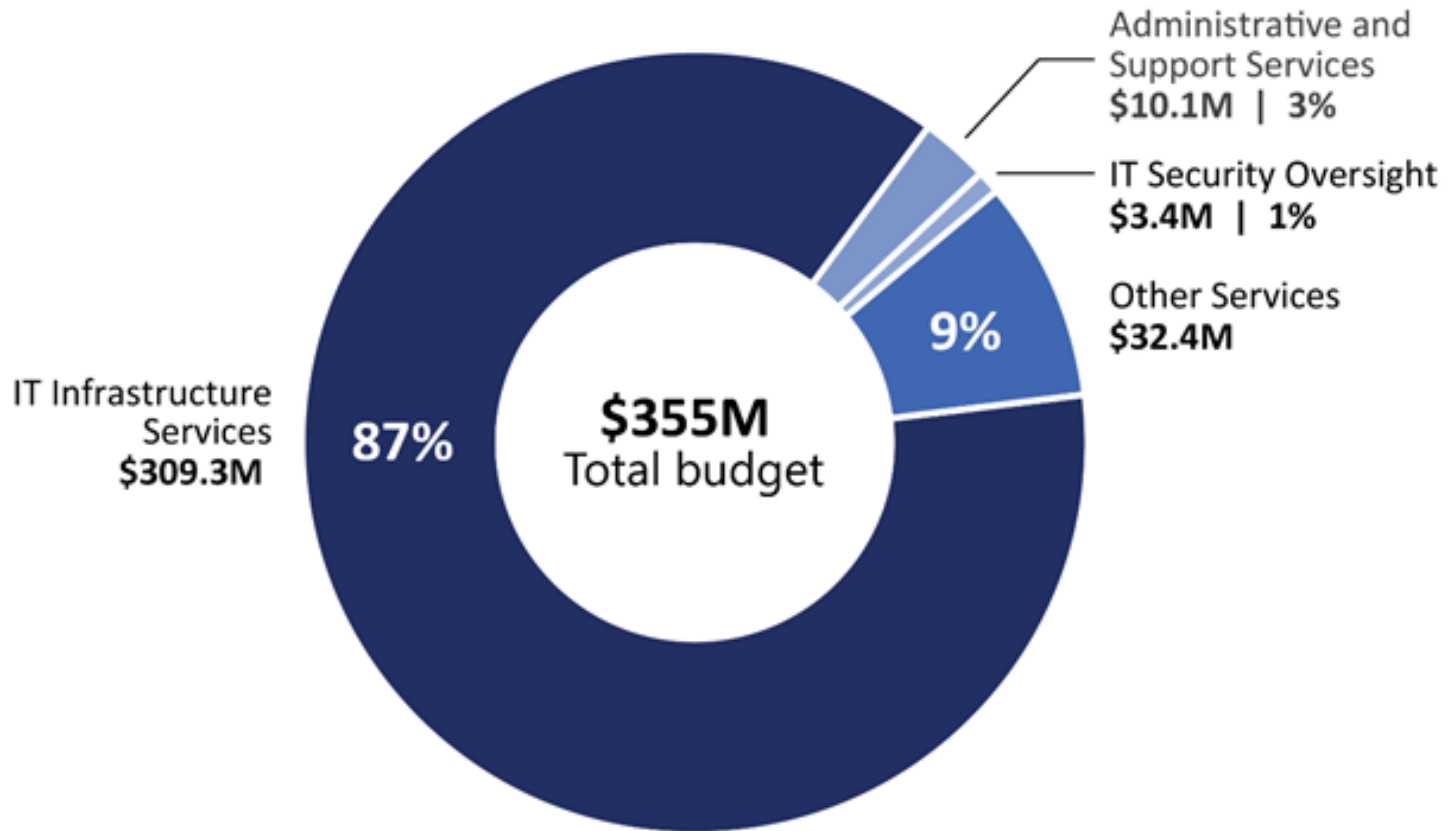
Rates & budgeting

VITA provides infrastructure services to 65 executive branch state agencies

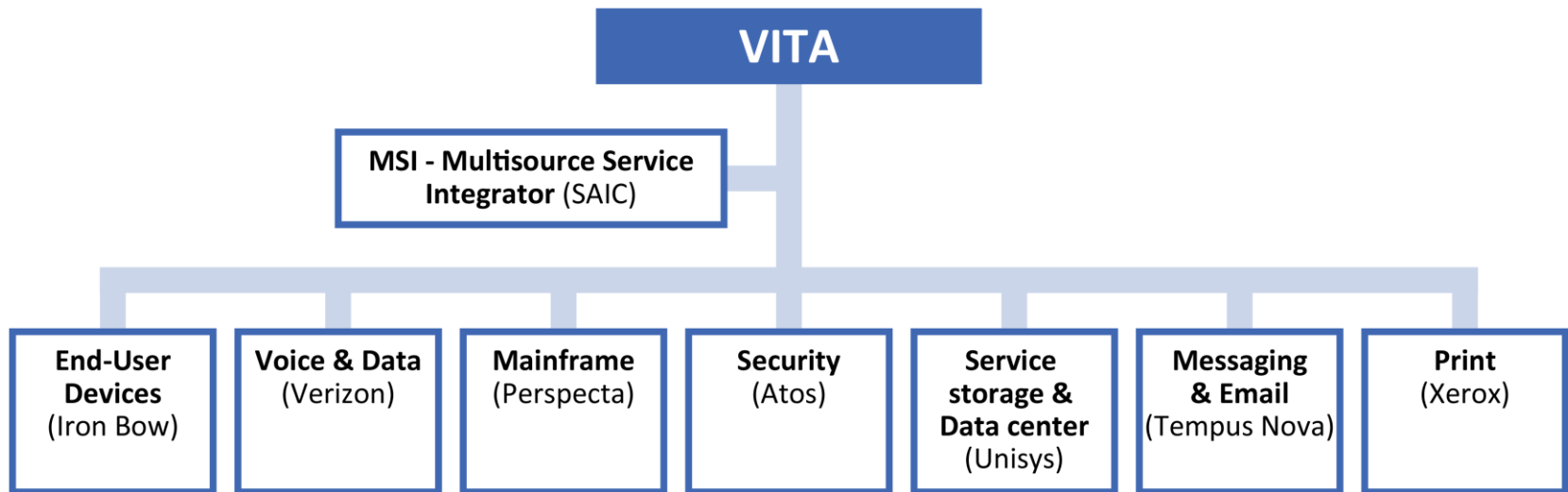
- Infrastructure services include (but are not limited to) laptops, email, internet, phone, and security services
- Agencies are generally required to use VITA services
- More than 40 percent of VITA's services are concentrated in three state agencies*
 - VDOT = 17 percent (\$69M)
 - DSS = 13 percent (\$54M)
 - DOC = 13 percent (\$54M)

*Total projected IT infrastructure costs for FY20.

Majority of VITA funding and staff support infrastructure services



VITA recently transitioned to multi-supplier services model



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Implementing a multi-supplier model was a substantial undertaking with many challenges

- Significant changes implemented in relatively short timeframe
- Difficult disentanglement from Northrop Grumman
- Insufficient staff and organizational structure to implement multi-supplier model

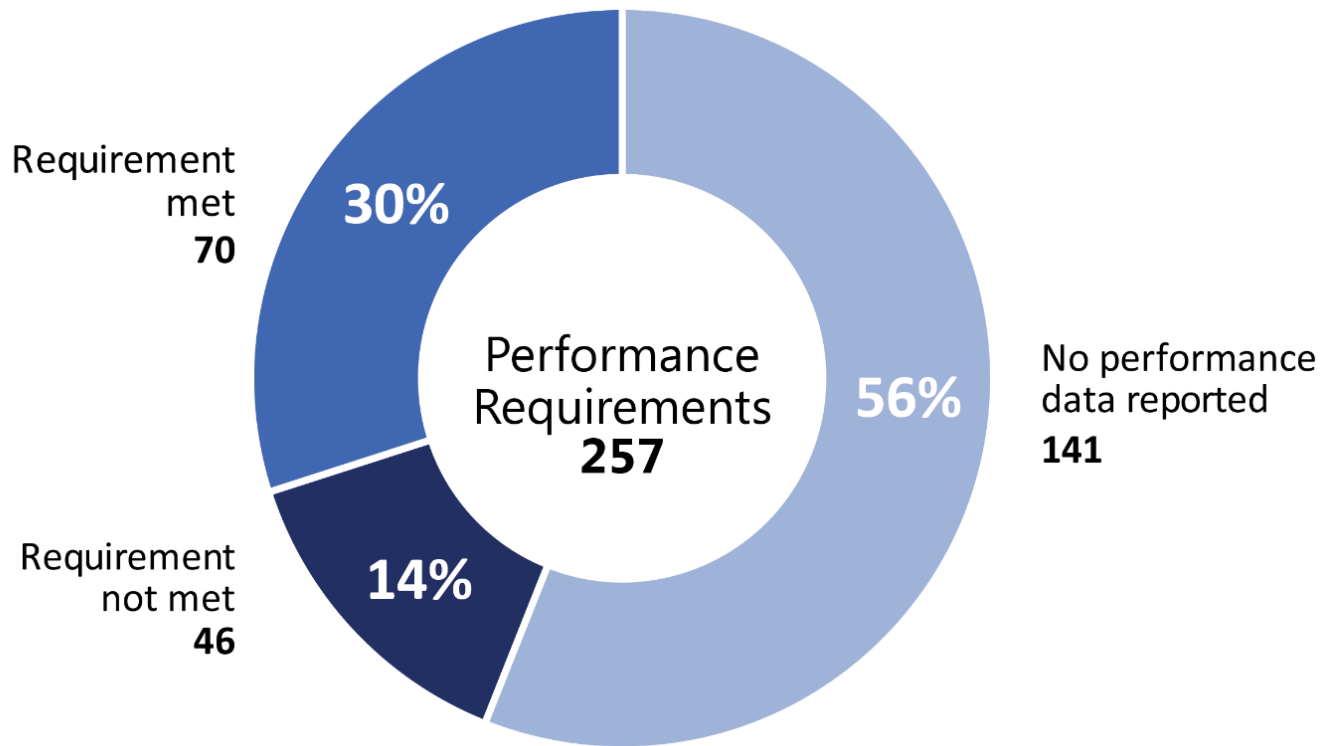
Finding

Preliminary performance indicators for new model show improvements are needed, but the model is expected to cost less.

Implementation of new model is significantly behind schedule

- Full implementation of new model initially planned for December 2018, but is still not completed
 - 43 percent of implementation deliverables not complete as of late July 2019
- Delays have prevented VITA and agencies from accessing essential IT tools
 - Example: IT financial management system

New suppliers are not reporting a substantial amount of performance data or meeting some requirements



Performance requirements = service-level agreements (SLAs) suppliers agreed to meet in contracts.

VITA already has had formal contract disputes with suppliers

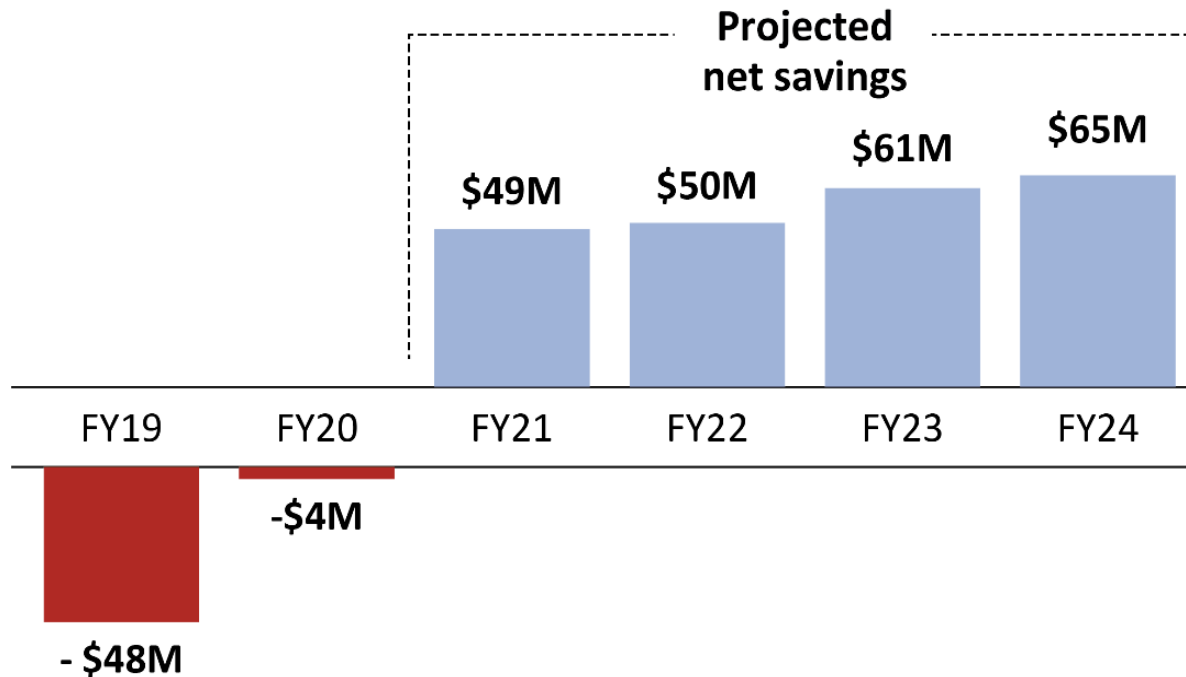
- VITA notified integrator of “material breach of contract” for operational deficiencies
- Suppliers submitted two formal claims for additional financial compensation from VITA
 - Claims totaled \$7 million

Many agencies are dissatisfied with VITA infrastructure services

- 60 percent of agency heads said service issues hindered their agency's ability to perform core functions
- 42 percent of agency IT staff dissatisfied with reliability of services
- 40 percent of agency IT staff dissatisfied with quality of services

Note: Agency feedback as of May 2019.

VITA estimates new model will cost less, but savings not yet realized due to upfront costs



Source: VITA data on actual and estimated IT infrastructure service costs.

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VITA chose new suppliers through competitive procurements

- Released six RFPs* (2016 –2018)
 - Multiple, well-known suppliers submitted proposals for each RFP
- Process included key stakeholders
 - VITA subject-matter experts
 - Customer agency representatives
 - Attorney General’s office representatives
 - IT consultant (Integrus Applied)

*RFP = Request for Proposal

Finding

VITA's contracts with new suppliers are generally well structured, according to a law firm retained by JLARC.

Contracts generally promote performance and protect state from risk

- Include vast majority of services VITA intended to purchase
- Include sufficient deliverables, metrics, and terms and conditions to promote performance and protect state from risk
- Generally align with industry best practices and peers (Georgia, Texas)
- Several deficiencies identified that VITA should address when practicable

Finding

Modifications to procurement process could further ensure that new suppliers are ready and qualified.

Adjustments to evaluation criteria could better ensure new suppliers are qualified

- Evaluation panels used too many (10+) criteria for each procurement
- Supplier experience assigned only medium-level weight of between 5 and 7 (out of possible 10)
 - Subject-matter experts emphasize importance of supplier experience
- Lack of VITA policies governing number or weight of evaluation criteria

Recommendation

VITA should establish a process to ensure that procurements have an appropriate number of evaluation criteria and that adequate weights are applied to important criteria, such as supplier experience.

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Contract management is critical for VITA's multi-supplier model to be successful

- VITA's primary role in multi-supplier model is to manage supplier contracts
- Maximizes contract value and ensures agencies receive needed services
- Effective contract management requires:
 - sufficient number of skilled staff
 - promptly setting deadlines and responding to suppliers
 - active monitoring of contractual items
 - addressing late contractual items

Finding

VITA initially did not have enough staff with sufficient expertise to manage contracts but improvements have been made.

Contract management was inadequately staffed, but VITA created new positions and training requirements

- As of March 2019 (three months into model)
 - Only two full-time staff managing eight contracts
 - Lack of experience managing contracts in multi-supplier model
- As of October 2019
 - Six full-time contract manager positions
 - Mandatory VITA-specific training for all contract managers

Finding

VITA has not held suppliers accountable for fulfilling contractual deliverables and obligations.

VITA is not tracking status of contract obligations

- Contract *obligations* are majority of contract requirements
 - Example: validating accuracy of service catalogue
- Not using comprehensive tracking tool
 - Important because some contracts include hundreds of deliverables and obligations

VITA has not consistently addressed supplier underperformance

- Contracts allow VITA to request remediation plans or levy financial penalties
- VITA has not acted on most late critical deliverables
- VITA has not levied financial penalties for missed performance requirements
 - Contracts allow automatic financial penalties

Recommendations

VITA should ensure that the status of all contract deliverables and obligations is tracked using a comprehensive tracking tool, beginning July 1, 2020.

VITA should develop guidelines describing the circumstances under which staff should request that suppliers complete remediation plans or pay penalties.

VITA should implement a process for automatically collecting penalties from suppliers that do not report performance data or meet performance requirements and develop guidelines for when relief should be granted.

Finding

VITA has not always fulfilled contract management responsibilities in a timely manner.

VITA has not established deadlines or conducted timely reviews for some deliverables

- Deadlines for 100+ critical deliverables due in FY20 not assigned until two months into the fiscal year
 - Suppliers given only seven business days notice before some items due for review
- Exceeded contractually determined time limit for reviewing some deliverables
 - 30-day review limit for most deliverables
 - 14 deliverables have been under VITA review for median of 187 days

Recommendations

VITA should establish initial deadlines for all contract deliverables at least 45 days prior to the date the deliverables are due and communicate them to suppliers as soon as they are established.

VITA should review and respond to all deliverables submitted by suppliers within the contractually determined review period and regularly track whether staff are meeting the requirement.

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VITA and suppliers are responsible for resolving service issues

- Service issues inevitable in large-scale IT environments
- VITA has two mechanisms for resolving service issues:
 - Standard process – suppliers resolve issues
 - Issue resolution platform – series of multiple forums to address widespread or longstanding issues not resolved through standard process

Finding

Suppliers and VITA are not resolving major service issues in a timely manner.

Many major issues are not being resolved within contractual timeframes through standard process

- Suppliers are expected to resolve issues within contractual timeframe, based on priority level
- Many major issues* are not resolved within contractual timeframe
 - Only 68 percent high-priority issues resolved in required four-hour timeframe
 - Only 22 percent critical-priority issues resolved in required two-hour timeframe

*Major issues = critical or high priority; typically affect an entire agency or multiple agencies.

Case study: VDACS field office without phone service for one month

Background: VDACS has regulatory and marketing duties related to agriculture and consumer protection.

Problem: A VDACS field office was without functioning agency phone lines for 27 days, although the issue was submitted to VITA as a high-priority incident (supposed to be resolved within four hours).

Consequences: Customers were unable to call the field office to schedule or receive updates on animal product tests and agricultural inspections, which can negatively affect customers' businesses and present public safety risks.

VITA's issue resolution platform is not resolving many longstanding issues in a timely manner

- Number of major issues in platform increased 52 percent between May and August 2019
- 48 percent of major issues unresolved for 90 days
 - Some not escalated or acted on in 2 weeks
- Insufficient guidance on issue referral to platform and issue escalation and resolution within platform

Case study: multiple agencies without access to Google Drive services for more than a year

Background: Agencies are required to use Google services (e.g., messaging, calendar, digital storage). Some purchased unlimited Google drive storage in FY19.

Problem: VITA identified security concerns related to some Google services and restricted use of services. Issue remained unresolved for more than one year.

Consequences: Agencies have been unable to access essential functions, such as storage capabilities, even after paying for services. Also have had to develop work arounds or procure additional services.

Recommendation

VITA should develop and implement policies establishing (1) criteria for when issues should be referred to the issue resolution platform; (2) a target metric for how long issues should take to be resolved within the platform based on priority level; and (3) a process for automatically escalating issues that exceed target metrics.

VITA is handling some issues outside of issue resolution platform

- Subject-matter experts stress importance of logging and resolving all issues through platform
 - Ensures proper issue prioritization
 - Enhances fairness, transparency
- Agencies often circumvent platform by contacting CIO to resolve issues
- Issues with suppliers (e.g., contract disputes) mostly resolved through internal VITA meetings outside of the platform

Recommendation

VITA should ensure all service and supplier issues are identified and addressed through the issue resolution platform.

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Leadership is responsible for ensuring VITA and infrastructure services are managed effectively

- VITA led by a CIO
 - Acts as agency head
 - Ensures contract requirements met
 - Ensures use of appropriate processes to resolve issues
- CIO supported by CISO, COO, and CAO*
 - COO and CAO new positions filled August 2019

*CIO = Chief Information Officer; CISO = Chief Information Security Officer;
COO = Chief Operating Officer; CAO = Chief Administrative Officer

Finding

VITA leadership needs to hold suppliers accountable for meeting contractual requirements and support the issue resolution platform.

Leadership has not consistently held suppliers accountable or supported issue resolution platform

- Not required staff to hold suppliers accountable for meeting contractual requirements
 - Allowed performance problems to go unaddressed
 - Some actions taken, but not always effective for state
- Not ensured issue resolution platform consistently used to address service and supplier issues
 - Agencies allowed to circumvent platform
 - Addressed some issues outside of platform

Finding

VITA leadership did not ensure the agency was adequately prepared prior to implementing the new model.

VITA reorganization was late and key staff positions were vacant for months

- Reorganized in April 2019, eight months after agency started implementing new model
 - Georgia & Texas reorganized before models fully implemented
- Key VITA staff not asked for input on new structure
- Key staff positions vacant for months
 - Three contract managers = five months to 12 months

Recommendation

The General Assembly may wish to consider requiring VITA to conduct a comprehensive assessment of whether the agency is structured and staffed effectively to operate a multi-supplier model. Assessment results should be provided to members of JLARC, and the Senate Finance and House Appropriations Committees by July 1, 2020.

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VITA establishes rates for IT infrastructure services with DPB

- VITA prepares estimates of agencies' consumption of infrastructure services and proposed rates
- DPB reviews and approves rates and determines each agency's funding included in Governor's budget

Finding

The accuracy and transparency of the budget process for infrastructure services could be improved.

VITA does not validate consumption or publish rates in a timely manner

- VITA does not validate estimates of agencies' infrastructure service consumption with agencies
 - VITA estimates consumption using historical data
- VITA does not communicate rates early enough for agencies to have adequate insight into their budgets
 - Preliminary rates established by December but not published until following spring

Recommendations

The General Assembly may wish to consider including language in the Appropriation Act directing VITA to submit infrastructure service consumption estimates to agencies for validation each year.

The General Assembly may wish to consider amending §2.2-2013 of the Code of Virginia to require VITA to release a preliminary rate schedule to agencies upon the submission of the governor's budget each year.

Key findings

Preliminary performance indicators for new model show improvements are needed, although VITA expects model will cost less.

VITA's contracts with new suppliers are generally well structured, according to a law firm retained by JLARC.

VITA initially did not have enough staff with sufficient expertise to manage contracts, but improvements have been made.

Key findings

VITA has not held suppliers accountable for fulfilling contractual requirements.

VITA and suppliers are not resolving major service issues in a timely manner.

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

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