STATE OF NORTH CAROLINA
RALEIGH, NORTH CAROLINA 27601

MINUTES
Joint Legislative Oversight Committee on Information Technology

Thursday, November 3, 2011

The Joint Legislative Oversight Committee on Information Technology met on November 3, 2011 in Room 421 of the Legislative Office building at 1:00pm. The following members were present: Senator Andrew Brock, Chair, Senator Bob Atwater, Senator Ralph Hise, Senator Dan Soucek, Senator Josh Stein, Representative Larry Bell, Representative Glen Bradley, Representative Bill Cook, Representative Kelly Hastings, Representative Jonathan Jordan, Representative Phil Shepard, Representative Jason Saine and Representative Joe Tolson. Staff Members: Karlynn O'Shaughnessy, Peter Capriglione, Phyllis Picket, Brenda Carter, Grant Brooks, Larry Yates, Bill Patterson and Janet Black.

Chairman Brock called the meeting to order and requested a moment of silence for Senator Jim Forrester. Opening remarks were made by Senator Brock.

John Leydon – Vice President Information Resources and CIO – University of North Carolina Information Technology – Presentation of University of North Carolina General Administration Senate Bill 991 Exemptions. Attachment - 1.

One overarching theme of our presentation today is going to revolve around our relationship with vendors. Because of the fact we are higher education we get discounts from hardware and software vendors not available to state and local governments. Reason – they want to get band loyalty of a young target audience – Students.

I would like to introduce two gentlemen that have accompanied me today. Dr. Mark Hoit – CIO – North Carolina State and Larry Conrad – CIO – University of North Carolina – Chapel Hill. Chapel Hill recently is responsible for a deduction of $3.5 M saving from Dell that could not be attained from any government contract. North Carolina State with Microsoft has saved $2.3 M.

Strategies for cost saving. We focus on leveraging and collaborate with State ITS to jointly purchase and seek discount.

Organization and Duties. Each school has their own IT Officer which provide all IT services that are necessary internally. When GA gets involved is when systems needs are shared with the institutions. We do this in two different areas, On-line Services and Shared Services Alliance. Our motto in On-Line Services is "develop once – deploy everywhere".

Governance and Oversight. These are two organizations, Executive Committee is the Shared Services Alliance and the Board of Directors is the UNC CIO Council.

Major Initiatives in IT. There are four major areas in order to become more efficient, they are accountability and business practices; infrastructure sharing (Cloud Services); procurement; and human resources – shared.

Examples of Annual Cost Savings. Human Resources are shared – ORACL Database Technical Staff are shared some service nine and in some cases eleven of our institutions, this is a saving of approximately $311,100. Procurements – Vendor is CDWG – Collaborative purchasing of Software – we as a whole are now in the $9M range – Tier 2 discounting – savings last year was $779,700 and will only grow. Vendor Perceptis – Learning Management system – this is used 24 hours a day 7 days a week – savings last year was $287,500.

State ITS Collaboration. Major cost saving and resource sharing initiative. Hosting as a Service (HaaS) – MCNC in the eastern part of the state and the Western Data Center in the western part of the state – each are identical – if one site goes down the other instantaneously takes over. PC Marketplace – there is an annual bid for laptops and desktops. Dell, Hewlett Packard and Levono provide bids not only for the university system but for the state each setting their standards and there is a huge saving. UNC Security and Auditing Standards – a set of standards has been set up at every institution.

Critical University Systems. We have a mission to teaching and learning. Research we bring $1.4 B dollars per year in grant management. Our extension services cover community outreach to all of North Carolina. Fundraising is also critical to IT. Learning management is a 24/7 operation – blackboard software, student financial aid and high performance computing is shared.

The university continues to work toward finding efficiencies throughout the university. It is just one example of where we strive to pool our resources to maintain the high quality of a UNC education and research. UNC must remain: Mobile to keep pace with Students; Agile to continue to attract Faculty; and have a Cutting Edge in fight for external Grants & Contracts.

Questions:

Representative Tolson – How can you purchase cheaper than State? An example is Apple. Apple will not discount on volume, we get 5% that no other entity gets, secondly they have allowed us to consolidate our purchase orders from all our institutions. So the total value of the individual purchase order is in their tiering; our last order we received a 9% discount Apple will not do that for the State. Mr. Leydon will provide to the committee with more examples.

Senator Hise – We are looking at savings for the whole state and you talk about combining your purchasing in the university system making that happen. Do you see how your exemption from SB 991 prohibits costs savings from the rest of the state when we purchase computer systems for the entire state? The state cannot get to the volume level discount because over half our purchases are not included in our volume level discounts because they are listed under the university system.

Mr. Leyton: The reality is each one of us has a critical mass, state executive offices and the higher education which does bring us to the maximum discounts allotted. We deal with very different vendors, hardware, software and very different services. First of all we have to find that area of overlap and the

purchase of work stations and laptops from Dell, that is one area of overlap so whatever the areas of overlap we can do it. Once you reach a certain level of volume there are no discounts available and I think we are both at that level. We are looking at EM ware for the state.

Follow-up:

Senator Hise – You have talked about how diverse all the institutions are that you have been able to bring together on the IT staff side and provide a lot of those services and save. State agencies deal with the exact same things do you see areas in that where we could offer a state wide IT service?

Mr. Leydon – We can certainly talk about that but the systems are similar but different.

Senator Brock – The theory of the law diminishing returns – in the economic situation we are in – we are looking for a law on ANY return.

Representative Bradley – You spoke earlier about high performance computing some institutions can afford it and not others. Have you looked at using grid based computing such as Central that cannot afford a Cray system so that they have enough processor power on hand to replicate the abilities of the super computers?

Dr. Hoit – Yes, these are still very expensive at the middle level – yes we do share.

Hosting Exception for Fraud/Waste Program – Kay Meyer, Director of Data Integration – Office of the State Controller

NCFACTS – North Carolina Financial Accountability and Compliance Technology System. To expedite we are recommending hosting at vendor facilities to allow us to get started on the project. Information Technology enacted last year requires a provision that state agencies use state hosted infrastructure for their projects. An exception to this requirement can be granted by the State Chief Information Officer and the Office of State Budget and Management. OSC has received a waiver of hosting from the State Chief Information Officer and also the State Budget and Management.

Section 6A.2(f) also requires that we report this hosting to this committee. Request a favorable report.

This information will be taken up in the next Governmental Operations Committee Meeting.

HR/Payroll Application Status – Jim Dolan, Deputy State Controller – Office of the State Controller – Attachment 2.

BEACON – Building Enterprise Access for North Carolina core operational needs.

This presentation continued regarding the State Government payroll explaining the different performance metrics, statistics, ticket breakdowns, training metrics, performance metrics – external agency metrics, system enhancements, hardware purchases, and the challenges/opportunities and focus areas of the BEACON system for state government payroll.

E-Forms and Digital Signature (Automation and Authentication) – Sharon Hayes, Director of eCommerce Initiatives – Office of the State Controller – Attachment 3.

There are two separate projects, automating business processes (e-forms) does not always involve digital signature, however if digital signatures are needed we can plug them into an automated business process and we are looking at the marketplace and agency requirements and that we keep the two in sink.

Digital Signature (Authentication) – is a higher level of authentication than a hand-written signature and the recipient knows the message was created by a known sender and that it was not altered in transit. It needs to be secure, provide auditable evidence that appropriate processes have been followed, be easily used by individuals for ad hoc signing and the ability to integrate with automated business processes. This has been tested in courts and has stood-up.

There are two levels of Authentication – one is "Click-to-sign" – this is the most common type of electronic signature it uses ID and password as authentication it has date, time, IP address of the signing device, and geo-location are integrity properties that are stored within the document. "Higher assurance needs" where additional proof/factors of authentications is needed. This may involve third–party partnerships for voice signature, biometric handwritten signatures or other verification methods.

Determining the State's Authentication Needs – we have been working with the agencies – initial agency meetings completed, workgroup is creating requirements and reviewing the marketplace. Agencies that are participating: DOJ, DOT, DOR, DPS, AOC, DHHS, Sec. of State, Cultural Resources, and Industrial Commission. There are monthly updates. The pilot is beginning with the Community College System in November 2011 – Travel Authorization Form.

E-Forms (Workflow Automation) – rather than making forms electronic, we are focusing on: Eliminating papers forms and provide workflow automation and focus on common type business processes. We need to reduce processing times and paper usage, eliminate duplicate data entry, improve data integrity and provide for on-line service options.

Three aspects of workflow automation – front-end collection of data, send for approvals and data capture and storage.

Determining the State's Workflow Automation Needs – is the same as the process in determining the State's Authentication needs – we will focus on common type of business process: inspections, licensing and permitting.

Challenges – scoping the project: scaled and right-sized into manageable components and a cost-effective solution.

Race to the Top – Philip Price, Chief Financial Officer Department of Public Instruction and Phil Emer, Director of Technology Planning and Policy Friday Institute – Attachment 4.

RttT funding is a competitive federal grant where eleven states receive funding and the District of Columbia. It is $400 M to North Carolina with half of the funding going to school districts. It is targeted for four years of use and we have three years left.

Goals of RttT IT Initiatives – Support/Enhance Instruction (Student Achievement), Support/Enhance Teachers' Professional Development and Increase performance, reliability and cost-effectiveness of local IT infrastructure.

$130M will be spent in the Technology initiatives. State Plan - NC Cloud – Shared Infrastructure $11.2M, Identity Management $1.2M, Web Collaboration Tools $4.4M, Learning Objects Repository $1.7M Learning Management $10.8M. Local Plans and Charter Schools – LEA Network $48.5M, User Devices $25.5M, Major State Plan – New NC Virtual Public School Courses $6M, and Instructional Improvement System $24M.

Phil Emer – Links to documents Instructional Improvement System (IIS), NC Education Cloud. We now have high bandwidth connectivity to all schools.   There are five key strategies. Transition LEA infrastructure to a cloud-centric IT Enterprise service model, deploy an NC shared learning infrastructure, modernize statewide business operations systems opportunistically, form a dedicated Cloud support organization and support network, and initiate a digital inclusion model to address anywhere any time access to the Shared Learning Infrastructure platform.

Identity and Access Management – has three major components. Central Data Repository – will be comprised of relevant user data from various authoritative data sources, Central Directory Service – will contain all user IDs, passwords, and other identity information. It will serve as master authentication and authorization point for all cloud-based services and allow syncing to LEAs. Federation Software – security extends identity information to cloud-based services providing end users with single sign on experience.

The identity systems can interact with each other when students matriculate the next system will want their own log-in.

Senator Brock – we need to look at all agencies where we can save.

December 13 we are going to have a joint meeting of two Oversight Committees – Information Technology and Health and Human Services to discuss MMIS.

The meeting was adjourned at 3:50 pm.

Respectfully submitted,

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Senator Andrew Brock   Janet Black
Chairman   Committee Assistant