*** NOTICE OF PUBLIC MEETING ***

INFORMATION TECHNOLOGY ADVISORY BOARD

LOCATIONS: Legislative Counsel Bureau   Grant Sawyer Building
401 S. Carson Street   555 E. Washington Avenue
Room 2134   Room 4412
Carson City, Nevada 89701   Las Vegas, Nevada 89101

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DATE AND TIME: October 13, 2014, 1:00 p.m.

Below is an agenda of all items to be considered. Items on the agenda may be taken out of the order presented, items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time at the discretion of the Chairperson.

AGENDA

1. CALL TO ORDER *(for possible action)*

Joe Marcella: (Inaudible) it's the October 13, 2014 ITAB meeting into session.

2. ROLL CALL *(for possible action)*

Joe Marcella: Lynda, could I ask you to do roll call?

Lynda Bashor: Assemblyman Anderson? Mr. Capiral?

Ernie Capiral: Present.

Lynda Bashor: Senator Denis?

No response heard.

Lynda Bashor: Okay. Mr. Diflo?

Director Diflo: Here.

Lynda Bashor: Mr. Farrell?

Kevin Farrell: Here.

Lynda Bashor: Ms. Fucci?

No response heard.

Lynda Bashor: Mr. Gilliland?

Director Gilliland: Here.

Lynda Bashor: Mr. Malfabon?

No response heard.

Lynda Bashor: Chairman Marcella?

Joe Marcella: Here.

Lynda Bashor: Director Teska?

Director Teska: Here.

Lynda Bashor: Joe, we have quorum.

Joe Marcella: Thank you.

3. PUBLIC COMMENTS

Joe Marcella: This is a public meeting. I'm want to open it up for public comments. Do we have anyone in the north, from the public, who would like to speak? We have a quorum. Anyone in the south? And I'm not seeing any. I'd like to close the public meeting and proceed with the ITAB meeting.

4. APPROVAL OF MINUTES: August 8, 2014 *(for possible action)*

Joe Marcella: The next agenda item is approval of the minutes from August 8, 2014. Can I have a motion to accept the minutes?

Unidentified: So moved.

Joe Marcella: Second?

Kevin Farrell: This is Kevin Farrell. I second.

Joe Marcella: And there's no discussion? Okay. All those in favor?

Group: Aye.

Joe Marcella: Okay. Lynda, we okay?

Lynda Bashor: We are okay.

Joe Marcella: Okay.

    5. ELECTION OF ITAB CHAIR *(for possible action)*

Joe Marcella: Agenda Item No. 5, that's the election of an ITAB chair. I'm going to read this into the record. "As many of you are aware, many advisory boards suspend operations during the legislative session. For one thing, meeting rooms with video facilities are usually exclusively used by the legislative committees. Additionally, legislators who are also advisory board members and state agency directors find it difficult to attend these meetings. Normally, we would elect a new chair at the start of the calendar year. However, since we are unlike to have a meeting until next July, after the legislature is finished, it makes more sense to have our election now so that the new chair can take over at the first of the year and be in place to plan our next meeting.

With that in mind, recognizing that the new chair will not be expected to manage the agenda for this meeting, I would like to open nominations for the chair with a term beginning January 1, 2015." Can I ask for nominations for the ITAB chair position?

Director Gilliland: Mr. Chair, for the record, Romaine Gilliland. And I hope it's okay to nominate someone who isn't present today. I nominate Paul Diflo.

Joe Marcella: Any seconds?

Kevin Farrell: This is Kevin Farrell. I second.

Joe Marcella: Okay. All of those in favor?

Group: Aye.

Joe Marcella: Up north?

Group: Aye.

Joe Marcella: Okay. Motion carries. I understand that I am now allowed to remain on the Board for -- and I think they're four year terms. So I will continue to serve on the Board. Lynda, Senator Denis has just arrived.

Lynda Bashor: Thank you, Chairman.

Joe Marcella: Okay. At the last ITAB meeting, the Accenture folks -- oh, I'm sorry.

Lynda Bashor: Excuse me, Chairman.

Joe Marcella: Yes.

Lynda Bashor: Paul Diflo is present up north.

Joe Marcella: Paul, just for your edification and information, you are now the chair of the ITAB Advisory Board. That'll teach you to come late. The last time that happened, I ended up President of SIM. So, congratulations, Mr. Diflo.

Director Diflo: For the record, Paul Diflo.

Joe Marcella: Okay. Can we proceed with the states…

Director Diflo: For the record, Paul Diflo.

Joe Marcella: Welcome, Paul.

Director Diflo: Yeah. I apologize. I wasn't late. I was actually hiding.

Joe Marcella: Just for the record, the first ITAB meeting that I chaired, we found Paul Diflo stuck under a bridge and his Mustang abandoned. So we had to bring him to the meeting. We picked him up. So, Paul, was it the same Mustang?

Director Diflo: I am in the same Mustang, different engine, but the same Mustang. Yes.

Joe Marcella: Congratulations. That's one way to fix it. Thank you.

6. CIO UPDATE *(for possible action)*
   presented by David Gustafson, State CIO

Joe Marcella: Let's move on to Agenda Item No. 6, and I'd like to call on Dave Gustafson, CIO for the State of Nevada.

David Gustafson: Thank you, Mr. Chairman. David Gustafson for the record. I wanted to just provide you a quick update to the Board on two topics here. One is the budget, and one is our bill draft request. The agency request budget has closed and as such, we don't really want to talk too much more about what's in it or what's not in it or where things are going. But you guys have heard me speak over the last year or year and a half about what sort of things we were looking for, and so we've taken a lot of that into consideration as we put forth our budget. If

there are specific questions, I'd be happy to field those, but otherwise we're just kind of moving on through the process here on that with the budget.

I also wanted to make you all aware of the BDR. We've been working on this for quite a while. And last time we had presented a version of the BDR, solicited feedback from you guys, and subsequently carried it forward through the Governor's Office. But keep in mind that these things are drafts, and they are subject to extreme change, and I just want you guys all to know that. Sometimes we get -- yes. Sometimes we get things back and they're not the way they were, or there are things in there that are subject to change in and out. So I just wanted you guys to keep that in mind. But we took all of your feedback, and incorporated it in the latest version of the bill draft request that has been moved forward.

There is a summary document that has been provided to you. If anybody has any questions, I'd be happy to field those. Otherwise, Mr. Chairman, I'd like to keep my presentation short so that the meeting can move along.

Joe Marcella: All right. Thank you. And that is your presentation?

David Gustafson: That is my CIO update, Mr. Chairman.

Joe Marcella: David, I didn't know where I wanted to insert NASCIO's recommendations for this year. I think this is probably a good time because you attended the NASCIO Conference.

David Gustafson: I did.

Joe Marcella: And part of the reason for that is, I think, each one of our meetings has been somewhat themed. This one and the last one had a security flavor. Just to bring the Board's attention to what the state CIO's and that group has been recommending, and it's been fairly consistent for the last couple of years what's on the top of the list, all the way through the top 10. So if you'll indulge me, let me read the top 10. And since we're themed with security, and since the United States CIO's for the states believe that security is at the top of the list, so do I.

Consolidation and optimization, centralization, and consolidating services and operations, that's number two. Cloud services, alternative or selective service delivery. Someone else could possibly do it for us at the same efficiency levels and less expensively with more proficiency. The one that was a surprise seemed -- and it's in the middle, so it's jumped from the bottom, is project and portfolio management. I think, in many of your presentations, you've told us that a little more coordination between your organization and the other agencies, through formal project coordination with a program office, would probably be very beneficial. It seems like the rest of the United States believes that that's true as well.

Strategic IT planning, vision and roadmap for IT. Strategic planning is absolutely necessary. You're already involved in that, and you've taken some of ITAB's advice to make that happen. Budget and cost control. Nothing's going to happen unless somebody pays for it, and it's either going to be paid for today, or it's going to be paid for in the future. But it's never going to get done unless there is budget and it is specific to what needs to be done. Mobile services were on our list, and they've been on our list all along. And that means mobility for not only your own workforce, but the constituents. Shared services, alternatives to doing it ourselves, and doing it collaboratively with other government agencies. The government cloud would probably be a good example of that. Interoperability nationwide public safety. That's broadband, and FirstNet is on everybody's list. And last, and it's found its way into that list, is healthcare. So I just wanted to make sure that we got those on the record. Is that what you heard? That was, what, a couple of weeks ago, David?

David Gustafson: David Gustafson. That is correct. I want to put a big kudos out to the Board, and also to the legislature on a different topic. But a lot of the recommendations that the Board has provided have really been in the top 10 of the NASCIO's strategic priorities. So it's been good advice, is what I'm trying to say. It's been good advice that you guys have given, and I think that those will also become part of our strategic plan as we move forward. I absolutely want to incorporate those.

I also want to put a shameless plug in for my friends at the legislature, because the last time they kept asking me about the IT project oversight committee and project management of enterprise projects. We currently do not have such an animal, and the project oversight committee that used to exist really doesn't have any teeth in it at all, and so there's really not a whole point of having it. But the thought is there, the process is there, and I think that it's good to see that we are thinking of things before they actually happen, at least on the national scale. And so I'm excited about that. I think there's a lot of work to be done here. I think for me, personally, one of the biggest things, since you brought up the NASCIO top 10, is -- I don't want to say struggling with the cloud, but I'll just air out a little bit of my own internal dirty laundry and you guys can think about this, and then I'll look, at the end of the meeting, for some other advice.

But if we allow everyone to use cloud and all your stuff just goes everywhere, so then where is the cleanup 10 years from now when data breaches are happening all over the place, and the data is spread out on data centers all over the country, and so how do you secure the state's data when it's spread out all over the place? So we don't want to say, yes, everybody go cloud first and then we'll sort out the dead bodies later. That's going to be a big mess for someone later on to clean up.

So I'm thinking now that my policy on cloud need to be it depends. If you have a targeted, legitimate reason for cloud that can keep the data safe that does have a plan behind it so if things don't go the way they're expected to that there's options, I think it's probably where we want to be. I struggle with that because with the security risks getting greater every single day, cloud is a

decentralizing force, and so when you look at how that is going to play out over time, we had to be careful how we allow people to move the state data to places that potentially are unsecure. And so that'll be -- and we can certainly talk about that later on. I just wanted to give you guys a little bit of thought into what's going on right now, rattling around in my noggin.

Joe Marcella: And it's very much appreciated, David. One of the things that came up -- I was at a conference of those folks that are alternative to NASCIO, that's city and county. It's called MIX or Metropolitan Information eXchange. They meet on an annual basis, and innovation was the agenda theme. However, one of the things that was very, very important to understand is nothing can get done unless it's done in a collaborative way. So cloud needs a new definition for them and for me. It's called selective sourcing, and I think that's what you just described as -- for the right reasons, for the right product, and for the right delivery, so that it's still coordinated, it's still controlled, but it still serves that purpose. So, thank you.

7. ACCENTURE PRESENTATION - Continuation *(for possible action)*
    presented by Accenture

Joe Marcella: I'd like to move on to Agenda Item No. 7. If everyone remembers, the Board members will recall that we cut the presentation by Accenture short last meeting because of time constraints. We'll pick up where we left off with a little bit of framework as to what we had talked about prior, and then some advice as to the direction that the state should be going, based on standards and what the rest of the world is doing. So, gentlemen, would you introduce yourselves?

Kevin Richards: Good afternoon, Mr. Chairman. This is Kevin Richards. I am Managing Director with Accenture. I lead our North American security practice.

Lalit Ahluwalia: And Chairman, this is Lalit Ahluwalia, again, with Accenture, and I'm responsible for our public sector security practice within North America.

Joe Marcella: Welcome. Proceed, please.

Kevin Richards: Thank you. And it's been an exciting time since we were here a couple months ago, and I'm certainly sure that you've seen a number of the headlines. I think since we were here last, we've seen breaches by Home Depot, Kmart, let's see, JPMorgan Chase, Dairy Queen, Jimmy Johns. The problem continues to spiral a little bit out of control. So I think the topic is certainly relevant and timely, and certainly based on the conversation that you just had around NASCIO, saying that this is the top priority; certainly that's a continuing theme that we're going to be seeing.

Joe Marcella: Would you do me a special favor? During your presentation, if you can weave in what was common among those organizations, so that we'd at least get a perspective of how

those breaches are happening and why they're happening. Because I understand there are some things that were consistent across the board, and I think negligence was one of them. So if somewhere you could articulate what really happened in all of those agencies that seem to be…

Kevin Richards: Sure.

Joe Marcella: …significant, as well as very common between them.

Kevin Richards: Yeah. Absolutely. To the extent that we know, I think there's still some speculation on a few things, but to the extent that we understand what was going on, absolutely, we can weave that in.

So from the presentation from last time, I think we had gone through kind of the state of the problem, but I think, just to kind of recap at a very quick or a high level perspective, it might be helpful just to kind of get us back into the conversation. So when we look at the challenge for public service, as well as for corporate enterprises, we see really five foundational areas where organizations are struggling. And if you go to page seven, for those who have the slide deck, we'll really, really quickly go through these.

The first is a discussion around -- there's a growing gap or a chasm, if you will, between the mission of the enterprise or the organization and what we're seeing as the mission from security. The last conversation we just had was around cloud security, and the fact that it's being consumed at a growing pace. The cloud is inexpensive, it's easy to procure, it's an easy way for organizations to get things done. We've seen statistics that range from 45% to 55% of an enterprise's IT landscape is out of the control of the CIO. It's individual departments taking out a credit card, going to their cloud provider, and spinning up services to make it easy, whether it's a web service, whether it's just a quick development environment, and this landscape is effective for those departments. They get their job done, but it's incredibly hard to get your arms around whether from just a pure inventory perspective, because there could be cost savings, the financial components, in addition to the security challenges. So what we are seeing -- the business needs to move, or the enterprise needs to move fast. Security has a moniker of being the "Dr. No," here's all the things you can't do. And at the end of the day, our user communities, our business units, our operating groups, they find a way to be effective, and that is causing this growing gap between the security impact and the potential risks that are floating out there.

And this is now on slide eight. The next area that we're seeing is we're spending an inordinately high amount of time focused on compliance, and so I'm going to weave in one of the items. So when we think about all of the retail breaches that we've seen, whether you want to look over the last two months or the last nine months, one of the common themes across all of them, they were all PCI compliant. So they all went through their audit; they all had their report on compliance and they passed, yet they still were breached. And so you think about this. That doesn't seem like there's the right alignment on that, and part of the challenge is that there's a big difference

between what your compliance expectations are and how you actually protect an enterprise. Compliance has first the ability to draw a fence around what is going to be in scope, and we do that for a lot of reasons. But that ability to say look at this server over here, not the thousand over there, is one of the root cause problems, because the attackers aren't coming through the highly fortified front door, they're finding other ways in to the infrastructure.

Another challenge of compliance is the evaluation timing. You can either look quarterly, every six months or annually for a lot of the audits that happen to meet your compliance objectives. At the cyber world, we're happening in nanoseconds. Even minutes is an eternity for the cyber attackers. So even if I was ahead of the game doing quarterly reviews, the best I'm going to be able to see is something that happened a quarter ago, and that data is long gone. The exfiltration happened in minutes, in seconds, not days, months, or weeks. So there's a disconnect between the review periods.

The other component, I think, that is really foundational is from an audit perspective I look at samples. And once again, there's some statistical evidence that says, well, if I can take 10%, that's probably what's going on within the enterprise. Many of the attacks that we're seeing happened in that noise that might be outside of that sample base. So I need to look holistically across the enterprise at all of the infrastructure, at all of the communications, at all of the interactions, to try to pull that needle out of the haystack, and so we have a challenge around that. And so really what ends up happening, and this is now on slide nine, is there's a perception that there's an exposure, but in actuality there's a much higher risk that an organization is implicitly accepting because they just don't understand that space kind of below the radar. And that's the compliance driven versus kind of an enterprise security perspective. Okay. Any questions on that before I move on?

Joe Marcella: No. Please proceed.

Kevin Richards: All right. Thank you. And then on slide 10, and I think you've already discussed this in a certain capacity already, there's a huge blurring of what things you own and where those assets actually live, whether it's mobile devices, whether it's servers in the cloud. Cloud, mobile, and social is changing the way that we're interacting across our enterprises, with our citizens, and we have to extend our security domain across, from a practical perspective, an infinite amount of real estate. And anyone who's done any kind of math beyond me, knows that you can't solve that infinite equation. So we have to continue to get better at it, and try to push that security as close to the endpoint as humanly possible.

Slide 11 is looking at the threat-centric view of the world. So the attackers continue to be faster, better funded, more prolific. They don't have to worry about audit cycles. They don't have to worry about elections or freeze windows. They're coming at infrastructures on their schedule, whenever they want. Now, we are seeing very different personalities or different tactics based on the types of attackers. There's the group, and we call them, frankly, just opportunistic.

They're looking for specific technological exposures, and they look for it. If it's there, they continue to attack. If they don't see it, they move along. The good things is that with robust hygiene, patching, updates, better configuration management, you can make a lot of that opportunistic attacker base go away. So it's relatively easy to push them off with kind of good care and feeding.

The second group that we're seeing is, for lack of a better word, called more of a mob mentality, where whether it's through a political agenda or looking at a particular industry segment, they're out to prove a point and make their cause known. And we've seen groups like Anonymous; you see these things in the news where they'll target a particular faction or a particular industry. Not too long ago there was a group that went specifically at banks in Europe. Okay. The oil and gas industry over the summer, all of them had significant amounts of distributed denial-of-service attacks. We'll see a statement in the media by -- whether it's a politician or industry executive, they'll say something particularly controversial, and you'll see them get put under the pressure of that. So not necessarily looking for monetary gain. They're out to prove a point that they're able to disrupt or impact that organization.

And then the third group is what we call kind of the determined actors, and whether this is state sponsored or organized crime, they're looking for assets of value, and significant numbers of assets of value. And this is where we see the credit card breaches, we're seeing intellectual property theft, we're seeing manipulation of infrastructures to -- whether it's pull out identities that they can turn into false insurance claims or credit card numbers or good old-fashioned identity theft. So the challenge with that determined actor is they have a mission and they're patient and they're looking for something that -- the return on that investment, they're willing to spend time and energy and money to mine and infiltrate, and are happy being slow and quiet. And we're seeing some of the breach data where they've been mining information for 12 to 18 months in a very, very quiet fashion, and that's a very challenging adversary to be up against.

Joe Marcella: They intend to be methodical. There's a couple of things that I read just recently about government today. First of all, government is almost like a new target. It wasn't always the target other than it was -- I remember in an interview someone asked if that was the new warfare, or the ability to slow down, if not destroy, infrastructure and attack government in a different way. And then the last thing that I had heard was that -- or had read is that government is starting to get proactive and essentially attacking the hackers and going the other way, where you're anticipating where they're coming from, what they're doing, and doing it in reverse. Is there any validity to any of those things that I just…

Kevin Richards: So, from a government perspective, I think that a lot of government entities are challenged, I'll put it that way, with funding. So, I think that because there's less spend, some of the defenses are a little bit lower. I think that as a matter of information, a lot of your information, not all but a lot, is for the public. And so there's a lot of push within government organizations that, well, it is the citizens' information, so they should have access to it. And so

there's a little bit of a looser security footprint on some information. Now, clearly not everything is publicly available or (inaudible), if that's a word. But I think that there is a natural kind of conflict of what I just make readily available on the website of the village or the state or the city versus what things do I start raising the bar. And I think that because of the less investment and a lot of the infrastructure is a little bit older, that it's harder to keep up.

Once again, I think there's a couple things that attackers are looking for, and it might be somewhat subtle. One of the things is citizen data. That's the obvious one. Can I get social security numbers, can I get more, whether for identity theft or misuse. Another thing that the attackers are going to be looking for are compute and bandwidth resources. So I'm not necessarily saying they're -- they might just be there to get use of your computers, to be used as staging points to other attacks.

The third area is around critical infrastructure; can I disrupt, whether it's electrical grid or anything within the energy stack, Health and Human Services, police department, and then heaven forbid, up into the military and national defense. So to the extent that someone gets access to some of those critical environments, and it's not about stealing credit card or social security numbers, it's about can I disrupt your infrastructure because some bad thing is about to follow on after that.

We are seeing, especially over in Eastern Europe and in the Middle East, where military campaigns are being preempted by cyber attacks. Get rid of the surveillance, start creating noise so that things start going through. And that noise could be just bandwidth of people on Twitter and Facebook and Instagram, because you've got millions and millions of people taking pictures of tanks. If I can disrupt that, that's a pretty significant thing as I want to move...

Joe Marcella: Denial-of-service?

Kevin Richards: Yeah. So I think that there's a lot of different things that could be the goal. And once again, it's going to depend on who that attacker is. And I'm sorry, there was a part of your questions of -- the last part of your question. I didn't write it down. I probably should have.

Joe Marcella: Attacking the attackers was one.

Kevin Richards: Oh, the strike back.

Joe Marcella: Yeah.

Kevin Richards: This is an interesting topic in that I think that many want to, but I wouldn't advise it. The reality is, is that we're kind of outgunned, and it's a little bit like kicking the hornet's nest, kind of be careful what you ask for. The other challenge is that we may not exactly know who the attacker is because of the way attacks bounce around the globe. So it might look

like it's from a business down the street, but really they were just used as a launching spot, but the attack may have come from Eastern Europe, Russia, China, somewhere completely different. So there's actually a relatively high degree of chance that you're going to go after the absolute wrong person. We haven't really seen any official case law around this, but if there was a strike back or a preemptive that caused some significant down time, I don't know what the liability of those kinds of things would be. I think there's a whole legal domain that is really kind of unchartered of, hey, would it even work, but if you made a mistake, how culpable would you be as an organization. I think those are questions that are yet to be answered. So my current stance is, it sounds like fun, but I think it's fraught with a lot of danger around it.

Joe Marcella: I have one more question, then I'd like to open it up to the Board for some discussion, that is if you're finished with your presentation.

Kevin Richards: Oh, we still have some more.

Joe Marcella: Oh, okay. Please, proceed. I didn't want to cut you off.

Kevin Richards: And then the last thing, and this is now slide 12, there is a significant shortage of qualified security people in the marketplace. It's a negative unemployment state right now where it's hard to find good qualified people to fill the open roles, and the numbers are somewhat staggering. There have been a couple reports that suggest that there's several hundred thousand unfilled posted roles for cyber security people. So it's creating an interesting challenge. So our teams are -- we just don't have enough capacity to deal with all the things that we're doing. Now, also within that is we have an inordinately high amount of our time, energy, and money being spent on compliance activities, as opposed to actually defending against the cyber threats. And so not only do we not have enough people, but we're focusing on the things that aren't going to be the most effective at defending against the cyber attack. So it's a little bit of a whoever screams the loudest, which tends to be internal audit or compliance or regulators, but really what we need to do is be able to get more people and have them focus on those areas that are going to help us raise the bar all the way across the enterprise.

So, real quickly, and if we can go just to slide 15, and then I'll be happy to open it up for whatever questions. There are a handful of steps that we want to look at really to help an organization kind of go from a compliance controls focused security program into more of a threat-centric and dynamic security program, and we've got, really, five steps. And the first, it sounds simple but it's actually quite hard, is -- it says assess the current state of the enterprise. And when I say that, it's more than just doing a compliance readiness assessment. What we're suggesting is take a true assessment of the capabilities, technological and process capabilities, team capabilities for the enterprise. You mentioned earlier, project and portfolio management as one of the challenges that moved up the list on the NASCIO list. Security project management is one of the areas that is critical, and not just the ability for the security team to do what they need to do, but to integrate with the rest of the enterprise. Is IT ready? Are the user groups ready to

assimilate these new technologies? I can encrypt databases instantaneously, but if it breaks every one of the apps, it's going to be thrown out. So being able to integrate and assimilate into the enterprise is hugely important. So understanding the various departments' ability to assimilate that change. So finding opportunities to really leap ahead, whether it's technological leap ahead or process leap ahead, there's a lot of components around how ready is this organization to impact change, once again, outside of a compliance domain, across the entire enterprise.

The second area is really evolving that security focus from being controls focus into cyber threat aware and building a lot of great thinking into it, things like reducing a lot of complexity, standard builds for servers, reducing duplicative efforts where I can centralize and consolidate a capability that I can do across many departments in a consistent fashion that we know is going to work. We talk about improving agility or incorporating agility into the larger program. So we're actually seeing deploying security people more into the departments and the business units so that they're thinking about security as they're baking it in, as opposed to trying to bolt it on once the horses have gotten out of the barn, try to first catch them, and then throw security on top of it.

We've never had a more instrumented infrastructure, whether it's routers and switches, identity logs, we've got threat feeds, we have cyber intelligence feeds that we can get across the internet through your vendors. We need to put this to work for us. We have the ability to characterize what we expect to be as normal behavior. Let's leverage that. Anything outside of expected is bad, or at least is worthy of investigation. So you've got a wealth of data. You've got big data, if you will, and there are tools that can start pulling those needles out of the haystack. For years, because of the volume of alerts, we would throttle or we would tune to get to just the criticals [sic] and the highs. The value is in the mediums to the lows because that's where the correlation lives. So I have a user that logged in with the right password, but from a location I've never known about, from a device I've never seen before, accessing an application that they've never gone to. That's valuable, and that's the intelligence we need to extract out of this.

And the last piece is, knowing that we have this imbalance of capable people, we need to look at different ways of sourcing. You talked about selective sourcing for IT. Selective sourcing for security, whether it's cloud-delivered security capabilities. Finding ways to protect the cloud in a way that, I don't necessary have to know everywhere the data goes, I've encrypted it and I own the key, and if I decide to blow it up, it all blows up. So I think that there are ways to deliver this through the cloud, through kind of strategic outsourcing, so that you can maximize the team that you have to the biggest fires that they're trying to fight. So with that, that's really fast, and you've got the slides, and you can see the detail on more of those. But I would open it up to the floor for whatever question you might have.

Joe Marcella: Obviously, thank you very much. And I just had one comment, and then I'd like to open it up to the floor. And I'll never state anything that I don't already know is correct, because I don't like to argue, but what I heard was, is the silver bullet for the threat landscape,

there really isn't one, and it takes a collaborative effort, and it can't be done by one agency because there's a level of vertical expertise that are necessary from other agencies to assist. Kind of like, and I think Chris Ipsen is out there, but continuous monitoring from a third party. There's just too much that could be handled by folks within the enterprise.

Kevin Richards: Correct.

Joe Marcella: But standardization, awareness, expertise, systems and services, planning and architecting are absolutes if we're going to survive as an organization.

Kevin Richards: Absolutely.

Joe Marcella: Am I correct?

Kevin Richards: Absolutely true. And all of those, with the formality that we've applied to a lot of our IT infrastructures, taking a lot of this great thinking and applying to the security program.

Joe Marcella: And one of the other things I'm going to ask you to describe, because not everybody understands, even though they would never admit it, cloud. That's infrastructure as a service, software as a service, platform as a service. Would you just very quickly tell everybody what those are?

Kevin Richards: Sure. So software as a service is where I have a particular application. I don't really say what they're running it on. I'm looking for, really, an outcome. Examples would be like Salesforce.com. I have a customer relationship management environment. I go through a web interface. I manage my customer database. There's HR environments. There's a whole range of software as a service, as far as capabilities. In the security space it could be application security, it could be log monitoring and such. The outcome is the primary component to that.

Joe Marcella: SIM would be one of those?

Kevin Richards: Yes. SIM is a service. So the connectors are implemented, and magic happens in the background and the alerts, alarms, reporting, analytics, are the output that would be served back to you. Infrastructure as a service and platform as a service really look at am I looking at, I just want the equivalent of a server with a certain amount of disc, a certain amount of memory, and I can do with what I wish, which is platform as a service or infrastructure as a service is here is a server, application stack, and maybe a development environment where I can make it very elastic and dynamic based on my demand. So I can say I need this kind of web development environment that I'm going to use for my ecommerce app, and I can spin it up with very quick, dynamic, elastic kind of capabilities.

So that the idea is, after I drop below software as a service, I have more opportunities to talk about what tools are being used, what operating systems is being used, how it's patched, what security environment is in place around that. Software as a service, I'm depending on the provider to provide the security infrastructure. Platform and infrastructure as a service, I'm building my own, and I have to be very specific, just like I would if I had my own servers and my own default hardened operating system build and all the tools that I would put on that. So as you drop below software as a service, you're burden as a customer goes way up as to exactly how it's configured, why it's configured, what tools are in place, so that you can use those moving forward.

Joe Marcella: And summarizing that, if EITS was ever to get into the business of being a centralized IT, we'd actually have to be able to provide all three of those so that the rest of those agencies could be successful.

Kevin Richards: Yes.

Joe Marcella: Thank you.

Kevin Richards: Yes.

Joe Marcella: I'd like to open it up to the Board.

Director Diflo: For the record, this is Paul Diflo. I'd like to ask Accenture to take your question one step further on defining the cloud, and talk a little bit about multitenant versus single-tenant, and I guess the thought that maybe the single-tenant is more secure than multitenant. I don't know how true that is or if it's a fallacy, but I'd like to hear Accenture's thought on that. There are some people that might argue a place like Amazon has more money and resources to provide better security than some small businesses or public agencies.

Kevin Richards: Sure. So you've got a couple buzzwords that you'll hear out there, public cloud, private cloud, hybrid cloud, single-tenant, multitenant, then you've got geographically dispersed. And so a single-tenant/single-user is kind of what you've built already here. Think of it in the physical sense; I have a server, and only you have access to it. The multitenant is I have a server that is virtualized, where I have many different organizations sharing the same physical construct and back plane. A multitenant/multiuser is I have multiple organizations on the same back plane and a lot of different users having access to that. And then you're relying upon the security model of the virtualization engine to make sure that Kevin Richards only gets to the Accenture part and that Chairman Joe gets to only get to his part, and we're trusting the security model of the particular provider and the technologies that they use within that.

Is multitenant -- can you make it secure? The answer is yes. I can use technologies to make both environments actually quite well protected. I think there is a presumption that some of the

major cloud providers, and I don't want to single any one of them out, they have the capabilities to raise the security bar, but they're not on by default. So you can go to a particular cloud provider and give them a credit card number or a purchase order number, and they'll offer very inexpensive services. The security isn't baked in. They have the capability to do that, but it's not guaranteed.

Now, further on that is within a private cloud versus a public cloud; private cloud I can control how data gets replicated, where it goes. I can build geographic delineations for how that data gets replicated across the environment. A public cloud, the data distribution, frankly, they don't even know all of the places that it gets distributed to. So there is some model of where your data is, where it goes, how it's copied. This becomes really important when we think about how do I extract and remove. They don't know. So, ultimately, within the cloud software there's pointers to data. I can extract the pointer, but the data still is resident somewhere. So when we start doing things like litigation support and data discovery, it's really, really challenging in a public cloud kind of environment.

Joe Marcella: In summary of that, however, it's not impossible, as matter of fact, it's a practical application. It's an efficient application if you get all of the participants in agreement. And I think, Paul Diflo, and correct me if I'm wrong, part of what you were getting at was is that even in government today, Health and Human Services, as well as the DMV, could possibly exist on the same platform.

Kevin Richards: They could.

Joe Marcella: I think that was part of -- Paul, please.

Director Diflo: If David were to build a private cloud, for example, the only cost-effective way to do it would be to have multitenants of all the customary support is what I'm guessing.

Kevin Richards: Yeah. That's one of the big benefits of the cloud is basically letting multiple organizations come in and kind of chip in some of the expense, because I might not need all of it all of the time. I just need it in a certain point.

Joe Marcella: Joe Marcella, for the record. Any additional questions from the Board?

Senator Denis: Thank you, Mr. Chair. So on that discussion of the public, because sometimes we don't have control over -- some agency might decide that they want to keep a certain thing somewhere. You had mentioned earlier that there are ways to perhaps encrypt what they're doing. So that's kind of on the front end before you put it out there, you're doing some kind of encryption. Is that a very viable way of really doing things, and are people actually doing that today?

Kevin Richards: So there are technologies -- and I want to stay away from vendor pitches because that's not the point of this. There are technologies that you can use where you can encrypt the data as it goes into the cloud, you can have centralized control over those decryption keys, and to the extent that, as people use you as the central service provider, the service broker if you will, through those environments, you can have pretty granular access control to the data that's going out there. As it sits in the cloud environment, it's encrypted in such a way that if you try to access it without going through your centralized front door, it's gibberish. So you can actually implement some pretty good data encryption capabilities. Now, you have similar things on your side. You still need to make sure you have the appropriate access control, and you have the right people having access to those decryption keys, but it is technologically very viable.

Lalit Ahluwalia: And just back to Kevin's point, a great example would be some of the agencies of departments have requirements around (inaudible) data. So, while they share the infrastructure, which is hosted within the state data centers, they will have that (inaudible) data segregated and completely encapsulated with access controls with the other like segregations within the network to make sure that only those (inaudible) departments and the (inaudible) owners have access to that. So, yes, the models definitely are in play, but when you basically extend that to the cloud, it becomes even more complicated or complex. You can definitely apply that. It's just what Kevin alluded to earlier, it's kind the agreements that you have with the cloud service provider, the kind of services they're going to be providing, and more importantly, what kind of segregation you want. More often all of the organizations themselves struggle, what kind of segregation they want the cloud service provider to even provide in those environments, and that's really a two-way traffic to really control that. But definitely those models do exist, and we have seen that in play.

Senator Denis: Thank you. Thank you, Mr. Chair.

Joe Marcella: For the record, Joe Marcella. Any more discussion? Gentlemen, thank you. Any closing comments?

Kevin Richards: We really appreciate the opportunity to come back. It's good having conversations with the Board. It's certainly an area that all of the state and local and regional governments are fighting with, and we appreciate the opportunity to come out and talk and help you wherever we can.

Joe Marcella: You were very informative and very useful. Thank you.

Kevin Richards: Thank you.

Joe Marcella: Glad you're on the record. Is this the time to take a quick break or quick recess or shall we continue, because the Hackett Report could be three or four days worth, I think. Any recommendations? We're okay? We'll continue. Keep going.

8. HACKETT STUDY BRIEFING *(for possible action)*
   presented by David Gustafson, State CIO and Alan Rogers, Chief IT Manager of
   Development

Joe Marcella: Let's move on to Agenda Item No. 8, the Hackett briefing. David, that would be you and Alan Rogers.

David Gustafson: For the record, David Gustafson. Yes, I don't see Alan in the north, but I told him just to be available if there were any questions.

Joe Marcella: Just as a reminder, at the last meeting, we just flat did not have enough time to go through the Hackett Report. It's a huge document. So that we thought it would be best to condense it and actually discuss the salient points. In particular, it was addressing application lifecycle. And so what we wanted to talk about is what it is, where did it come from, Hackett's recommendations for IT, and why it's germane to the direction you'd like to go.

David Gustafson: Thank you, Mr. Chairman. I would like to start off with just those points here. I don't know if you guys have the big print out or the short version, but the big one is 92 slides and had a lot of information in there. The shorter version, we sort of culled through it and sort of pulled out the things that we thought were most important. And I wanted to give you guys a little bit of background about where this came from. The Controller and I, Kim Wallin, have recognized that our state ERP system is a little long on the tooth, and it was implemented in the year 2000 as part of the whole Y2K initiative, and ever since the day that we put it into production, it has been out of support because it's so highly customized. It was an old banking program. It was not meant to be a modern ERP, enterprise resource planning system, and subsequently, modern ERP systems have grown up quite a bit since that period of time. We had some troubles with Windows 7. We were migrating, because remember back in 2000 it was a different day.

Joe Marcella: David, I'm sorry. Can I stop you just for a second?

David Gustafson: Yes, sir.

Joe Marcella: No everyone understands what enterprise resource planning is, and the best way, in my mind, to describe that, it's sort of a horizontal application that is used by all agencies. But would you describe it a little bit more in detail and then go back into…

David Gustafson: Thank you, Mr. Chair, for keeping me honest. An ERP solution will have many components. It's a lot of common across-the-board systems, such as the procurement, you'll have purchasing -- I'm sorry. Yeah, you'll have purchasing. You'll have order processing. You'll have a human resource management component to it. You'll have the financial aspect of your business. And so what most people do is they'll buy a cloud, if you will, or buy an ERP

solution that is basically the guts of your business. It's all the stuff that are pretty common across the board for every industry, for every business, and so, like I said, mostly human resources, finance, procurement, those kinds of things. How do I buy something, how do I reconcile the bank statements, that kind of stuff, all part of this ERP solution.

Our particular ERP that we have with the state pretty much is the financial piece of it. The HR piece is mostly broken, I'm going to say, and so we've built a lot of components off on the side of there, sort of joining these things together. So we don't have, at the state, a modern ERP in today's terms. I just want to say, Mr. Chairman, if you'd like more on that, I'd be happy to do that. But I wanted to explain why we're here and where we came from. So our current one is out of support, has been since the day we put it in. We were having troubles with Windows 7. The thick client that runs on Windows 7 for Advantage, we had some troubles there. We were really worried about Windows 8, and now Windows 10, again, is around the corner. And so one of these times it's just not going to work. This old Unix system that was ported off of mainframe technology, so that's the state's ERP.

So, the Controller and I, last time went in with a request for some funding for a study. Essentially what the study does is it worked through the National Association of State Controllers and Treasurers, I think is what it is, the NASACT. And the reason why we did this is because that would allow the State of Nevada to benchmark what other states have done. So they performed the same study for 15 or so other states. So it gave us an idea where we rank amongst our peers, and then they throw in world-class organizations in there as well that have also taken the same study. And so it gives us a benchmark of where the best are and where the worst are, if you will. This is important, and this is a very, very important point to hear. If we have bad process we don't want to move it to a new system or a cloud. So if the state -- and we're really good at this. We create a lot of bureaucracy and a lot of steps to get everybody warm and fuzzy about buying something, if you will. We don't want to take a really long and cumbersome or very expensive process and just move it to the cloud because we got a new system. So this is an opportunity for us to look at these processes and say, okay, wait a minute, maybe we shouldn't be doing this, or maybe we have too many people doing too many things in this particular area. Let's fix those first before we move to a new system, so we get the benefits of the new system.

So I just wanted to sort of throw that out there, how we got there, why we were looking at it, before we go on to do that. The Hackett Group came out. They did a bunch of questions, worked with 15 or so agencies, compiled all the data, came back out to Nevada and made presentations to state leadership, executive and legislative branches. So what you have -- the big version, I think, the 92 pages, I think, was only the IT part, was one of four components. There was an HR component; there was an IT component, a procurement, and a finance aspect. And so, I'm an IT guy and I mostly care about the IT stuff, so I kind of left the other ones. I'd be happy to distribute those if you'd like those as well, but the IT piece of it.

Joe Marcella: Let me qualify something.

David Gustafson: Sure.

Joe Marcella: Regardless of how you business practice, reengineer or how you describe the product that's out there, it's going to still have to ride on some sort of a technology foundation. So I think you're a starting point.

David Gustafson: Very good point.

Joe Marcella: But you're on the back end once it's described as what they want to do. But I think your comment was, David, that you don't want to take what you've always done and do it wrong but faster.

David Gustafson: That's right.

Joe Marcella: Okay. Thank you.

David Gustafson: Yeah. Just because you buy a new computer and you're doing the same thing, just now it's shorter in duration of time, it doesn't really fix anything. And so we need to take a real hard look at a lot of our business processes and our IT processes and look at them and say do we really have the most efficient process? And so this is going to flush out some of them, at least that was the intent when we went down this road.

So the plan has always been that this would be a phase one. A phase two would be to go ask for some money to do a real requirements definition, sort of fix some of the things that are broken. For example, there may be aspects of our system that we don't use today, which we should use to speed up process. Maybe there are automated tools that exist in our current system that we're not using because we have legacy process or something. So we wanted to sort of flush some of that stuff out.

So that's pretty much page four there. I'm going to move on to some highlights and, Mr. Chairman, if you'll just bear with me, I'm going to run though this thing not quite at the speed of light, but high level and feel free to stop me at any point anytime anybody has any questions or comments or anything. I'd be happy to triage those.

I'm going to move to slide 13, key observations. This one pretty much broke my heart, but sometimes in order for us to do better we have to understand where we are. So Nevada's overall IT performance is in the bottom 25 percentile quadrant in both efficiency and effectiveness. Technology (inaudible) to support internal process is lagging across the state. You'll see that forthcoming where many other world-class organizations automate a lot of things.

I'll just give you guys a little story here real quick. And that is, even 10 years ago on Blackberry's that had chrome screens on them. I used to be able to approve purchase orders in the private sector. Today in government, it still requires a whole lot of paperwork, a lot of interoffice memos, it involves printers, and everybody getting warm and fuzzy about stuff, and that process, while it may be bureaucratic and exists for some reason, is really not cost-effective, and it costs the state and the taxpayers a lot of money. So where do we find the balance of where we're protecting the interest of the taxpayers, but we still can have efficient processes is sort of where we're at. We're trying to juggle that.

Lack of state funding coupled with a fragmented support structure results in varying performance by agencies and disparate systems. Again, this is meant to be a very generalized report. They interviewed every agency from HHS to NDOT to EITS to Secretary of State, I believe. And so when you look at that, there are going to be different levels of maturity and process in each one of those. What this study shows is basically a generality across the board. Shareholders feel that IT is resource constrained and complain about project delivery and subpar customer service, overall process costs, and this is what I was sort of alluding to earlier. Labor plus outsourcing per user is high, driven by more FTEs, more outsourcing spend, and high costs for application development and user support.

Like many states -- and I know this because I am the vice president of NASCIO and I get around, and I get to talk to folks. Nevada's technology platform was built on decentralized legacy systems and architecture. We are not alone. This is a common problem that every state has challenges with. Nevada has low levels of automation. Sort of speaking about earlier -- and I think you'll see in some slides later on where world-class organizations have automated a whole lot of stuff, including like expense reporting and things, 95 percentile and Nevada state government, we're at the bottom end of that. Adherence of standards is lower than typical on all areas. There's a minimal use of standard service methodologies. I might argue, and I have in my notes ITIL, ISO and COBIT. I would probably venture a guess that 90% of IT folks in the government probably don't even know what those are, just to give you an idea of our use of standard service methodologies. IT's most significant effectiveness gaps are in communication, flexibility, and strategic thinking and analysis. No comment there.

So just moving on to page 14. This is reminds me of the Gartner Magic Quadrant, right. You want to be in the upper right hand quadrant where the world-class guys are at, and we are not. We're in the lower left. And I think this is just indicative of a government -- I think you'd find governments are kind of in here. They're not very agile. They can't really change that fast. And I would probably argue that the personalities that are attracted probably make that challenge even greater because most people don't like to change. And so what you have is, hey, that's the way we've done it since the beginning of time, and that's the way we're going to continue doing so. And that's fine, but when your friends around you are all modernizing and reinventing themselves, that kind of leaves you a little bit behind when you're comparing the two.

For myself, moving on to 24; this is where I mentioned earlier Nevada is lagging in transaction automation and technology. This is just because we haven't invested in the tools and technology to really automate a lot of processes, and I think that's indicative of the system, the age of the system. Even a new modern ERP -- this is why the study is so very important. We don't want to take paper processes and just translate them to a new system and just do it faster. We want to make sure that we're reinventing the process to industry best practices, even if it's government best practices, so that we can maximize our use of resources. That was my point there on 24.

Twenty-eight, enhanced technology capabilities across the state. I don't need to read everything here, but this, again, goes back to the low levels of automation, so our technology costs per end user are higher than you would find, certainly at world-class organizations or even compared to other governments. End-user training is insufficient to ensure proper understanding and use of technology. I know I've only been with the government for five and a half years or so, and our training budgets have pretty much decimated ever since that last downturn. We're all fighting for the 5% of the budget that's negotiable, I think, so it's just the way it goes.

Getting on to -- and these are their recommendations. End-user training, number two, selectively increase consolidation and centralization of infrastructure, as applicable. Again, consolidation is not a silver bullet, but there are areas of opportunity here that ensures for standards across the board for hardware, software, it allows for economies of scale, bulk purchase buying, those kinds of things that will help improve our efficiencies and lower our costs. And also note that this -- their number one observation, the data reflects a down year, so IT costs are typically higher than reported. That's because this was taken in the second year of the biennium and measured. So most of the IT spend is in the first year of the biennium where most people go out and buy stuff, and then they sort of take the two years to implement it and put it in. So these numbers here represented are probably low comparatively to the first year of the biennium, had they taken those numbers. So that was number two.

Number three, improve project and service delivery and increase business value focus. Again, this is where we get back to the demand management process where we don't really have a central way to manage this demand and what happens, at least at the state, we have the Technology Investment Request process, the TIR process, and it helps us sort of understand what people are asking for, but it fails to complete the picture where there's actual oversight of those. So once a project is requested it runs through the process and then is executed right now. When the money is appropriated, then agency takes their money and they go off, and they implement whatever they said they were going to implement, and we just assume that it's a done deal. There's no feedback loop that says, hey, you did that or you realized your benefits or you didn't realize your benefits. There's without that feedback loop, and so that's something that is sort of theme in here what we're looking at.

SLAs, project -- this is all project management stuff. There's a first call resolution on the help desk. This is probably my number. I'm not sure if -- there's like 12 help desks in the state. I'm

not sure whose this was or if it was a culmination of such. But because our -- at the time we're upgrading our help desk software now, but prior to we also had legacy -- I'm going to say, ancient software that wasn't capable of meeting some of the needs that we have today, including some of the performance metrics, and so what we have is, we have a large number of calls to the help desk to do simple tasks, which should be either self-service or should be automated.

So we move on to the number four here, which is the effectively managed talent. Mr. Chairman, I'm sort of blowing through this because I want to be able to have time to answer any questions that folks might have. Lack of enterprise resource leverage leads to the perception that IT is under staffed, although Nevada has many IT FTEs. Nevada's service delivery model is very decentralized by nature. Nevada's outsourcing percentage is high. And I think this was a couple of the HHS programs that were specifically outsourced, and they were outsourced for a good reason, but that's why that number looks that way. The average fully loaded labor cost for internal IT staff is lower than our peers. Nevada spends less per IT FTE on training. We already knew that. And so I think what we're seeing here is really just a model of a day gone by, and we just haven't adapted to the world we live in today. We need a system that's a lot more manageable, that's a lot more agile, that can be a lot more flexible to meet the needs of our customers.

I think when you couple that on top of, and I'm going to say this, a classified system of employees and then you have no training money, what you essentially get is an organization with resources that are sort of locked in time, and I think that that's why the training budget is so very important. Mr. Chairman, you have your finger on the button. I think you have a question.

Joe Marcella: I can let you finish.

David Gustafson: Go ahead. Ask your question anytime.

Joe Marcella: Actually, what I was going to do is try to summarize so that it makes sense because there was a lot of detail in the Hackett Report. Are you ready for that?

David Gustafson: Yeah. Go ahead.

Joe Marcella: Well, first of all, I was quoted in a national magazine, and then re-quoted by Gartner at this last conference, talking about the values to entry, and from an ERP perspective, they are people, process, resource, and culture. It's seldom, if ever, a technological issue. Technology will serve a purpose if it's clearly defined. So the way they've broken the back of it, and you actually have the chart here as to some of those world-class organizations, is many of the things that the Board has recommended. But on the other end of it is a collaboration, a cooperation of the multiple agencies for a single or multiple focus that they all agree to. Again, it's people, process, resourcing, culture. That's the issue, not necessarily the technology. If you can get past that, you can put the technology underneath it to support it. And I firmly believe

that, Gartner believes that, and I think, nationally you're never going to hear anything different. So, David.

David Gustafson: Yeah. Dave Gustafson. I think you're absolutely right. State government is an interesting animal because when you look at -- I don't know, just pick your favorite private sector organization, you don't have divisions of a major company off trying to do their own thing. And so, in government though, we see everybody in the same cauldron, if you will, just the theme of Halloween, and we're all just kind of bubbling and doing our things here, but everybody's off doing their own thing. And you don't see that in the private sector because it costs more money. It increases risk and costs more money. So when you're a for-profit organization, you can't allow people to do that. And so that's why companies standardize infrastructure. That's why the IT guys do all the IT stuff. That's why they have one or two data centers. Nobody goes off and has 30 kind of thing, five phone systems and stuff. The company has a phone system and that's what you get because it's cheaper to manage and maintain one phone system than it is for five. But in government it's a different animal, and in the state government, I think, more specifically because I think the city guys are a little closer to private sector like; the county guys are one step removed, but are a little bit closer probably more to the city guys; and the state guys have a unique situation because the funding comes from every possible source you can probably think of and federal mandates and guides, and the federal government is telling you what you're going to do with their money. And I get it; it's a lot more complicated. I just think a little bit of collaboration could certainly go a long way in reducing our costs and standardizing across the enterprise.

Joe Marcella: One more question and then I want to open it up to the Board for discussion. Would you believe that the Hackett study is indicative of any of the other applications you -- would the same findings happen with any of the other applications that are run by any other agencies across the board? Basically, with any application life cycle analysis, once that's done, some of the same or all of the same things would exist as issues and barriers to success. And the Hackett study could be a foundation and cause the inertia to move a lot of things in the same fashion to get them re-implemented, approved…

David Gustafson: Get them moving. Yeah. Dave Gustafson. I think you bring up a really good point here, Joe, is that this is not just this one specific system, the ERP. This is across the board, and if you think before the economic downturn of 2007, 2008, the government was not forward. It was not on the edge. It had a bunch of legacy stuff, and so even at the pace of government, those systems probably would've been replaced by now anyway. But because of the fact that we had a lot of legacy stuff and the economy took a bad turn, that caused us to hold on to legacy stuff even longer than we wanted to, and now it went from old to ancient, and so now we're still trying to manage and maintain it. This is across the board. This is not just the ERP system. I think you'll find that this is pretty pervasive across government, and I think it's just been -- we're all just fighting for the little bit of money that is actually out there. And so the

people above my pay grade have to determine what the best use of those funds are, and so here we are.

Joe Marcella: Well, I think you can help the Advisory Board, move them in the right direction. Any discussion from the Board? Northern Nevada? Carson City?

Kevin Farrell: Yeah. This is Kevin Farrell. On slide 24, there are a number of what I would call business processes listed, and you've commented a couple of times about the need for process improvement prior to introducing any new systems or technology, and at the same time, a culture of kind of wanting to do things the way we've always done them. It would seem that if you could do some analysis around your current state processes, identifying nontechnology driven improvement opportunities, that that could result in savings that could be then reinvested back into more technology and automation to raise productivity even further and get a second level of process improvement. What I'm wondering is, I know how it would kind of work in the private sector, but in the state government does enterprise IT have the ability to drive an initiative like that when the initial change and the initial process improvement needs to come from those agencies and those business owners of those processes?

Director Diflo: Yeah. This is Paul Diflo. That's a great question, Kevin, because I was going to comment on that. I've been through an ERP implementation at a fairly large private company, and we had a false start because we naively thought the CIO could drive those process improvement changes or best practices, and it didn't work. It had to come from the CEO. It had to have the executive support from the CEO. It had to have not just an ROI, but we had to show efficiency gains based on capital investment in each one of the business units. That got the executive support. And the executive, the CEO of the company, sat in on the initial ERP implementation, what we call blue printing and planning sessions, and reinforced the fact that we were not going to implement new technology over bad processes; had to come from the CEO.

Kevin Farrell: Yeah. I agree. And so then how do you facilitate that from enterprise IT, given that I'm sure the same dynamic must exist? Can the agencies be influenced to kind of be the catalyst to start that process improvement and get the ball rolling?

David Gustafson: Everybody's looking at me. Dave Gustafson. I would say, honestly, we do not have the skill sets for that type of initiative. Those are Six Sigma Black Belt type guys, especially in the scale of what we're talking about here. That would have to be outsourced to a third party.

But I want to echo what Chairman Diflo was saying that without, really, leadership at the top that's driving this, then this is going to be an interesting ride if we don't have that. Because what we have seen through the Hackett study is we already know we're not doing so great in a lot of areas; now we need to move it to the next level, and technology can help and can assist in a lot of these things. Kevin, what you were talking about, a lot of these things here, I was just looking

on -- you were commenting on page 24, supplier invoice inquiry performed via self-service. We can put all the technology in the world there, if we don't have business people using it and leveraging that technology, it's not going to help.

So, I may suggest -- and it's my personality profile to do this, I'm an ENTP by nature, is I would get in there and really encourage change from the government from the inside out. And I would perhaps start programs that teach people how to identify broken process, or how to identify process that is not efficient by nature, and sort of teach them how to fish. Because I think the government is really good about just creating more and more and more process, and more and more regulations and road blocks and reasons why we can't do something. And instead of saying, okay, how do we look at this problem a little differently, how do we do that, and then let's figure out how to get it done; sort of teach people how to be more efficient. I think that that's probably my recommendation.

Kevin Farrell: This is Kevin Farrell. I think we're in agreement there. I probably didn't state my question very articulately but, yes, there's a certain type of resource with a certain skill set to facilitate a process improvement endeavor. But I guess what I'm really asking is, can the Department of Administration be that CEO-like role to work with the other agency heads to, I don't know, build consensus around the dire need for doing that? Because it seems that a lot of what the Hackett Group is pointing out, and by your own statements with the process work, there's going to need to be a significant partnership with those agencies in order to get these processes to a point where they need to be and where they warrant technology investment.

David Gustafson: Dave Gustafson. You bring up an interesting point there, Kevin. That is many of these, and I would the Department of Administration is the centralized IT organization, is the human resource organization, is the procurement organization, and the budget office. So we don't own specifically the finance piece of that, the Controller does, and that was why we sort of joint effort this one. But we do own many of these processes that could be changed or looked at. And I can't speak on behalf of the Department of Administration, I can only speak on behalf of myself, but I'd be happy to take your question to my management and see if they'd be willing to help us carry some of that water.

Joe Marcella: Yeah. Okay. Please.

Director Teska: Mr. Chair? This is Julia Teska in Carson City, and as the Director of the Department of Administration, that was kind of my frustration with the way this was -- I think you've kind of been circling around what was my frustration in how this whole project was handled, really, was this was given to a division within the Department of Administration and the Controller's Office to do, when really what we're talking about here are the functions that fall under the entire Department of Administration. And, really, my predecessor, apparently, was part of that decision making process, and in the meetings I've had with the Controller's Office subsequent to that, I've said that the future steps of this process need to really be driven by the

Director's Office in the Department of Administration. Yes, we have incredibly outdated processes, and I think one of the most important things for us to do, though, is understand our customer needs, as well as then how can we meet those needs in the most efficient way possible. I think having any one entity driving this or ultimately making all of the decision on this, we're going to leave out things, and I think that was what happened last time.

In talking to folks who were involved in the process back in the 90s, is the group that made the decisions was too small and too focused. And we need to make sure to do this right so that we don't find ourselves in this position in the future. We've talked about putting together a fairly comprehensive group of users in the various areas from all of the agencies, so that we make sure when we go forward to the next step and actually investing state funds, that we're doing it in a way that has been thought out and is going to make us more efficient, but still meet our customer's needs.

Joe Marcella: Thank you. And I would tend to agree, not only from a chairman's perspective but from another government agency. Our ERP would've never been successful had it not come out of the Mayor's Office. And across the United States, any kind of an enterprise project or enterprise resource plan needs to include the enterprise. So your comments are well taken, and I think you're right on. Thank you.

Director Gilliland: Yeah, thank you, Mr. Chair. For the record, Romaine Gilliland. And I think one of the things I wanted to talk about as we go through this is that as I look at the items that are being portrayed here and some of the questions that were asked earlier, does this apply to all departments across the state? I think what we have to be very sensitive to, if I read this correctly, is what we're looking at are tools that are used universally across all departments, which, again, does make very much sense for someone to take the lead like the Department of Administration and the Director of the Department of Administration. But the other thing you also have to take a look at is that within unique departments within the state, you then have those tools that are very unique to that department.

So, for example, speaking for the Department of Health and Human Services, and recognizing even within that we have five major divisions and very unique tools that are used within those for either case management or client customer service enrollment perspectives, I think you actually have to look at how do we do this from a standpoint of a cultural perspective statewide, which is lead at the CEO or the highest level possible, and then how do we also do it at a cultural departmental perspective.

I can speak for the Department of Health and Human Services, and over the last five or six years we've been moving towards what I call better business practices, which whether they're manual or automated, there's still better practices. And then how do we go forward with all the problems that have been identified from a legacy system perspective, the staffing from the culture perspective, trying to move it forward uniquely. So I think we have to be very careful as we're

talking about this that we understand the distinction between those items which are universally used state wide, and then those items which are very unique to each and every one of some of larger departments.

Joe Marcella: Just as a -- and I tend to agree -- matter of fact, I agree whole heartedly. None of this can happen unless there is an identification of what is shared, almost utility, and that's the support of every one of the agencies while preserving those things that are vertical and particular to those agencies. So at no point should it change the business of how you provide for your customers other than with efficiencies and more services and more appropriate to how they'll consume those services, but to leverage the heck out of those things that are utility and not necessarily a particular function to that particular agency.

Director Gilliland: Thank you, Mr. Chair. I think very much, as you stated, maintaining the distinction between those horizontal applications and then those vertical applications, which do not in any way effect the horizontal in a relationship between the departments.

Joe Marcella: Absolutely.

David Gustafson: Dave Gustafson, if I may. And the reason why that's really important is because when you're building a house, if the foundation has a bunch of cracks in it and it's all lopsided, it doesn't do you good to build a big house on it. And so this is -- at least the ERP as it should be across the enterprise, is that solid foundation on which you can then build your house upon. And I wholeheartedly agree, and I think you're absolutely right.

Joe Marcella: Senator.

Senator Denis: Thank you. I think my comments are along the same line. Having been on, I guess, different sides of this, at one point having actually worked for an agency at one point, and the challenge was always that those horizontal applications were all started separate from each other. Because you had everything on a mainframe, and then you had other agencies that all of the sudden got PCs and they were doing things on, and then all of the sudden you try to bring them together, and it's never really ever coming together. But I think the key that you mentioned was there has to be an education piece in all of this, and not just on the administrative side, but even on the legislative side, because this stuff comes to us and then we're -- and there's three of us in the legislature that understand technology, and so we really have to bring everybody else along so that they understand what's happening there, and as we're approving things, we have to kind of work hand in hand to do that. But I think the first key is that horizontal piece. If we can somehow get that all -- and I know that's been a process that's been going on over a period of time. But have we gotten there yet? Probably not. And I think that bringing all the different pieces and stakeholders together, as opposed to the here's how we're going to do it and just push it out to everybody, and then everybody says, oh, we're just going to figure out a different way to

do it. I think that's a key. But I'm hopeful because I hear some things that I think will actually help make that difference as we move forward.

David Gustafson: Mr. Chairman, Dave Gustafson. And let me follow on that thought there, Senator. If you have, let's say, a modern ERP system fully functioning and it's a well-lubed, oiled machine, so everybody is hiring people, their employee management is the same, your separation processes are the same, your procurement and all this stuff. If it's all universal, then the things that you have left are really what are unique to government, because the ERP is going to cover the stuff that we all do the same. Again, my tenure with the state has only been five and a half years or something. When I first came to the state, it was a bit of a surprise to me, in the Department of Information Technology, that our ways that we prepared our budget to submit to the budget office was unique to us.

So while there are budget processes that everybody has follow, it's got to look like this, it's got to be in this format or whatever, how you get to that first block was unique to government. And I thought, but every agency has to budget, right? We all have to use the same system. But we had many tools that we had internally to get to that first step in the process, and I thought, wow, so if we're doing it uniquely, then that means the other 25 other agencies, or however many there are, 100 or however many total there are, are all doing something unique. And these are the kinds of areas of opportunity where we say, okay, is it a failure of the tool to meet the needs of our customers? And I would argue that probably is the case, considering we have a 20-year-old system. But I came from an organization where everybody had the same process, the same procedures, you put in your budget the same way, there were many calculations run on what if this, what if that, what if this. And today, I think technology is limiting the ability for state leadership to sort of analyze and run those scenarios because the technology, in this case, is actually holding back. And I think that if we standardized and implemented a modern ERP solution, that would be very painful, it'd be very expensive, and it would be a whole lot of problems, but I think in the long run once you standardize and you flush all that stuff out, you're going to end up with a more efficient and more modern government. That's my personal take on it. So anyway, thank you, Senator.

Joe Marcella: Any additional discussion?

Director Diflo: This is Paul Diflo, for the record. The thought occurred to me, David, in the private industry, if we were going to implement an ERP project, we would have to identify those horizontal solutions that we've talked about versus the vertical ones, but then also take a look at the processes that are horizontal and ask ourselves, is it worth us still doing these processes? A lot of companies look at HR, the hire to retire. Is the State of Nevada really adding value, moving the state forward, with those processes or would a company like ADP be better at doing something like that? So I pose that question to you, if you've given thought to looking at all of the horizontal processes and which ones -- just not selectively saying we're going to keep them all.

David Gustafson: I think you bring up, Paul, a really interesting situation, and this is where -- I'm going to say, this is where we look to the vendor community to really help us out. We, I'm going to say just generally speaking, don't have the expertise to go do that. What I was hoping for, at least when I started down this road, was that we would have some professional consultants come in and sort of walk us through a lot of these processes, not only including the requirements definition but, okay, here's what you guys are doing, should you be doing it. Is this service unique to government or is this something that the private sector has solved many times over? And you picked on payroll, which was one that it may be so unique to government, the way we do things, I have no idea, but just to even ask the question is helpful. Should we be doing all of these things even if they are horizontal and everybody is doing them, should we, the government, be doing them, or this is something that we should look to the private sector to solve for us? But I think we need to have, my opinion, some consultants walk us through that process so that we can -- guys who have done this before, who have looked at other states and have been down that road before. I think it would be really helpful to do that.

Joe Marcella: I have a big placard in my organization sitting on the wall with a crayon, trying to simplify the process. And one of the things it says, figure out what the heck they want. Second thing is, once you've got that figured, you might as well make sure it continues to work and everybody agrees. And then the last thing is, measure it because you damn well didn't get it right the first time. That means we'll do it, we'll fix it, we'll try it.

There is no silver bullet to any of this. I agree with Mr. Diflo that selective sourcing, point solutions, the ability to take an entire enterprise application where it's non-impactive of those things that you're in business for, but to support your business makes sense. And then modernize whatever the application was so that it meets the constituency that you're supposed to deliver the services. That's a repeat of what I just said before, but going about that is different for every organization. In the lower governments, the ones that are closer to the street, what we really need to know is what's going to get an elected official re-elected, and that's his constituents and the promises he made. Senator. The second thing would be is how we facilitate those needs, homogenize them or blend them in to the overall operations, each individual agency, because there are 18 separate businesses in the City of Las Vegas, has their opportunity to service that. Call it a line of business. Underneath that business they have programs, and under those programs they have services. If you can look at the entire state as one huge state with multiple delivery channels, it gets to be a lot easier to digest. What's common and what's particular, and then you automate accordingly. Any more discussion?

Alan Rogers: Mr. Chairman?

Joe Marcella: Okay. Yes.

Alan Rogers: This is Alan Rogers. I was the co-chair of the project, and with David's permission, there's a couple of things I'd like to point out about the study.

Joe Marcella: You're too late. You're just late to the -- no, please, go ahead, Alan.

Alan Rogers: All right. I was selected to represent the Department of Administration in the project as a co-chair, and I met with Director Mohlenkamp during the project almost on a weekly basis to make sure that there was a wide-spectrum view of the project. And some of these things David has already said that I'd like to reiterate. Although the focus for this group became the ERP and what we were doing, the study itself focused on -- or it didn't focus on just the ERP, but on state government as a whole. And as we did the IT study, we were looking at all processes within IT and equipment, software, skill sets, all of those things were part of the study. So when it says we're in the fourth quadrant, it's really covering all aspects of IT, not just where we were in deployment of an ERP system. And I think that's really important to point out, because the study in all four areas showed that the decentralization of state government contributed to the inefficiencies of the state in all four of these areas, in that there were two major deficiencies, and that was that government was not funding automation projects, and it was not investing in employees. And I think those are two important things to point out. So I think that going forward we have a lot of things to look at, not just in terms of the ERP, but in total governance as a whole, in these four areas that were covered in the study.

Joe Marcella: David.

David Gustafson: Thank you, Mr. Chairman. Let me just take what Alan said and bubble it up even more. And I would just say in closing that this is a particular study that was done quickly, at a high level, and I look at studies and audits and those things as pointing out areas of opportunity. And what this study tells me is that there's a lot of opportunity in that there's a lot of areas that we can work on and that we can improve our position on. I just think it's indicative of the economic downturn and the way that we have sort of frozen in time, if you will. And this is just showing us -- this is just a reminder that standing still is not a very good option, specifically in the areas of technology, that that's not a very good option. And so this is just to me a sober reminder that we need to continue to invest in technology, shameless plug, and that we need to look at technology to solve some of these processes, and to keep government efficient. And so I look at this as an opportunity to really make change, if you will. And I look forward to seeing some of these through, because I think that we have a lot of work to do, and I think there's a lot of good people in the state who also want to make this work, and I think we've got a good plan here. So that would be my closing comments. Thank you.

Joe Marcella: Thank you, David. Any more comments? I'd like to move on to Agenda Item No. 9.

Director Gilliland: Mr. Chair, if I may. Thank you very much. Again for the record, Romaine Gilliland. I would like to go back to the grid for just a second, because one of the questions or comments that was made by the last presenter, I think, is something I'd just like to drill down a little bit on. If you look at the grid on page 14, and you look at the organizations that are in a world-class environment, was there a representative number of state governments within that world-class arena or are they uniquely in what we'll call the lower left, because of some of the unique aspects that we have from a governmental perspective? And when we talk about Nevada, I think those are even more unique in Nevada. When you have the budgetary, the legislative process, occurring every two years, when you look at the transparency, and you look at the length of time it takes to implement and move forward, are there some systemic issues in the state that we should be addressing from a flexibility and ability to move forward quickly that may cause governments to be in the lower left versus a private enterprise?

David Gustafson: Dave Gustafson. Romaine, you bring up an interesting point here. Not many states do the two-year budgeting process like we do. I think there are single digits, I think, actually do that still, like four of them, yeah, thank you, Senator. Which limits or prohibits our ability to be agile. And in a world that changes daily, we can't be nimble just by the design of the government, the way we have it with the budgets and such. And so I think because of some of that is sort of where we are.

Now, I will say this, I've seen some of the other states that are on here, and on this particular one that's available for public release or whatever doesn't have the names on there. But there was 15 or so other states, all of them fared better than us, but I don't know if any of them had a two-year budget like we do. So I think that most states when they recognize, holy smokes, this is not good, we've got to do something about it, they're in this one-year budget, so they have this feedback mechanism where they can do something about it. Whereas to your point, when we get around to putting things in our budget, then the legislature has 120 days to talk about it. Well, there's a lot of things to talk about in 120 days, and these particular things may or may not rise to the occasion. So you could potentially end up having a problem that festers for four or six years because it doesn't bubble high enough to warrant the attention of the 120-day session.

So I would just say there were states that were a lot closer to the world-class organization than we are. I don't remember any of them being worse than we are, but I don't know that any of them, that I remember, had a two-year budget cycle. They all had a one-year budget cycle. And I'll just with this comment about our friends in Utah. I'm always talking to those guys about what they're doing, because they're similar in size and scope of nature of things that we do, and I believe that because they have the annual budgeting process, they're a lot more agile, because the legislature hears about the challenges all the time, twice as much as they do here in Nevada. So what ends up happening is they have more opportunity to sort of correct the course, if you will, whereas we have, at best, every two years to sort of right the ship. I just think it's sort of showing some of our -- and the fact that we've been hardest hit out of all of the states. This is not just a process problem. This is a cash problem too. So I think we're just kind of frozen in time,

and we can't react fast enough, and so what you get is everybody leaves you behind. That's the world according to David at least.

Joe Marcella: Thank you.

David Gustafson: Thank you, Mr. Chairman.

Joe Marcella: Any additional comments?

   9. BOARD ADVICE *(for possible action)*

       A. BDR 19-310

       B. Statewide Strategic Plans

       C. Proposed Budget

Joe Marcella: Let's go ahead and move on to Agenda Item No. 9. How do you want to go about this? You folks have three presentations, A, B, and C. Or are you looking forward to a Board recommendation?

David Gustafson: Dave Gustafson for the record. I would offer -- and I was not going to stick around, but I can stick around if you'd like to ask me any questions. I would offer that if there's any Board advice or anything that we've missed that perhaps you want us to include or think about, now would be a good time to do that since we're not going to meet again until after session, so next summer or so.

Joe Marcella: I think preparing for next year, for 2015, is appropriate. There was a draft document that was prepared for this meeting. At this time, I'd like to pass it out to the Board members, both up north and down here. It's ITAB's recommendation, 2014's draft, and it's in a draft format. What I'd like to do is go ahead and talk through what I believe is the Board's advice ending 2014, and when Mr. Diflo takes over in 2015, at least help in the direction. Let's take a look at where we were. And longtime members will recall that two years ago the Board produced a multipage advisory option that addressed the following five topics: consolidation, security, and I think security is now moved to number one, governance, application modernization and the lifecycle management, citizen enablement and mobility. I think the citizen enablement goes to almost every product, process, and service we provide.

Process has been made more in some areas than other. For example, the state has moved towards consolidation of security services in key areas like endpoint security and network monitoring. We heard from the Accenture folks that standardization and a whole litany of other focus areas will help, not only the state, but in any organization, and I think we heard from the Board their own experience validates that. However, in the light of the Hackett study, a survey

conducted as background for replacement of the state's financial management system, Nevada clearly lags its counterparts in obtaining efficiencies and cost savings that could flow from a modern, well-planned, and well-executed enterprise IT deployment. Like we had talked about, an enterprise approach is not only appropriate but necessary.

We have before us a legislature, who will have shortly changes to Nevada's fundamental IT statute that's seemed design to afford both the Governor and the legislature to move further along the path ITAB suggests in advance of what we had two years ago. And that's articulated in the draft document that we've just passed out. I'd like to open the floor for comments and observations on how we might further advise the state going forward based on our meetings over the last two years. I would like to provide the Board members, you have the draft, on our thinking on how we might best articulate our advice, considering what we have counseled in the past, and what has taken place in the last several years.

We've had a lot of discussion. We've framed a lot of the areas of concern. We've been somewhat focused in themes for each one of the meetings. I think it's now time to put that together in a comprehensive plan, as well as act both to give the Board the kind of support and policy capability to move some of these initiatives forward, and in support of the IT organization, EITS, so that they can enable not only the enterprise, but themselves to be more successful. And that will take legislation, it will take dollars and cents, and it will take executive sponsorship. So I open the floor to some discussion.

Director Gilliland: Mr. Chair, thank you very much. Again, for the record, Romaine Gilliland. And I come from an unfortunate position of only having been at now my second meeting. So with two or three years worth of efforts, I've gone into this being the new person in this group, I would still like to offer some thoughts. And I believe that when we look at a consolidation perspective, and we look at some of the elements revolving around BDR 19-310, I think that the lessons from the Hackett Report, as it relates to the both horizontal and vertical operation within the state, are accurate. I think that when it talks about the morale and the educational aspects of the team that we have, I think we should recognize what an effort, a very positive effort, all of our IT teams put forth for us, and I'm very much appreciative of all of my staff and what they do every day, as they bring new items to the state that help improve our efficiency.

When we look at this, and we look at the Hackett Report, I think that we want to encourage that we, again, look at something like the Advantage System, like the statewide tools, and that we clearly learn to address the horizontal aspects that cut across all of the departments first, and successfully be able to demonstrate an implementation and consolidation of those horizontal aspects. And then from that, take a look at a later date and a later time, what may be the next best steps from a vertical perspective within some of the major departments.

Having said that, I also think that we need to be very, very careful about what we do within the IT organization from both a recognition for projects well done and a compensation perspective to

be very comfortable and know that whatever we are doing works well across all of the IT organizations, what I believe was mentioned something almost 700 IT professionals within the state, a small subset of which work in Enterprise Information Technology Service, so that we are measured and methodical, again looking at and encouraging successful advantage statewide tools horizontal before we try to embark upon anything that might have to do with unique vertical aspects of the departments.

Joe Marcella: Thank you. Additional discussion? Senator.

Senator Denis: Thank you. The other thing that I would -- kind of to follow up on that, if we've got 700 IT folks out there, I think it would be real important, if it's coming to the legislature, to make sure we get some input from those 700 IT people before we're going to do something that's going to impact them. Because at the legislature, whether we get it in public or not, we will get input from individuals. And I think if we're proactive in how we want to get that input, we might actually find that there are some other things that we hadn't thought about that might actually be -- will be more efficient or whatever, or maybe we find that whatever it is, is the right thing, because I think that that's something that we should do. And I think that as far as the BDR, I think it's just a continuation of kind of what we've been doing.

And I know that the legislature has been asking for some of this, too, to help us be able to save some money and perhaps have some better outcomes in some of the things that we do. So I think we're moving in the right direction there. So, those are just a couple of things that I -- just thoughts, I guess, that I have at this moment. Thank you.

Joe Marcella: Thank you. Up north?

Kevin Farrell: This is Kevin Farrell for the record. One, I guess, specific question that I'm just not quite understanding. We have this one page draft that references the summary of the BDR, and in section six of the BDR the second bullet more or less says we're not including any financing to continue the work that was started with the Hackett study toward replacing the financial management system. And I know we're not ready to begin development, but for the next two years, if there's no funding towards taking the next step, be it process improvement, requirements definition -- am I reading that right? I mean, what are we doing?

Joe Marcella: David.

David Gustafson: If I may. Thank you. David Gustafson. I think what we're trying to say is that the original funding came out of our budget, but there is no funding in our budget requested this time to continue on the process. But as Director Teska was commenting about, it really wasn't fitting for us anyway, for an IT organization to do that. So we don't know if it's in someone else's budget or not, to be honest with you. To carry on…

Kevin Farrell: Not fitting because it's vertical rather than horizontal, at this point?

David Gustafson: Correct.

Kevin Farrell: Got it. Okay.

David Gustafson: Because it's a business process. It's a business solution system, if you will.

Kevin Farrell: Okay. Thank you.

David Gustafson: Thanks.

Joe Marcella: Paul, while you're up there.

Director Diflo: Yeah, Paul Diflo for the record. I had a question similar to Kevin's because it seems like an opportunity where we need to get on with the next step. Now, David had mentioned bringing in some consultants to do kind of process analysis. Is that something that we can suggest, not suggesting that it would be funding out of IT, but can we move forward with a recommendation to bring consulting in to do that process analysis across the board?

David Gustafson: David Gustafson. I think that would be a great recommendation, actually, from the Advisory Board to do that, to bring folks in to not only look at the process and possible recommendations and such, but also to, I think, establish a program for process improvement, short of a Six Sigma process class and program, if you will. I think the state would be well advised to take that kind of advice, according to me.

Joe Marcella: Anyone else? Okay. Is Jeff Menicucci up there?

Jeff Menicucci: Yes. (Inaudible).

Joe Marcella: Yeah. Jeff, what I'd like to do is without this being a directive, I'd like it to be more or less read -- not only has it been read into the record, but be at least accepted with a possible action. Is there a way to go about that? And I'm talking about the draft document as a recommendation from the Board and just submitting it to the record; is that sufficient?

Jeff Menicucci: I think if the Board intends to make this the Board's recommendation, there should be a vote by the Board on that point with a motion and a second and the usual process. The Board then could change, add to, subtract from the matters that are on the proposed recommendation in the process of the discussion.

Joe Marcella: Can I have someone adopt what Jeff just said as a motion rather than repeating it?

Director Gilliland: Mr. Chair, Romaine Gilliland for the record. And if I heard the recommendation correctly that we would be embracing the draft, again modified by the additional conversation that we have had today, and specifically, I would like to be sure that we recognize the importance of first the horizontal integration and services, and then upon successful accomplishment of that, the vertical aspects unique to each of the departments. And if you're comfortable and at you're pleasure, I'd be willing to make that motion.

Joe Marcella: Do I have a second?

Director Diflo: Before we second -- this is Paul Diflo again, for the record. To be clear, can we adjust this and make the recommendation that we get funding to do the process analysis?

Joe Marcella: I think that's part and parcel of the strategic plan and the directive forward, and I think that's included in -- is there not funding included, David, in BDR 19-310? Isn't there a funding recommendation in the BDR?

David Gustafson: David Gustafson. No.

Joe Marcella: Or advice from the Advisory Board to move in that direction for specific funding?

David Gustafson: Not for funding. So what we did was we took all of the feedback and the ideas from the Advisory Board and made them part of the bill draft request.

Joe Marcella: Okay.

David Gustafson: But that is all subject to change. There's a lot of…

Joe Marcella: And then, Paul, are you recommending that we add to this proposed recommendation that funding needs to be considered as well?

Director Diflo: Yeah. For the record, Paul Diflo. I am making that recommendation specific to do the process analysis across the horizontal solution.

Joe Marcella: Okay. So you're amending the original motion to include additional budgeting, as well as the business practice analysis?

Director Diflo: I think if we don't, we're going to miss an opportunity, right? It's just going to delay the process.

Joe Marcella: Okay. And I tend to agree. Do we have a second?

Kevin Farrell: For the record, Kevin Farrell. I second.

Joe Marcella: Okay. Any additional discussion?

Director Gilliland: Mr. Chair, again, Romaine Gilliland. I just want to ensure that as we've gone through the modification of the recommendations today, that we are including those that I had mentioned earlier. And then also, I want to just mention from a funding perspective, I think we can encourage the funding to be available, but we have to look at the budgetary process and allow the legislature to look at the budgets as submitted by the agencies and the Governor, and whatever fiscal notes may be attached to the BDR as it moves through the legislative process.

Joe Marcella: I tend to agree. So we have a second. I appreciate your comments. All those -- any further discussion? No. Let's vote. All those in favor.

Group: Aye.

Joe Marcella: None opposed? Passes. Thank you.

10. PUBLIC COMMENTS

Joe Marcella: Okay. Let's go ahead and move on to public comment, Agenda Item No. 10. Is there anybody from the public up north? I don't think so. There's no folks from the public -- unless you are. You're supporting us, right? Okay. From the south? Seeing none, hearing none, I'd like to move forward to adjournment.

11. ADJOURNMENT

Joe Marcella: Do I have a motion to adjourn? Senator Denis moves. Second?

Ernie Capiral: Ernie Capiral. I second.

Joe Marcella: Okay. Thank you. We're adjourned. Just one comment now that we've adjourned. I'd like to thank everyone not only for your support, but for permission and the opportunity to chair this Board. I'll continue to participate in the Board in the next couple of years and congratulations, Mr. Diflo, they're a very difficult group, so thank you very much.

- Washoe County Courthouse, Second Judicial District Court, 75 Court Street, Reno, NV 89501
- Nevada State Library and Archives, 100 Stewart Street, Carson City, NV 89701
- Grant Sawyer Building, 555 E. Washington Avenue, Las Vegas, NV 89101
- And the following web locations:

  - http://it.nv.gov/Governance/dtls/ITAB/Information_Technology_Advisory_Board_(ITAB)/
  - http://www.notice.nv.gov

The appearance of the phrase "for possible action" immediately following an agenda item denotes items on which the Board may take action.

We are pleased to make reasonable accommodations for members of the public who are disabled. If special arrangements for the meeting are required, please notify Lynda Bashor in advance at (775) 684-5849 or you may email your request to lybashor@admin.nv.gov.