



**Testimony for the Senate State Government Committee**

**June 17, 2015**

**Office of Administration**

**Sharon P. Minnich, Secretary**

Chairman Folmer, Chairman Williams, and Members of the Committee, I am Sharon Minnich, Secretary of the Governor's Office of Administration (OA). On behalf of Governor Tom Wolf, thank you for the opportunity to appear before this Committee to discuss information technology procurement. As a former owner of a highly successful company, Governor Wolf understands the business world and is committed to creating an economic climate in the commonwealth where all businesses can thrive and generate quality, family sustaining jobs for our citizens.

With me today is John MacMillan, the commonwealth's new Chief Information Officer (CIO). He comes to us with a wealth of experience including almost 19 years with one of the world's leading information technology (IT) companies and a diverse portfolio of public sector work.

Since this is my first time testifying before the Committee, I would like to share a little bit about my background. I began working for the commonwealth under Governor Tom Ridge and also have worked for Governor Schweiker, Governor Rendell and Governor Corbett. I have served as: the Deputy CIO for the commonwealth; CIO of the Department of Revenue; Deputy Secretary for Financial Administration in the Office of the Budget; and Deputy Secretary for Procurement at the Department of General Services (DGS). In these roles, I improved operations and managed significant process and system changes, including the implementation of a new financial shared services model for Pennsylvania, Pennsylvania's tax amnesty project, and the state's enterprise resource planning system. In addition to my work in state government, I have also worked as a consultant in the private sector, specializing in procurement and technology.

OA is responsible for providing technical services and IT support to over 40 commonwealth agencies. These agencies have different missions and touch the lives of our 12.7 million citizens. This multi-billion dollar enterprise is large and complex. Citizens and businesses rely on our technology for many of their interactions with state agencies, such as filing their taxes, accessing human services programs, reserving a camping spot at a state park, receiving updates about road conditions, and so on. We want to make more services available online so that we can provide convenience to our customers and drive efficiencies and cost savings in state agencies.

State agencies rely on technology to support their daily operations, everything from mobile communications to law enforcement and first responders, mobile inspections in the field, processing

licenses and applications, managing casework, conducting research and so much more.

There is an expectation that our technology will be reliable, fast and most importantly, secure. In order to meet the expectations of our customers, we must ensure that we are making the best use of the technologies available in the marketplace. In order to meet our duty to use taxpayer dollars wisely, we must pursue strategies that will deliver the most value for what we spend.

As many of you are aware, the Office for Information Technology (OIT) within OA oversees: IT governance and strategic planning; IT program management and business process integration; IT project management and delivery; IT procurement and contract management; IT human resource management; IT enterprise standards; IT consolidation and services; and telecommunications governance for state agencies under the Governor's jurisdiction. DGS maintains its responsibility for enterprise procurement policy, which OA follows for IT procurement.

In 2011, DGS transitioned information technology procurement administration for state agencies to OA OIT. This change occurred under the leadership of state CIO George White, during which time I was his deputy CIO. Our goal with this transition was to align IT strategy and IT procurement, with a focus on standardization to reduce costs and better serve the agencies. OA still has that goal.

As Secretary Topper has stated, DGS is beginning the process to assess savings and utilize methods such as strategic sourcing and reverse auctions. OA is actively partnering with DGS on these initiatives. Regardless of the specific method or strategy that is used, the goal of any procurement is to ensure that tax dollars are spent in the manner that yields the best value. OA is firmly committed to ensuring that IT procurements meet that objective.

I used reverse auctions when I was the Deputy Secretary for Procurement under Governor Schweiker, and then lead the implementation of an in-house tool to conduct reverse auctions under Governor Rendell. I have seen first-hand the savings that reverse auctions can generate.

Technology has the potential to enable transformation, create efficiencies, improve customer service, and reduce costs. IT procurement is one of the building blocks that supports those transformation activities and must be aligned to the commonwealth's IT strategy.

Twenty years ago when I started at the commonwealth, the IT landscape was decentralized and the commonwealth's procurement processes mirrored this decentralization. Agencies utilized a variety of hardware, software and related services which, unfortunately, resulted in a patchwork approach to supporting those technologies. This was not the most cost effective method of managing enterprise IT.

During Governors Ridge and Schweiker's terms, the commonwealth embarked on many initiatives which created a foundation for the provision of IT services such as enterprise email, enterprise resource planning, and consolidated data centers. At the same time, OA also began to establish standards and policies to support these initiatives. It is worth noting that many states are still trying to match the achievements we have made here in Pennsylvania.

Today, OA OIT supports agencies in a variety of manners including: two enterprise data centers, the commonwealth's data network COPANet, the telecommunications contract, the PA Justice Network (JNET), and over 104,000 electronic mailbox accounts. In one of our enterprise data centers, we provide technical services to over 40 commonwealth agencies and manage over 6,600 virtualized server images. In the other enterprise data center, we work with an external supplier to manage mainframes, midranges and departmental servers.

Agencies have over 2,300 applications in nine primary programming languages that rely on operations in the enterprise data centers. We support everything from legacy mainframes to mobile platforms. A Microsoft standard was established to build best practices and uniformity. Nearly half of the applications are written for the Microsoft.Net platform and nearly 60% leverage a Microsoft tool such as SharePoint, CRM and Access. The remaining 40% consists of a variety of technologies such as geospatial information systems (GIS), enterprise resource planning (ERP), and reporting. And 9% of our applications are based on the COBOL programming language. The diversity in the application portfolio drives the need for skill and, thus, people.

The application portfolio also drives the need for compute capacity and performance in our enterprise data centers, software, hardware and telecommunications environments. In terms of size and scope, servicing the commonwealth is similar to servicing a complex enterprise with multiple business units. The commonwealth's complex business and technical environment demands that we use external

suppliers that are capable of integrating services, software, telecommunications and hardware on a large scale in a manner consistent with our mission.

Providing IT services and support to an enterprise as large and complex as the commonwealth is at times challenging. At the same time, we must also keep pace with the rapid evolution of technology, which in recent years has seen the rise of mobility, smartphones, cloud computing, software as a service, an increased focus on cybersecurity, and the formation of innovative business relationships between public and private enterprises. IT procurement must constantly adjust to be able to allow agencies access to this changing landscape to support their operations.

I would like to just give one example of how the IT landscape has changed.

Twenty years ago, we procured desktops. As noted in the Legislative Budget and Finance Committee study, in 2004 the commonwealth moved from approximately four desktop suppliers (Dell, IBM, HP/Compaq and Gateway) to a single source contract (Dell). It has since moved from one vendor providing desktops, laptops, and notebooks to two vendors to provide for increased competition and choices to meet the demand for additional flexibility and mobility options.

While some may think procuring a laptop or notebook for agency employees is as simple as buying a tablet from Apple, our procurement has the added complexity of requiring a variety of agency-specific platforms, based on the inventory of over 2,300 agency applications. Also, services to establish and maintain the platform images and deploy devices to end users must be performed in compliance with an enterprise IT policy framework that considers ongoing security and records management. The service levels incorporated into the contracts for delivery of equipment within 15 business days enables a faster roll out to our end users and improves employee productivity. To protect the interests of the commonwealth, we have service level agreements around delivery of equipment, correcting errors, service desk response times and call resolution.

We must continually reassess the type of equipment that employees need based on the various options that are available in the market to continue to drive costs down. In addition, with a changing technology environment, we need to look at other strategic questions such as: 1) how should we procure equipment to better enable continuity of government and 2) does the use of laptops reduce costs

(facilities and desktops) by enabling essential employees to work from almost anywhere? By reviewing our strategic requirements and the IT marketplace, we can better determine how and what we should procure.

OA OIT is currently working to revitalize the commonwealth's IT strategy to meet both the changing direction of technology and the changing needs of citizens and employees. As Secretary Topper stated, strategic sourcing means having a plan and understanding the marketplace. Given the changes in technology, it is a perfect time for this to occur.

The commonwealth, including executive and independent agencies, state affiliated agencies and the legislature, spend approximately \$1.3 billion on IT (PENNWATCH fiscal year 2013/2014). It should be noted that IT spending for agencies under the Governor's jurisdiction in fiscal year 2013/2014 was \$768.2 million.

Currently, servers and storage account for about 14% of IT expenditures by agencies under the Governor's jurisdiction, or \$9.6 million. The commonwealth's applications for mission critical applications in Revenue, State Police, Corrections and across the entire enterprise depend on state-of-the-art servers and storage.

Software makes up approximately 8.8% of IT spending. Twenty years ago, we implemented one of the nation's first statewide email systems. We were the first state government to implement a statewide enterprise resource planning system. And we did those things with on-premise software, meaning we bought the software from a vendor and installed it on the hardware in our data centers. Today, vendors are moving to Software as a Service, or "SaaS", rather than on-premise offerings. We need to adopt a strategy that allows us to support our current environment, while also taking advantage of changing service models in the broader marketplace.

Telecommunications is approximately 4.8% of spending. As noted, the commonwealth owns and maintains its own network. We also have a contract with Verizon to provide enterprise telecommunication services to agencies. In 2012, the commonwealth completed the deployment of Voice over Internet Protocol (VoIP) technologies, replacing the traditional legacy time division multiplexing (TDM) solution in densely populated buildings. The result was annual savings of over

\$14 million. As we look at our IT focus areas, we need to align what we buy and how we buy it with our enterprise mission.

The Commonwealth previously had only Blackberry as a mobile device. Today we have decommissioned Blackberry and have over 9,000 tablets and smart phones that are used for not only communication, but also have provided a foundation to automate a number of field inspection reports. Two agencies, the Department of Transportation and the Department of Agriculture, have implemented this automation for many field inspection operations. This has provided business efficiencies by allowing field staff to complete reports by using tablets, receive timely data updates and capture additional documentation such as photographs through a single device.

The largest category of IT spending (83.1%) is for services. The majority of services are procured through the competitive RFP process. The largest service contract that OA is responsible for is the enterprise staff augmentation contract. We have recently issued a new staff augmentation contract through a competitive procurement. This contract is projected to save \$9.9 million annually. I'd also like to point out that the staff augmentation program has a commitment for 95% utilization of small diverse businesses registered through the Bureau of Small Business Opportunities (BSBO).

As Secretary Topper stated, strategic sourcing is an essential component of Governor Wolf's GO-TIME initiative. We believe that by reintroducing strategic sourcing to the Commonwealth this year, we can achieve \$100 million in cost savings and will be actively looking at IT categories as part of this initiative.

Strategic sourcing is good government. To translate this to a business - IT is a cost center. OA's goal through IT procurement is to drive those costs down so that agencies can continue to deliver high quality, cost-effective services to the citizens of Pennsylvania.

Delivering a "Government that Works" requires technology and innovation. We need to look at the marketplace to determine how best to deliver services with today's changing technology. Again, I want to echo the concerns that Secretary Topper discussed as they also pertain to IT procurement. OA is committed to addressing these concerns.

OA also actively participates in the COSTARS program. The IT "Invitation to Qualify" (ITQ) contracts are available to COSTARS participants, as well as several major contracts such as temporary IT staffing, server, storage, desktops, laptops, scanner, printers, faxes, and hardware maintenance services. The IT

ITQ process has five categories reserved for small businesses: cabling, commercial off the shelf software services, IT project management, network telecommunication services, and IT training. Since 2012, 80 small businesses have actively done business as prime vendors through the IT ITQ process. As DGS moves forward with its procurement initiatives, OA will partner in that process.

When Governor Wolf offered me the job as Secretary of OA, he made it clear that his administration would make a very strong commitment to have a government that is responsive to the concerns and needs of the people it serves. He also directed that, in meeting challenges the commonwealth faces, “we need to think differently and do things differently.” One of my top priorities for OA is to procure the technology our agencies need to streamline functions, develop consistency across the enterprise, and support a complex IT infrastructure. Doing this should position agencies to transform citizen engagement and be more responsive to their needs.

Thank you for the opportunity to appear here today.