

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

STATE GOVERNMENT COMMITTEE  
PUBLIC HEARING

STATE CAPITOL  
HARRISBURG, PA

MAIN CAPITOL BUILDING  
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TUESDAY, NOVEMBER 14, 2017  
9:02 A.M.

PRESENTATION ON  
H.B. 1704, PROVIDING FOR IT CONSOLIDATION,  
COST TRANSPARENCY, PROCUREMENT CHANGES,  
AND COMMONWEALTH CYBERSECURITY

BEFORE:

HONORABLE DARYL METCALFE, MAJORITY CHAIRMAN  
HONORABLE STEPHEN BARRAR  
HONORABLE CRIS DUSH  
HONORABLE MATT GABLER  
HONORABLE SETH GROVE  
HONORABLE KRISTIN PHILLIPS-HILL  
HONORABLE JERRY KNOWLES  
HONORABLE BRETT MILLER  
HONORABLE FRANK RYAN  
HONORABLE THOMAS SANKEY  
HONORABLE CRAIG STAATS  
HONORABLE JUDITH WARD  
HONORABLE JEFF WHEELAND  
HONORABLE MATTHEW BRADFORD, DEMOCRATIC CHAIRMAN  
HONORABLE DONNA BULLOCK  
HONORABLE MARY JO DALEY  
HONORABLE PAMELA DELISSIO  
HONORABLE STEPHEN MCCARTER  
HONORABLE CHRISTOPHER RABB

\* \* \* \* \*

*Pennsylvania House of Representatives  
Commonwealth of Pennsylvania*

## COMMITTEE STAFF PRESENT:

SUSAN BOYLE

MAJORITY EXECUTIVE DIRECTOR

AMY HOCKENBERRY

MAJORITY RESEARCH ANALYST

KAREN PRIEGO

MAJORITY RESEARCH ANALYST

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MAJORITY ADMINISTRATIVE ASSISTANT

GLENDON KING

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MATT HURLBURT

DEMOCRATIC RESEARCH ANALYST

SHARON HOUSSOU

DEMOCRATIC LEGISLATIVE ASSISTANT

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SUBMITTED WRITTEN TESTIMONY

\* \* \*

(See submitted written testimony and handouts online.)

## P R O C E E D I N G S

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1  
2  
3 MAJORITY CHAIRMAN METCALFE: Good morning. This  
4 meeting of the House State Government Committee is called  
5 to order.

6 And before we take the attendance, if I could ask  
7 everyone to please rise, and, Representative Sankey, could  
8 you lead us in the Pledge?

9  
10 (The Pledge of Allegiance was recited.)

11  
12 MAJORITY CHAIRMAN METCALFE: Thank you,  
13 Representative Sankey.

14 If I could ask our Member Secretary to call the  
15 roll call, please.

16  
17 (Roll was taken.)

18  
19 REPRESENTATIVE PHILLIPS-HILL: We have a quorum,  
20 Mr. Chairman.

21 MAJORITY CHAIRMAN METCALFE: Thank you,  
22 Representative Hill.

23 And this morning, we have a hearing on House Bill  
24 1704 that provides for IT consolidation, IT cost  
25 transparency, IT procurement changes, and Commonwealth

1 cybersecurity. And our first testifier will be Mr. Kailash  
2 Kalantri. He's President and CEO of Acclaim Systems, and I  
3 want to invite you up to the microphone, sir --

4 MR. KALANTRI: Thank you.

5 MAJORITY CHAIRMAN METCALFE: -- right there in  
6 the center, and you can begin when you're ready. And we'll  
7 receive your testimony and then we have about 10 minutes  
8 scheduled for testimony time and about 10 minutes scheduled  
9 for Q&A with you. And we appreciate you being here with us  
10 this morning. Thank you for being our guest.

11 MR. KALANTRI: Thank you very much.

12 Good morning, everyone. My name is Kailash  
13 Kalantri, and I am the President of Acclaim Systems. I  
14 have been in the IT field for over 20 years, and we have  
15 been doing business in Harrisburg with the Commonwealth for  
16 over 17 years. Acclaim was nominated by Pennsylvania  
17 CareerLink in 2016, and we were the recipient of the  
18 Governor's Achievement Award.

19 I want to thank Chairman Metcalfe, Representative  
20 Grove, and the entire Committee for House Bill 1704 for  
21 giving me the opportunity to testify today.

22 As you perhaps know, all Commonwealth employees  
23 are required to do complete background checks, sign  
24 financial disclosures, and are not allowed to do business  
25 with the Commonwealth agencies. These rules and guidelines

1 were established to validate employee qualifications and  
2 experience, to avoid abuse of power, and to prevent  
3 conflicts of interest. Interestingly enough, a contractor  
4 hired to work in the same agencies alongside Commonwealth  
5 employees does not have such requirements or constraints.  
6 This can lead to situations where improperly vetted  
7 contractors may be hired. It can also lead to a situation  
8 where a contractor may be dealing with the very agency that  
9 he is contracted to. At the very least, contractors should  
10 be required to go through the same formal vetting process  
11 that employees of the Commonwealth go through, and they  
12 should be required to follow the same guidelines and rules  
13 about doing business with Commonwealth.

14           Let me briefly touch upon each of these points.  
15 The first one is the background checks. The Commonwealth  
16 must ask vendors to do background checks for employment and  
17 education to validate the candidate's résumé and  
18 experience. This will be at no cost to the Commonwealth  
19 and will help confirm the qualification of the consultant.  
20 This is required, as some candidates or contractors falsify  
21 the information on the résumé. It is important to hire a  
22 qualified candidate so that a job is done right the first  
23 time. We need candidates with integrity, as they may have  
24 access to confidential data and information. This check  
25 may also help with security.

1           Number two, independent consultants with firms,  
2 independent consultants billing directly to Commonwealth of  
3 Pennsylvania for their services must not be allowed to do  
4 business directly or indirectly with that agency as they  
5 have access to internal confidential information which  
6 leads to conflicts of interest. In these cases,  
7 Commonwealth of Pennsylvania is paying the consultant to  
8 build his or her business rather than doing the work that  
9 the consultant has been hired for by the Commonwealth.

10           Favoritism with agency managers is another issue  
11 that may increase kickbacks or corruption. Consultants may  
12 also team up with other independent contractors at same or  
13 other agencies to help each other. A consultant should not  
14 be part of the hiring process for other contracting staff.  
15 This would apply to independent consultants as well.

16           Lastly, financial Disclosures. Every consultant  
17 working with Commonwealth of Pennsylvania must be asked to  
18 sign a financial disclosure so that they are not doing any  
19 business with the agency or Commonwealth directly or  
20 indirectly.

21           These three measures should equally apply to  
22 existing and future consultants and will go a long way in  
23 ensuring a higher quality of consultant and leading to  
24 greater probity and reliability in their dealings with the  
25 Commonwealth.

1 I thank the Committee for its time and attention  
2 to this matter. Thank you.

3 MAJORITY CHAIRMAN METCALFE: Thank you, sir. And  
4 Representative Grove is recognized first for questions.

5 REPRESENTATIVE GROVE: Thank you.

6 Thank you for your testimony. So you've been in  
7 the IT field for 20 years, 17 years working here in  
8 Pennsylvania in information technology. Do you do business  
9 with other States as well?

10 MR. KALANTRI: Yes.

11 REPRESENTATIVE GROVE: How many other States have  
12 you worked in roughly?

13 MR. KALANTRI: We have worked with at least like  
14 six or seven other States, but most of our work is with  
15 Pennsylvania.

16 REPRESENTATIVE GROVE: Okay. So within your  
17 testimony, you're highlighting consultants who aren't  
18 necessarily -- they're not the vendors who are doing the  
19 day-to-day work. These are individuals an agency would  
20 hire as expertise in information technology to work aside  
21 an agency manager supervising the product, correct?

22 MR. KALANTRI: Correct.

23 REPRESENTATIVE GROVE: And these agency  
24 consultants, do they have -- you know, part of your  
25 discussion here is conflicts of interest and favoritism.



1 Do these outside consultants, are they actually hiring the  
2 vendors who are doing the service work --

3 MR. KALANTRI: No, they --

4 REPRESENTATIVE GROVE: -- sometimes?

5 MR. KALANTRI: What's happening is these  
6 consultants who are there, they are creating their own  
7 companies and then hiring from their companies rather than  
8 using the vendors in the Commonwealth.

9 REPRESENTATIVE GROVE: Okay. So they're keeping  
10 everything in-house as part of their business model instead  
11 of hiring an outside vendor to do the actual work?

12 MR. KALANTRI: Correct. And this decreases  
13 competition as well because if it goes to the vendors, it  
14 goes to like 30, 40, 50 other vendors, so then you get the  
15 best out of that. But if you have given it to one  
16 particular company or a consultant, then they don't have  
17 any competition.

18 REPRESENTATIVE GROVE: These consultants who are  
19 doing the consultant work with the agency managers, how are  
20 they selected for that job? Are they former State  
21 employees? Do they already have relationships with that  
22 agency prior to getting those positions?

23 MR. KALANTRI: Yes, most of them would have been  
24 with the agency for a long time, so they have been  
25 consultants for many, many years.

1 REPRESENTATIVE GROVE: Okay.

2 MR. KALANTRI: Or they are in good positions over  
3 there.

4 REPRESENTATIVE GROVE: And what they're supposed  
5 to do is just provide the kind of IT support they have a  
6 specialization. Their only job is to advise, correct?  
7 They're not supposed to --

8 MR. KALANTRI: Correct.

9 REPRESENTATIVE GROVE: -- run, they're not  
10 supposed to manage. Their job is just added support for  
11 that agency manager who's in charge of that IT project?

12 MR. KALANTRI: Exactly correct.

13 REPRESENTATIVE GROVE: Okay. Thank you.

14 MAJORITY CHAIRMAN METCALFE: Thank you,  
15 Representative Grove.

16 Representative DeLissio?

17 REPRESENTATIVE DELISSIO: Thank you,  
18 Mr. Chairman.

19 Good morning. A follow-up question to that. So  
20 these independent consultants are then 1099 folks as  
21 opposed to -- they're not on the Commonwealth's payroll, is  
22 that correct?

23 MR. KALANTRI: They're not on Commonwealth's  
24 payroll. They are working at the agency through one of the  
25 State contracts.

1           REPRESENTATIVE DELISSIO: So in some instances  
2 companies, whether it's the Commonwealth or other  
3 companies, will hire a 1099 if a position is not a regular  
4 ongoing position versus a position for a limited duration.  
5 Is that the case with these independent consultants that  
6 are hired, that this is not a -- I don't like to use the  
7 word permanent when it comes to human resources because no  
8 job is permanent. So for whatever reason this is not a  
9 regular ongoing position that the agency or a bureau or  
10 whatever the entity is is hiring for; they're hiring this  
11 because it's of limited duration? Or do you find that  
12 these are also ongoing? What is the scope of some of this?

13           MR. KALANTRI: Some of the positions have been  
14 going on for 10-plus years, so they're not like short-term  
15 positions. The only thing is you're paying a lot of money  
16 for each of these positions, so you're paying like, say  
17 \$100 per hour or more. The consultants will not take the  
18 permanent employee positions because the salaries will be  
19 low, so they would rather be a consultant and work for 15,  
20 20 years.

21           REPRESENTATIVE DELISSIO: Got it.

22           MR. KALANTRI: Did I answer?

23           REPRESENTATIVE DELISSIO: Yes, that does help  
24 because if there is a void and we're not able to hire who  
25 we need, as you mentioned, if the salary is not

1 competitive, that could be -- and what we need, the  
2 experience and the expertise that that person is providing.  
3 So then the other piece of what you were saying is that  
4 they're creating -- at first, I was a little lost when you  
5 said they're creating their own companies on this. So  
6 you're saying if additional expertise is needed I guess,  
7 they are in fact bringing in additional people that they  
8 know through that independent consulting contract as  
9 opposed to the Commonwealth or bureau hiring somebody as an  
10 employee?

11 MR. KALANTRI: No. What happens is these  
12 independent consultants, they are already at the agency, so  
13 they know of a project coming up. So they say, okay, you  
14 know, let me try to get this project for myself. So it's  
15 not like you cannot -- the people they are hiring, they can  
16 be easily hired from the vendors or other people, but they  
17 try to keep it to themselves so that it benefits them as  
18 well.

19 REPRESENTATIVE DELISSIO: Is this a bidding  
20 situation, though?

21 MR. KALANTRI: It's not a bidding situation.

22 REPRESENTATIVE DELISSIO: It is not a bidding  
23 situation. Now I'm clear. Thank you, Mr. Chairman. That  
24 was helpful.

25 MAJORITY CHAIRMAN METCALFE: Thank you,

1 Representative DeLissio.

2 Representative Ryan.

3 REPRESENTATIVE RYAN: Sure. Thank you so much  
4 for coming.

5 How dynamic are the criteria for the background  
6 checks for technical expertise? Because that field changes  
7 substantially literally daily. So how dynamic is that  
8 process to make sure we're getting the most capable person?

9 MR. KALANTRI: There are a lot of agencies  
10 available to do background checks, so Acclaim does work  
11 with commercial clients as well. And, for example, we do a  
12 lot of work with a company called ADP, the payroll company.  
13 Every person that is hired for that company, they have to  
14 go through the education and employment verification. And  
15 the vendor and the company does that. It's very easy.  
16 They change as required, so you just have to have the  
17 vendor do it. It doesn't cost much. It's like 100 or 200  
18 bucks.

19 REPRESENTATIVE RYAN: And that will give you the  
20 technical capabilities of the individual? I came out of  
21 corporate America, and so my skepticism relates more to the  
22 fact is -- I can understand a background check from a  
23 criminal perspective, financial stability and reliability  
24 perspective, financial ability to handle their own personal  
25 finances and avoid those types of issues, but I'm concerned

1 about making sure that we don't have a repeat of things  
2 that happen such as with workers' compensation, and I'm  
3 trying to make sure -- do we need to change the procurement  
4 process or do we need to change these processes in the  
5 background? And I agree with the concept behind the bill,  
6 by the way, because I think it does give us the necessary  
7 issues about conflicts of interest, but I want to make sure  
8 we're solving the right problem --

9 MR. KALANTRI: Sure.

10 REPRESENTATIVE RYAN: -- as well.

11 MR. KALANTRI: My main issue behind, number one,  
12 the background check is some people, they have like six  
13 months' or one year experience, but they give a résumé to  
14 the Commonwealth stating they have seven years or eight  
15 years. So you are not paying the consultant --

16 REPRESENTATIVE RYAN: Okay.

17 MR. KALANTRI: -- for one year what you're paying  
18 for eight years, but in fact they have only six months to  
19 one year.

20 REPRESENTATIVE RYAN: So you're doing a résumé  
21 check as opposed to a capabilities check?

22 MR. KALANTRI: Correct.

23 REPRESENTATIVE RYAN: Okay. Now, I've frequently  
24 seen -- and, Mr. Chairman, last question. I've frequently  
25 seen companies hire subject matter experts, someone who

1 might have an expertise in an area that might be so unique  
2 that not many people specialize in it. I have an expertise  
3 in non-depository trust financial institutions. Nobody  
4 else in the world cares about that kind of stuff, so I  
5 would get hired like that. Do we make sure that this bill  
6 gives us enough safeguards to make sure that we don't shut  
7 off capabilities that we might need such as in the  
8 Treasurer's office by doing this inadvertently?

9 MR. KALANTRI: I think you can always reduce the  
10 qualifications rather than -- if you need somebody, for  
11 example, with five years of depository experience, if they  
12 mention five years, they should have, you know, four or  
13 five years. If they have six months or less, then it  
14 doesn't really help anyone because they might not have the  
15 expertise. So rather than saying, okay, I want five years,  
16 you can always reduce the qualifications and pay  
17 appropriately, but you want to make sure whoever is  
18 providing the résumé is genuine and if they have -- because  
19 all the people, they have access to -- you know, at PennDOT  
20 they have access to your personal data, Department of  
21 Revenue, tax data, DEP, nuclear data. You know, there is a  
22 lot of data available, so you want to make sure everybody  
23 is honest and sincere.

24 REPRESENTATIVE RYAN: Thank you so much.

25 Mr. Chairman, thank you.

1 MAJORITY CHAIRMAN METCALFE: Thank you.

2 Representative Daley.

3 REPRESENTATIVE DALEY: Thank you, Mr. Chairman.

4 And, Mr. Kalantri, thank you for being here  
5 today.

6 MR. KALANTRI: Thank you.

7 REPRESENTATIVE DALEY: I come from a different  
8 world also. I worked at a university, and when we did  
9 hiring and we were ever going to bring in an independent  
10 contractor, we had a form that they had to complete to  
11 ensure that they were actually truly independent  
12 contractors. Does the State use anything like that? I  
13 was --

14 MR. KALANTRI: No.

15 REPRESENTATIVE DALEY: Nothing, because I think  
16 that that -- I don't remember. I've not been with that  
17 university for five years now, but it just reminded me that  
18 I thought there was something in there about hiring former  
19 employees, they had to have a certain period of time from  
20 being an employee to being an actual contractor. My  
21 understanding it was IRS rules that would make that  
22 determination because we were really held under strict  
23 requirements related to that.

24 And when you're saying this, are you talking for  
25 the entire Commonwealth, all hiring?



1           MR. KALANTRI: Yes. I'm talking only about  
2 contractors because when the Commonwealth is hiring  
3 employees for the Commonwealth, they are going through all  
4 these checks, but when they're hiring consultants of  
5 contractors, this is not being done.

6           REPRESENTATIVE DALEY: And you know this because  
7 of --

8           MR. KALANTRI: I've been in --

9           REPRESENTATIVE DALEY: -- working in a certain  
10 department or just because your company is --

11          MR. KALANTRI: Because I have been in IT for like  
12 20 years, so I typically have a good idea, you know, what  
13 happens.

14          REPRESENTATIVE DALEY: Thank you.

15          MAJORITY CHAIRMAN METCALFE: Representative Dush.

16          REPRESENTATIVE DUSH: Thank you, Chairman.

17                 Actually, Representative Daley asked most of my  
18 questions but it leads to something else. When the  
19 consultants are hired by the contractors, who has  
20 supervision over them, and is there any control over  
21 potential conflicts of interest as it stands now?

22          MR. KALANTRI: I don't know if I can answer that  
23 question reliably because sometimes agency managers have  
24 the control. Sometimes the consultants have the control.  
25 And that's the reason -- you know, if you have an

1 independent contractor who is like technical assistance to  
2 the agency manager, he should not be allowed to have his  
3 own company and hire people because then he's going to  
4 control this and give the wrong information to the  
5 managers. He should be an independent person just -- and  
6 you're paying him for doing that, so he should just provide  
7 -- there'd be no conflict of interest because he will give  
8 the right opinion. Otherwise, he will always try to  
9 inflate or give wrong answers.

10 REPRESENTATIVE DUSH: Thank you. That's actually  
11 what I was looking for. We need to have direct oversight  
12 over the work of the consultants, as well as the  
13 contractors. I appreciate it. Thanks.

14 MAJORITY CHAIRMAN METCALFE: Thank you,  
15 Representative Dush.

16 Representative McCarter?

17 REPRESENTATIVE MCCARTER: Thank you,  
18 Mr. Chairman.

19 And, again, thank you very much for your  
20 testimony. I'm trying to get a picture of the scope of  
21 this because this is a broad-ranging discussion obviously  
22 across the Commonwealth in terms of different offices. How  
23 many different agencies have you worked with in the  
24 Commonwealth?

25 MR. KALANTRI: Over a dozen.

1 REPRESENTATIVE MCCARTER: I'm sorry?

2 MR. KALANTRI: Over 12.

3 REPRESENTATIVE MCCARTER: Okay. Within that  
4 then, has that been within the Governor's office as an  
5 example, indirectly that are under the control of the  
6 Governor?

7 MR. KALANTRI: I did not understand that.

8 REPRESENTATIVE MCCARTER: In other words, as  
9 described within the bill that we're looking at today,  
10 there's different definitions. Independent agencies would  
11 be agencies that are not under the control of the Governor  
12 as an example, commissions and boards, authorities, and so  
13 on. Well, I'm trying to think of an example of that.  
14 General Assembly as an example would be one that's not  
15 under the control of the Governor's office.

16 MR. KALANTRI: We have worked for both. So we  
17 have worked for agencies that are under the control of the  
18 Governor's office, and we have also worked with the other  
19 commissions. We have also worked with House of  
20 Representatives.

21 REPRESENTATIVE MCCARTER: And in the context of  
22 that then and what you're describing is that if in fact one  
23 of these companies comes in and they get the initial  
24 contract and then they go out and hire additional people is  
25 what you're suggesting, that those additional people, for

1 instance, don't go through the background check process.

2 Is that what you're saying?

3 MR. KALANTRI: No, none of the contractors go  
4 through the background check. So any --

5 REPRESENTATIVE MCCARTER: No one does?

6 MR. KALANTRI: Today, any contractor -- as far as  
7 I know, any contractor that the Commonwealth hires today,  
8 nobody goes through a background check. They only go  
9 through a check called PSP background check, which is done  
10 by the Pennsylvania State Police. And that doesn't do  
11 anything. That just checks -- most people are DUI and any  
12 criminal activity in Pennsylvania only.

13 REPRESENTATIVE MCCARTER: And under the way it's  
14 working at the present moment then, who establishes, for  
15 instance, the wages of the individuals who come in to work  
16 as part of that under that contract? Is it the individual  
17 company that has been selected to do that?

18 MR. KALANTRI: No, it's the agency that provides  
19 the rate.

20 REPRESENTATIVE MCCARTER: The agency does. Okay.  
21 Thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN METCALFE: Thank you,  
23 Representative McCarter.

24 Representative Hill.

25 REPRESENTATIVE PHILLIPS-HILL: Thank you,

1 Mr. Chairman.

2 Thank you, Mr. Kalantri. Glad to have you here  
3 today.

4 So following along what Representative McCarter  
5 and Representative Dush were trying to get at, consultants  
6 and contractors, people who come into Pennsylvania agencies  
7 who have access to the personal information of people  
8 across the Commonwealth do have a Pennsylvania State Police  
9 background check?

10 MR. KALANTRI: Yes.

11 REPRESENTATIVE PHILLIPS-HILL: So we know if they  
12 have been convicted of a crime?

13 MR. KALANTRI: In Pennsylvania.

14 REPRESENTATIVE PHILLIPS-HILL: In Pennsylvania.  
15 However, you know, like we do with children, if someone  
16 deals with children in the Commonwealth, if they've not  
17 lived here longer than 10 years, we then require an FBI  
18 background check. Is the same protocol in place for  
19 consultants and contractors who come into Pennsylvania  
20 State agencies?

21 MR. KALANTRI: I don't think I have done that  
22 so --

23 REPRESENTATIVE PHILLIPS-HILL: Okay.

24 MR. KALANTRI: -- I don't think it is.

25 REPRESENTATIVE PHILLIPS-HILL: And then with

1 regard to the qualifications, there are companies here in  
2 Pennsylvania who specialize in doing, you know, nothing  
3 else except validating the credentials that an employee  
4 puts forward. You know, I actually graduated from, you  
5 know, University of Pennsylvania, I have a law degree from  
6 Dickenson University, this was my GPA, I achieved this  
7 honor. We do not look or verify anything that's put  
8 forward. Is that correct?

9 MR. KALANTRI: Correct.

10 REPRESENTATIVE PHILLIPS-HILL: But we do ask for  
11 that information?

12 MR. KALANTRI: It's on the résumé so you don't  
13 really ask for it. Whatever's there on the résumé, you  
14 just accept it.

15 REPRESENTATIVE PHILLIPS-HILL: Okay. Shifting  
16 gears just a little bit, these consultants and contractors  
17 who come into these agencies, are they working in an  
18 advisory capacity only or are they actually doing the work  
19 of an agency manager or employee?

20 MR. KALANTRI: Both.

21 REPRESENTATIVE PHILLIPS-HILL: Both. So we are  
22 using consultants and contractors in the place of State  
23 employees and managers?

24 MR. KALANTRI: Like architect-level positions  
25 where really very technical expertise is required where you

1 don't have a Commonwealth employee, so you hire a  
2 consultant to help with that.

3 REPRESENTATIVE PHILLIPS-HILL: So, typically,  
4 what is the length of service for a contractor or a  
5 consultant in a State agency?

6 MR. KALANTRI: Unlimited.

7 REPRESENTATIVE PHILLIPS-HILL: Unlimited. What  
8 is the longest time frame that you have worked in any one  
9 particular agency and its department?

10 MR. KALANTRI: Myself, I don't do directly any  
11 billing to the Commonwealth, but I know people who have  
12 been there for like 10, 15 years at the same place.

13 REPRESENTATIVE PHILLIPS-HILL: Thank you,  
14 Mr. Chairman.

15 MAJORITY CHAIRMAN METCALFE: Thank you,  
16 Representative Hill.

17 Representative Dush.

18 REPRESENTATIVE DUSH: Yes, a quick follow-up. Is  
19 there anything in the process that prevents a contractor  
20 from creating a subsidiary where a consultant would be  
21 hired and then hire that consultant from his own subsidiary  
22 or some other related firm?

23 MR. KALANTRI: Yes, and that's what was my number  
24 two, so that's what the consultant -- the architect -- so,  
25 for example, if I'm an architect, I'm billing at the

1 agency. Then I will form my own company and just hire from  
2 that company for the entire project that I'm managing.

3 REPRESENTATIVE DUSH: So is that going on now?

4 MR. KALANTRI: Yes.

5 REPRESENTATIVE DUSH: Thank you.

6 MAJORITY CHAIRMAN METCALFE: Thank you,  
7 Representative Dush.

8 From listening to the questions this morning, I  
9 don't think the audience that might be watching on PCN  
10 might understand the magnitude of the problem that you're  
11 reviewing. We have several Secretaries talking after you,  
12 so I'll be interested to hear their thoughts on what's been  
13 presented, if they've been presented this information in  
14 the past or if it's new information that they can help us  
15 to understand how we can bring about some reforms to  
16 address this.

17 But for you to come forward today and reveal to  
18 the Committee that the Commonwealth is hiring consultants,  
19 independent contractors to work within various departments  
20 and agencies, and those individuals, we have no idea if  
21 they have a financial interest, conflict of interest  
22 because they're not required to file the same financial  
23 interest forms that the individuals they're working  
24 alongside of in the departments are filing. So, first of  
25 all, when we hire somebody, they might have a conflict of



1 interest but we're not finding that out because our law  
2 doesn't require them to file the same statement that an  
3 employee has to file because they're not being hired as an  
4 employee but they're being hired as a contractor.

5           Secondly, that individual may be landing a  
6 position that's allowing them to work for many years within  
7 that department or agency at the same time they're  
8 leveraging that position where they don't have to reveal  
9 conflicts. They could have their spouse or a close friend  
10 or relative start a company or they could start their own  
11 company and then hire people from that company through  
12 leveraging their contacts internally within the departments  
13 and the favored status that they might have with certain  
14 managers that they're working with to be able to refer them  
15 to their own company or a family member's company to do  
16 additional work, thereby realizing additional profits in  
17 their own pockets because they haven't had to reveal the  
18 financial interests that they have and the conflict of  
19 interest that they have.

20           MR. KALANTRI: Yes.

21           MAJORITY CHAIRMAN METCALFE: That's correct?

22           MR. KALANTRI: That's correct.

23           MAJORITY CHAIRMAN METCALFE: Working in the  
24 business for about 20 years and working across various  
25 agencies, commissions, do you have -- I know when you and I

1 had talked previously, you had mentioned that just the  
2 check on somebody's résumé, if they're presenting  
3 themselves as being a person that has eight years of  
4 experience rather than a year of experience, they're being  
5 hired in at a higher rate of compensation, is that correct?

6 MR. KALANTRI: Correct.

7 MAJORITY CHAIRMAN METCALFE: So we're losing  
8 money because we're hiring somebody with less experience,  
9 but they're presenting themselves with more experience.  
10 And if we just did the check that you're talking about to  
11 check academic credentials and experience to check their  
12 résumé out, that we would realize a savings from that at  
13 the same time as that less-experienced person would be  
14 producing inferior work to somebody with more experience,  
15 and we may actually end up paying twice for the same  
16 project as a result of it, which would be causing  
17 additional cost where we could realize savings. Do you  
18 have any idea from your expertise in the business how much  
19 money the Commonwealth is losing because we're not doing  
20 these types of background checks on somebody's presented  
21 résumé and credentials and the type of inferior work that  
22 might be produced as a result of it? And, in addition, the  
23 money that we're losing because we're paying somebody that  
24 has a conflict of interest that might be leveraging that,  
25 do you have any idea how much we're looking at in terms of

1 dollars for the State?

2 MR. KALANTRI: I would not speculate on that, but  
3 I will tell you it's going to be a huge amount because the  
4 Commonwealth is hiring more than 1,000 contractors. If you  
5 take all the projects that stop augmentation and  
6 everything, so if you just do a basic check with the date  
7 of birth and the résumé, I think it will give you a lot of  
8 information. And I think it's going to be more millions.  
9 It's not going to be a small amount.

10 MAJORITY CHAIRMAN METCALFE: You mean millions of  
11 dollars?

12 MR. KALANTRI: Yes.

13 MAJORITY CHAIRMAN METCALFE: Tens of millions?

14 MR. KALANTRI: Should be, per year.

15 MAJORITY CHAIRMAN METCALFE: Thank you.

16 Representative McCarter?

17 REPRESENTATIVE MCCARTER: Mr. Chairman, while I  
18 agree with your analogy that obviously there is a scope and  
19 there is a means here that we're looking at, I think it's  
20 very difficult to speculate as to whether this is tens of  
21 millions or hundreds of millions of dollars that we're  
22 dealing with at the present moment without hearing other  
23 testimony. And I think it's unfair to this particular  
24 witness to be able to speculate on that with not having the  
25 insight as to the actual overall costs involved here.

1 MAJORITY CHAIRMAN METCALFE: Did you think that  
2 my question was unfair to you?

3 MR. KALANTRI: I think your -- sorry for anything  
4 if it is wrong, but I think it's going to be a huge amount  
5 because I do recruiting myself. I'm the President. I've  
6 been doing recruiting for over 20 years, and when I put  
7 selected positions, I get the résumés. And based on the  
8 résumés that I get, I've given the number. And I think  
9 it's going to be definitely in the millions. It's going to  
10 be over tens for sure.

11 MAJORITY CHAIRMAN METCALFE: Thank you.

12 Representative Daley.

13 REPRESENTATIVE DALEY: Thanks, Mr. Chairman.

14 While I was sitting here, I think we have a more  
15 fundamental question, and that is determining whether the  
16 State is hiring people as independent contractors as  
17 opposed to employees just without doing any checking  
18 because the State would then be potentially liable. I  
19 mean, there's IRS rules that guide those. The State would  
20 potentially be liable for Social Security payments,  
21 Medicare payments. So I'm just uncomfortable with this  
22 discussion without actually having someone let us know that  
23 we're not following those provisions because I think that  
24 while I appreciate your concerns for potentially bringing  
25 in people and paying more for their services, I mean,

1 that's a whole other question. I'm just really  
2 uncomfortable with the idea that the State's not following  
3 the procedures as outlined by the IRS because according to  
4 the IRS website, government entities are included in this.  
5 So I think it's not what I came here thinking the hearing  
6 was on. It's just that it's kind of troubling to think  
7 that, so I just wanted to -- I think we should look into  
8 that a little bit more and get more information. Thank  
9 you.

10 MAJORITY CHAIRMAN METCALFE: Representative  
11 Wheeland.

12 REPRESENTATIVE WHEELAND: Thank you, sir, for  
13 your testimony today.

14 Earlier, you had stated that you had worked with  
15 or within several other States.

16 MR. KALANTRI: Yes.

17 REPRESENTATIVE WHEELAND: Is there a State that  
18 stands out that seems in your opinion to do it right?

19 MR. KALANTRI: We don't do much work with the  
20 other States. We do very limited projects in all, so I  
21 don't have much information. I know Pennsylvania pretty  
22 well, but other States I can't give you, you know, how they  
23 work.

24 REPRESENTATIVE WHEELAND: But in your experience,  
25 limited experience with the other States, do they seem to

1 be a little better at --

2 MR. KALANTRI: They --

3 REPRESENTATIVE WHEELAND: -- vetting --

4 MR. KALANTRI: See, we have done fixed-cost  
5 projects for them, so I can't tell you --

6 REPRESENTATIVE WHEELAND: Okay.

7 MR. KALANTRI: -- because then we hire the right  
8 people. But mostly the commercial plans that I work with,  
9 they all follow this process.

10 REPRESENTATIVE WHEELAND: Okay. Thank you.

11 MAJORITY CHAIRMAN METCALFE: Thank you,  
12 Representative Wheeland.

13 And today's hearing is on IT consolidation, IT  
14 cost transparency, IT procurement changes, so that's what  
15 the hearing's on. That's what the gentleman is testifying  
16 to, IT procurement, IT transparency, cost transparency, IT  
17 consolidation in the way of we want to make sure we  
18 consolidate and we don't have somebody creating their own  
19 company that might be hiring additional people when they  
20 have internal contacts and they don't have a conflict of  
21 interest that they've actually reported because a lot of  
22 them don't require them to.

23 So we thank you, sir, for your time today. As  
24 President of your own company, we know time is money, and  
25 we appreciate you spending your time with us this morning

1 to help educate our members and bring this to the attention  
2 of the public. Thank you, sir.

3 MR. KALANTRI: Thank you very much.

4 MAJORITY CHAIRMAN METCALFE: Our next testifier  
5 is Secretary Topper, Secretary of the Department of General  
6 Services. And we appreciate Secretary Topper joining us  
7 today and look forward to his testimony and spending a few  
8 minutes with him on this topic this morning. Thank you,  
9 Secretary. You can begin when you're ready, sir.

10 SECRETARY TOPPER: Mr. Chairman, thank you for  
11 the opportunity to be here today.

12 We have already submitted written testimony, and  
13 I'd be pleased to just have that go into the record and we  
14 can move directly to questions if you'd prefer.

15 MAJORITY CHAIRMAN METCALFE: Could you give us a  
16 summary of your testimony, sir, just a few brief statements  
17 to the --

18 SECRETARY TOPPER: Sure.

19 MAJORITY CHAIRMAN METCALFE: -- Committee. I  
20 don't think everybody's read through the testimony yet. It  
21 was just given to them, and they've been listening to  
22 previous testifiers, so --

23 SECRETARY TOPPER: Fair enough.

24 MAJORITY CHAIRMAN METCALFE: -- kind of an  
25 overview, then they can follow up and read what you

1 presented later and follow up with questions to you if  
2 needed.

3 SECRETARY TOPPER: Sure. Fair enough.

4 MAJORITY CHAIRMAN METCALFE: Thank you, sir.

5 SECRETARY TOPPER: Before I launch into my  
6 testimony, though, I would like to just clarify a couple of  
7 things related to the testimony that you've all just heard.  
8 I think it's important that the Committee understand that  
9 background checks are indeed performed on every contractor  
10 who gets a badge. Basically, anyone we give a badge and  
11 give access to Commonwealth facilities has to go through a  
12 background check. It is not a background check that would  
13 catch situations where résumés have been falsified or where  
14 a contractor is unqualified to do the work.

15 But all of the contractors that I believe  
16 Mr. Kalantri was referring to are contractors that are  
17 hired by the Commonwealth through what's called our staff  
18 augmentation contract. That contract is in its third  
19 generation. It was originally awarded to Computer Aid back  
20 in 2003 or 2004. It is currently work performed by a  
21 company called OST, who beat Computer Aid in a very  
22 competitive process just about two years ago. The total  
23 volume on that contract I believe is somewhere between \$50-  
24 \$100 million, which is a lot of money but is also not the  
25 majority of even our IT spend. And the purpose of the



1 contract is primarily to provide short-term qualified  
2 technical expertise and labor to the agencies of the  
3 Commonwealth.

4           The pricing and all of the wages, all of that is  
5 established up front via a rate card that was negotiated as  
6 part of that competitive process. The agencies actually  
7 have no control over those rates. They do have control  
8 over when they specify categories of labor, that they're  
9 going to the contract in order to pull.

10           There are no maximum limits in terms of the  
11 length of engagement, and it is true that we do have across  
12 the agencies a number of folks who have been employed at  
13 the Commonwealth via the staff augmentation contract for a  
14 considerable amount of time. You know, it could be 10  
15 years or more in some instances.

16           The agencies make those determinations about  
17 whether to source that labor through the contract or  
18 whether they should try to hire permanent employees. There  
19 are challenges on either side. The one thing I am sure of  
20 is that the value that that OST contract represents is  
21 significant because I was here during the Rendell  
22 Administration when we put the first one in place, and I  
23 know for a fact that we brought down the average blended  
24 rate from the world prior to having this contract in place.  
25 We brought that down by about 35 percent. So prior to

1 staff augmentation, agencies were going directly to the  
2 Deloittes and the Accentures of the world and they were  
3 paying significantly higher rates than they are paying now  
4 through the staff augmentation contract.

5           It is likely still more expensive than it might  
6 be to hire those employees directly into the agencies.  
7 That's a topic that Secretary Minnich I think can address  
8 better than I. But all of the agencies are really looking  
9 at finding the most cost-effective way to get qualified  
10 labor in place to perform these tasks. I'd be happy to  
11 walk any one of you through how the contract works in  
12 greater detail if you're so interested.

13           I do think that there's probably some room for  
14 improvement around some of the issues that Kailash  
15 mentioned, and Kailash and I have been meeting regularly.  
16 He's been a big contributor to the Governor's Diversity,  
17 Inclusion, and Small Business Opportunities Council. And  
18 we meet frequently, and we are already looking into some of  
19 the things that Kailash shared with you this morning.

20           I would only point out that from a quality  
21 standpoint, OST, the contractor, has every incentive to  
22 make sure that the people that they assign to Commonwealth  
23 agencies to do this work, they have every incentive to make  
24 sure that those personnel are qualified to do the work,  
25 that they meet the minimum criteria that are in the rate

1 card. They have the incentive to check the résumé. They  
2 have the incentive to make sure that the professionals are  
3 able to do what they say they're able to do because they  
4 have very strict SLAs with the Commonwealth. So in the  
5 event that they put someone in place who can't perform, the  
6 Commonwealth can replace that person, come back to the OST  
7 contract. And if OST consistently fails to deliver folks  
8 for a specific agency or a specific project, you know, that  
9 meet the requirements, then there are consequences for OST.

10 So it is not a system that is completely without  
11 checks and balances. It probably could be improved, and I  
12 would be happy to work with anyone here to try to improve  
13 it. But I don't want you all left with the impression that  
14 this is somehow the wild west. It's really not.

15 As far as my testimony with respect to 1704, I  
16 think I've just given you all time enough to read it. I'll  
17 say this. I think the Administration is interested in  
18 working with the Committee and with the General Assembly to  
19 make improvements in the way that we do IT and the way we  
20 contract for IT services and for IT hardware and for  
21 software. I don't believe that the bill in its current  
22 form actually moves us forward. And I'd be happy to get  
23 into why I don't think it actually moves us forward. But I  
24 would like everyone to understand that we are certainly  
25 willing to work with you to solve the problems in statute

1 to the degree that statute is holding us back. I certainly  
2 want to address those things. But I'll be happy to take  
3 questions. I think that's probably the easiest format.

4 MAJORITY CHAIRMAN METCALFE: Thank you, Secretary  
5 Topper. I would be interested in your ideas for  
6 legislation that would help us to move forward and not just  
7 what's holding you back. I'm interested in that side of  
8 it, but I'm also interested in making sure that we're  
9 putting in the statute some of the integrity-type changes  
10 that you've made as Secretary to the system so we can make  
11 sure that we've got integrity in years to come with good  
12 procurement processes that are going to save dollars and  
13 create efficiencies.

14 So, Representative Hill will be the first Member.

15 REPRESENTATIVE PHILLIPS-HILL: Thank you,  
16 Mr. Chairman.

17 Secretary Topper, thank you for being here today.

18 I just want to talk about cybersecurity  
19 protection tools in the executive branch and was wondering  
20 who you are using for your cybersecurity protection, how  
21 that cybersecurity company was evaluated, what criteria  
22 were used, and by what process they were established. You  
23 know, did you use competitive bidding? Did you do the  
24 lowest bid? And who makes that selection?

25 SECRETARY TOPPER: Sure. Representative, I'm

1 going to have to defer to my colleague Secretary Minnich  
2 and Deputy Secretary MacMillan for the answer to that  
3 question. I'm not familiar with the details on when that  
4 provider was chosen or how.

5 REPRESENTATIVE PHILLIPS-HILL: Mr. Chairman, I  
6 will respectfully withdraw my question for a later  
7 Secretary then.

8 MAJORITY CHAIRMAN METCALFE: Thank you.

9 SECRETARY TOPPER: Sure.

10 MAJORITY CHAIRMAN METCALFE: Thank you,  
11 Representative Hill.

12 Representative Daley.

13 REPRESENTATIVE DALEY: Thank you, Mr. Chairman.

14 Secretary Topper, it's good to see you.

15 SECRETARY TOPPER: Good to see you.

16 REPRESENTATIVE DALEY: If you don't mind, I'm  
17 going to ask all my questions all at once, and then you can  
18 figure out how to answer them.

19 SECRETARY TOPPER: Okay.

20 REPRESENTATIVE DALEY: So one question is is  
21 problem-based procurement an industry term? It's used in  
22 this legislation. I'm just curious about it. I didn't  
23 have time to look it up and I don't know enough, so I  
24 wanted to know if that was an industry term. But I was  
25 also interested in how the procurement chapter would

1 integrate with the Commonwealth Procurement Code or how  
2 that would work. And then also, I know that the  
3 procurement code and this House Bill 1704 provides for  
4 dispute resolution, but if you could just compare those two  
5 things. And also, the equity and other kinds of issues  
6 like that that I know the Procurement Code covers, do you  
7 see them in this bill?

8 SECRETARY TOPPER: Sure.

9 REPRESENTATIVE DALEY: Thanks.

10 SECRETARY TOPPER: Thank you. So when I read the  
11 statement problem-based procurement in the bill in  
12 paragraph 7 here, it goes on to define it as -- it means a  
13 request for bids by a State agency for an information  
14 technology project which details the information technology  
15 needs of the State agency and solicits proposals by bidders  
16 regarding how to best meet those needs. Generally  
17 speaking, that's a definition for any procurement or any  
18 common services procurement that the Commonwealth is  
19 already performing. Problem-based procurement is not a  
20 term of art that I'm familiar with. I took it to mean --  
21 the definition that's in the bill notwithstanding, I took  
22 problem-based procurement to mean going to the market,  
23 first being able to clearly articulate what is the problem  
24 that you intend to solve, what is the solution that you're  
25 looking for, and accurately describing what that is so that

1 there is less uncertainty about what the scope of effort is  
2 that's required.

3 I do believe that we actually make -- we've made  
4 great strides in the last few years in terms of putting out  
5 higher-quality solicitations and doing a better job of  
6 defining the scope, but frankly, I find this term a little  
7 bit confusing, which is why I would love to have a dialogue  
8 with the Committee and with you all about what you really  
9 mean here. See, what's not clear to me is what the problem  
10 is that this bill aims to solve, and it seems to me we  
11 ought to apply the same problem-based standard to the  
12 legislative initiative as well.

13 With respect to how the bill corresponds to the  
14 Procurement Code, I get the sense that the intent here may  
15 have been to somehow liberate IT from the Commonwealth's  
16 procurement rules, but I think the net effect of the bill  
17 as it's written would actually be to further constrain the  
18 Commonwealth when it comes time to go to market for IT  
19 services anywhere within IT.

20 Within the Procurement Code, we already have  
21 fairly significant flexibility here to use multiple award  
22 contracts, to use ITQs, which stands for invitation to  
23 qualify; RFPs. We have the ability to use reverse  
24 auctions, best-and-final offers. All of this is very, very  
25 clearly defined both in the current Procurement Code and in

1 the Procurement Handbook, which is the regulations that my  
2 department promulgates around how the agencies should do  
3 best-value procurements. A lot of that is actually missing  
4 from this bill.

5           There's also confusion in the bill vis-à-vis the  
6 nomenclature that is dominant currently within the State's  
7 procurement system. So currently, about three-quarters of  
8 the Commonwealth's dollars when we go out to market and we  
9 procure things, about three-quarters of the money gets  
10 spent using what's called a competitive sealed bid process,  
11 which is basically a price-only exercise. If you're  
12 responsible and responsive and you have the lowest price,  
13 you get the award.

14           The bill seems to use the word "bid" and the word  
15 "proposals" interchangeably. We tend to think about the  
16 current code in two ways. There is the competitive sealed  
17 bids, which is that rip-and-read low-cost-wins. And then  
18 there is the competitive sealed proposals process in the  
19 code, which is basically the RFP. And the RFP allows us to  
20 consider technical capabilities, commitments to diverse  
21 partners, et cetera.

22           I think that this bill, as written, will actually  
23 cause a lot of confusion within the Commonwealth on how  
24 best to take things to market, so my point of view is that  
25 we should make it consistent with the way the current



1 Procurement Code operates. Sorry, that's a long answer,  
2 but --

3 MAJORITY CHAIRMAN METCALFE: Thank you,  
4 Representative Daley.

5 Representative Grove.

6 REPRESENTATIVE GROVE: Thank you, Secretary  
7 Topper. I always appreciate the insights from the  
8 procurement guru of the Commonwealth.

9 The Governor's original Executive Order 2016-6,  
10 which established the Office of Information Services and  
11 which led to the consolidation of IT, the initial draft  
12 actually removed DGS from procurement of IT and put it  
13 under Office of Administration. Why was the Governor's  
14 original executive order done that way, and what was the  
15 decision points leading to IT procurement moving back to  
16 DGS?

17 SECRETARY TOPPER: Sure. So I'm not familiar  
18 with the initial draft that you're referring to. I know  
19 that IT procurement was moved from DGS over to OA OIT  
20 during the Corbett Administration. And although I have  
21 always believed that it belongs in DGS, when the  
22 Administration first took office, knowing that Secretary  
23 Minnich and I already had a very positive and longstanding  
24 relationship and were able to work together very well, it  
25 didn't seem to either of us like it would be worthwhile in

1 the short run to put everyone through a big organizational  
2 change, so we did not move immediately to move procurement  
3 back to DGS within the first couple years of the  
4 Administration.

5           However, as the shared services initiatives got  
6 underway both for IT and HR, it became clear that we had an  
7 opportunity at the same time that we went live with the  
8 shared services centers to move the procurement personnel  
9 back over to DGS. They all previously operated within OA  
10 basically still funded by DGS and positioned within OA via  
11 a delegation agreement. So I believe it makes more sense  
12 for us to have the procurement function all under one roof  
13 mainly because it's important to understand that  
14 procurement and contract management, project management,  
15 and IT, which is to say design, standard-setting, those  
16 kinds of things, they are all very different professions  
17 and they all require different skills.

18           And it's also true that virtually everything we  
19 buy these days has an IT component. It's quite difficult  
20 actually to tease out -- a good example is a recent  
21 contract we put in place for the Department of Corrections  
22 that has to do with food provision in correctional  
23 industries. There is a very significant IT component to  
24 the food contract with Aramark. A very sophisticated IT  
25 system is used to optimize inventory and do planning, et

1 cetera, that is a big part of why we save as much money as  
2 we do with that contract.

3 I could make an argument that that's an IT buy at  
4 the same time that it's a food buy, and there are many  
5 similar instances. IT has become part of virtually every  
6 major service contract that we have, and the opportunities  
7 to drive savings really stem from having the ability to  
8 visit and revisit the commercial terms. It's not  
9 necessarily the specifications or the specifics from IT  
10 perspective that are driving the savings opportunities.  
11 It's being able to dig in on terms and conditions and being  
12 able to do the analysis required in order to understand  
13 what kind of margins we're working with when we're coming  
14 to a negotiating table.

15 So for that and for many other reasons, it would  
16 seem to me it'd make sense for us to build a very  
17 consistent approach to procurement across all categories  
18 and across all agencies. That's what we've been  
19 endeavoring to do. It's much easier to do that if they all  
20 report to the same bureau director.

21 REPRESENTATIVE GROVE: How are your procurement  
22 officers working with IT specifically on IT projects?  
23 Obviously, procurement is a separate issue. IT is a very  
24 technical-area issue. So how is that relationship working  
25 now that your procurement people are back under DGS?

1 What's that relationship like, and how does the CIO have a  
2 say in those IT purchases moving forward under procurement?

3 SECRETARY TOPPER: Sure. I think it's going  
4 quite well. They officially moved over on July 5th of this  
5 year, so the change is still relatively new for the  
6 individual employees who've come over and had to relocate  
7 and rebadge. The relationship prior to the move was  
8 already very positive. Our teams were already working  
9 together on a routine basis. I meet with Secretary Minnich  
10 every other week along with the Office of the Budget. I  
11 would characterize our working relationship as about as  
12 close as could be. I don't believe that OA has seen a  
13 drop-off in our productivity since we moved those folks  
14 over to DGS.

15 I know that roughly one-third of the \$140 million  
16 in contract savings that we've achieved within the last two  
17 years has come from IT projects, from contract negotiations  
18 in the IT sphere, and we did all of that together. It's  
19 always been relatively seamless. It just makes more sense  
20 for us to have them all in one authority structure so that  
21 we can continue to ensure that there's consistency in terms  
22 of how the procurement process is followed.

23 MAJORITY CHAIRMAN METCALFE: Representative  
24 Grove, if we could come back to you possibly?

25 REPRESENTATIVE GROVE: Yes.

1 MAJORITY CHAIRMAN METCALFE: I think we're going  
2 to run out time with this testifier based on the number of  
3 Members that have questions, and we do have the Treasurer  
4 is with us. The State Treasurer is here. I don't want to  
5 keep him waiting too long before we get him on the schedule  
6 here, and we also have Secretary Minnich that's going to be  
7 speaking with us, so maybe some of the questions could come  
8 into play with either of those testifiers.

9 Representative DeLissio.

10 REPRESENTATIVE DELISSIO: Thank you,  
11 Mr. Chairman.

12 Mr. Secretary, you mentioned this is the third  
13 generation of staff augmentation. Has OST been the  
14 contractor from the inception?

15 SECRETARY TOPPER: No, ma'am. The original  
16 contractor was Computer Aid.

17 REPRESENTATIVE DELISSIO: So this, too, is bid  
18 out if you will when that contract is up?

19 SECRETARY TOPPER: That's correct.

20 REPRESENTATIVE DELISSIO: Okay. And then you had  
21 mentioned primarily for short-term qualified expertise but  
22 then said there was no maximum limits, and I want to make  
23 sure I both heard you correctly and understood it. So is  
24 there any type of formulaic that says, you know, if a  
25 project is intended to go beyond a certain period, is there

1 a built-in to the process evaluation of whether that person  
2 should be hired as an employee versus a contracted entity?  
3 I remember a few years back I think when I was first  
4 running, at the gubernatorial level they were talking about  
5 fleet cars versus leasing and how they were going to do  
6 away with fleet cars. And having had the opportunity to  
7 manage, you know, in my career, you do a cost-benefit  
8 analysis. Clearly, in some instances reimbursing for  
9 mileage if you're hauling it in from Erie is going to be  
10 more expensive than leasing a vehicle for somebody.

11 I always get nervous when there's this across-  
12 the-board, broad-brush, we've-got-to-do-this because it  
13 plays well to citizens but in fact when you do the math, it  
14 doesn't necessarily. So is there something built into the  
15 process that helps to evaluate whether this should be an  
16 on-the-payroll-type person versus I believe it's an ITFA?

17 SECRETARY TOPPER: That is systematically in  
18 place for fleet I'm happy to say.

19 REPRESENTATIVE DELISSIO: Well, good.

20 SECRETARY TOPPER: But within the context of the  
21 OST contract, my understanding is that we have left that  
22 traditionally to the agencies to make that determination,  
23 basically to look at what their current complement  
24 constraints were, are at the time, to look at what the  
25 contractor currently costs, and to project how much longer

1 the contractor's going to be needed. We have not  
2 established a uniform threshold within the context of the  
3 contract.

4 REPRESENTATIVE DELISSIO: So, Secretary, is there  
5 a mechanism by which -- you've left it to the agencies. I  
6 understand that. Is there a mechanism by which somebody is  
7 evaluating the agency -- periodically evaluating whether  
8 the agencies are making the best decision? I'm sort of  
9 like an inspect-what-I-expect, trust-but-verify --

10 SECRETARY TOPPER: Sure. I think it would be  
11 fair to say that I and all of my colleagues in the Cabinet  
12 go through an annual process with the Budget Office that is  
13 pretty rigorous. We are looking at every penny and looking  
14 for every opportunity to drive operating costs out of our  
15 agencies. And, you know, I have great confidence actually  
16 that my fellow Cabinet Secretaries are doing just that.  
17 It's part of how we were able to make the commitment to the  
18 billion-dollar-plus reduction in operating costs across  
19 Commonwealth agencies in the current budget.

20 REPRESENTATIVE DELISSIO: Thank you,  
21 Mr. Chairman. Thank you, Mr. Secretary.

22 MAJORITY CHAIRMAN METCALFE: Thank you. And  
23 we're about 20 minutes over here, so I'd like to get the  
24 Treasurer up. I appreciate you being with us. We have  
25 several other Members that want to ask questions. We'll

1 keep them on the list for the next testifier.

2 Secretary, as you started your testimony and  
3 addressed the first testifier we had, Mr. Kalantri this  
4 morning, and you've mentioned that to clarify -- and I  
5 think during his testimony he made clear he was  
6 differentiating between the regular criminal background  
7 checks that the State Police would carry out when we're  
8 hiring somebody at the State and a further background check  
9 that the corporate world might run to verify somebody's  
10 credentials as far as their academic credentials, their  
11 private-sector, public-sector credentials that they're  
12 offering in their résumé, and you in fact early on verified  
13 that there are, yes, criminal background checks are being  
14 conducted but not the checks that he was bringing up that  
15 we should be doing unless they're maybe being done by the  
16 contractor that's been hired by the State that might be  
17 doing some of those self-initiated.

18 SECRETARY TOPPER: That's correct. The  
19 contractor has multiple incentives to deliver quality  
20 personnel --

21 MAJORITY CHAIRMAN METCALFE: Right.

22 SECRETARY TOPPER: -- who can do the work.

23 MAJORITY CHAIRMAN METCALFE: And you mentioned  
24 that. I appreciate that. But as far as each and every one  
25 of our departments, agencies, commissions, knowing that



1 that's being done, we don't know in fact whether that's  
2 being done or not. We're just kind of hoping that they're  
3 incentivized to do it based on the contract and our being  
4 able to go back at them for insufficient work or  
5 substandard work. So --

6 SECRETARY TOPPER: We --

7 MAJORITY CHAIRMAN METCALFE: And the other thing  
8 that he brought up was the conflict of interest that arises  
9 between somebody who's a contractor versus somebody who's a  
10 State employee, that the contractors are not required to  
11 have any financial interest statements, that we in fact  
12 might now know when a contractor has a conflict. And I  
13 assume that you agree with that, that that's something  
14 that's not being done for contractors because they're not  
15 required to under the law, but would you support a change  
16 in the law to require us to require contractors such as  
17 what's being talked about this morning to have to file some  
18 type of statement like that so we are aware of conflicts?

19 SECRETARY TOPPER: Conceptually, I think I can  
20 get behind that, Mr. Chairman.

21 MAJORITY CHAIRMAN METCALFE: Well, we'll look  
22 forward to working with you more on talking about that and  
23 vetting that out.

24 SECRETARY TOPPER: I'd like to see the details  
25 and understand what the full --

1 MAJORITY CHAIRMAN METCALFE: Right.

2 SECRETARY TOPPER: -- potential cost -- what cost  
3 that might entail across the entire population of  
4 contractors that we work with, but I would certainly be  
5 willing to talk --

6 MAJORITY CHAIRMAN METCALFE: Thank you.

7 SECRETARY TOPPER: -- to get behind something  
8 like that.

9 MAJORITY CHAIRMAN METCALFE: Thank you for being  
10 with us today. We appreciate it.

11 SECRETARY TOPPER: Thank you.

12 MAJORITY CHAIRMAN METCALFE: Our next testifier  
13 is our State Treasurer Joe Torsella. Thank you, Treasurer  
14 Torsella, for being with us today. We're running a little  
15 behind schedule this morning. A lot of Members I know had  
16 a lot of important questions, a lot of important testimony  
17 delivered, and we appreciate your patience in waiting to  
18 step up to the microphone and look forward to hearing what  
19 you have to share with us today, sir.

20 MR. TORSELLA: My pleasure. Thank you, Mr.  
21 Chairman. Thank you for having me.

22 Representative McCarter, Members of the  
23 Committee, thank you for giving me the opportunity to  
24 testify here today about this important topic. And thank  
25 you; I commend you for your focus on cybersecurity and for

1 some of the ideas that I support that are in the proposed  
2 bill.

3 I want to first introduce to my right P.N.  
4 Narayanan, who is our Chief Information Officer at  
5 Treasury, who has a 25-year career in the public and  
6 private sectors in this area who oversaw the transformation  
7 of Delaware's financial information system before here, and  
8 maybe most notably is the only person I've ever met in the  
9 IT world who delivered a major project below budget and on  
10 schedule. So I'm glad to have him, and I'm glad to have  
11 him with me here today.

12 You have written testimony. I'm going to briefly  
13 summarize that and then leave as much time as I can for  
14 questions.

15 As the primary financial institution of the  
16 Commonwealth, Treasury has a unique interest in this topic  
17 both because we are a major target for cyber attacks and  
18 cybercriminals and because, frankly, we feel a special  
19 obligation, given the number of processes and payments that  
20 depend on Treasury successfully defending against cyber  
21 attack. We take that obligation very seriously. We work  
22 with partners internally and externally to achieve it, and  
23 we are all in favor of information-sharing to enhance best  
24 practices across the Commonwealth system.

25 We process approximately 20 million payments

1 annually, and in doing that, we interact with all agencies  
2 and departments, a total of 77 across the Commonwealth. So  
3 we're concerned about our own security posture, but also,  
4 we're concerned about the security posture of all those  
5 other agencies because the integrity of what we do is  
6 fundamentally dependent on the integrity of what comes in.

7           As you know, cyber threats in general represent a  
8 sizeable and growing risk to the Commonwealth and its  
9 citizens and our security in all kinds of ways. A recent  
10 Pew survey shows that about two-thirds of Americans have at  
11 least one online account that holds important confidential  
12 information. About two-thirds of Americans report that  
13 some of their information has at some point been  
14 compromised.

15           In the past year, year-and-a-half, I think we've  
16 all seen what looks almost like a tipping point with the  
17 scale and impact and significance of the breaches reaching  
18 truly extraordinary levels across so many sectors of the  
19 economy. I'm tempted to call it a tipping point, but  
20 frankly, experts in the field suggest it may be the new  
21 normal with the scope of the information processing we do  
22 and the number of devices and the number of things we don't  
23 even think of as devices that sort of have access to that,  
24 this may be the new reality that we face.

25           On the other side of that reality, we are

1 experiencing threats from hackers, from cybercriminals, and  
2 maybe most alarmingly, from determined nation-states who  
3 are seeking financial gain or strategic advantage. There's  
4 a statistic I believe in the written testimony from Europol  
5 stating that cyber crime is now responsible for 4,000  
6 ransomware attacks daily and that online criminals have  
7 become so sophisticated, they've formed kind of  
8 conglomerations where they create essentially specialty  
9 consolidations focusing on different aspects of cyber  
10 crime.

11           And when it comes to Treasury, every one of the  
12 business processes that we carry out depends on the  
13 security of our information technology infrastructure.  
14 Like much of the Commonwealth, it's complex. It requires  
15 constant vigilance and upkeep, and we are determined to  
16 continue doing that.

17           Beyond our processes, email is another area where  
18 we have high vulnerability. We receive more than 6 million  
19 emails every year, and we estimate that only 15 percent of  
20 those are, quote/unquote, "clean" emails. Of the remaining  
21 85 percent, about 10 percent of those are junk, offer for a  
22 sale or a membership drive for something, but a full 75  
23 percent of all the emails we receive are from disreputable  
24 sources and are potential threats.

25           Like many other institutions, we rely on a

1 multilayered approach to protect against that, and that  
2 approach starts with our firewall. In the past, that  
3 firewall's handled tens of millions of malicious events  
4 annually. I'm happy to report that due both to external  
5 actions that have shut down many of these malicious servers  
6 and to our own defensive measures that we've reduced that  
7 number, but I'm distressed to report what is a reduction  
8 still amounts to 4 million events annually that are  
9 identified and blocked as malicious by our firewall. That  
10 gives you some sense, I think, of the nature and scope of  
11 the threat that we face and we'll likely continue to face  
12 in the future.

13           So for obvious reasons I don't want to discuss  
14 too many of the details of our cyber defense efforts today,  
15 but I do want to tell you that Treasury's senior team takes  
16 this threat extremely seriously, and we prioritize  
17 investments for IT projects and we're going to be doing  
18 more of that.

19           Having said that, any cybersecurity expert -- and  
20 I confess I am not -- will tell you what I'm about to, and  
21 that is the weakest link in any organization is not in fact  
22 systems but people. For that reason, we believe that an  
23 educated workforce is our best defense against cyber  
24 attacks, and we believe strongly that cybersecurity should  
25 never been seen as an IT problem. It is a problem, a

1 strategic problem that belongs to the whole organization,  
2 which is why I commend the steps you've taken.

3           We regularly circulate a newsletter. We  
4 distribute special bulletins. We do multiple trainings  
5 every year. We recently implemented a program that  
6 requires every employee, including me, to take monthly an  
7 online program learning course on defending its cyber  
8 attacks. We've greatly reduced the foot print of our  
9 devices, reducing the number of computers we have by more  
10 than a third, reducing the number of printers we have by a  
11 similar proportion to reduce the sort of potential exposure  
12 at the endpoints, and we completed about a half-a-dozen  
13 security projects in the past year and plan for more than a  
14 dozen or so in the year ahead.

15           We have integrated cybersecurity into our IT and  
16 senior management approach. We are planning on adding to  
17 that with a more dedicated focus in the coming budget that  
18 will be before us soon.

19           So I want to conclude just by underscoring the  
20 point I made about treating cybersecurity as a strategic  
21 priority, as you have done. I welcome the focus on this by  
22 this oversight Committee, and I especially welcome your  
23 inclusion of Treasury in the effort and the contemplated  
24 Committee. I want to also note I think the audit and the  
25 assessment in that section are also very good ideas.

1           Not every agency in the State is at risk, but not  
2 every agency shares the same risk profile, and I hope you  
3 and the contemplated Committee will do a careful  
4 consideration of those.

5           So thank you again for the invitation to testify,  
6 and I and P.N. welcome your questions.

7           MAJORITY CHAIRMAN METCALFE: Thank you. We  
8 appreciate Treasurer Torsella. We had a few questions  
9 leftover from Members for the previous testifier, and it  
10 might carry over to you possibly. Representative Bullock  
11 was on the list. Do you have a question for this  
12 testifier?

13           REPRESENTATIVE BULLOCK: [inaudible].

14           MAJORITY CHAIRMAN METCALFE: We'll keep you on  
15 the list.

16           REPRESENTATIVE BULLOCK: Thank you.

17           MAJORITY CHAIRMAN METCALFE: Representative  
18 Miller?

19           REPRESENTATIVE MILLER: Thank you, Mr. Chairman,  
20 and thank you, Mr. Secretary. I appreciate your testimony.

21           My question that I had previously was already  
22 answered, so I do have another one. In the Office of the  
23 Treasury of course I appreciate the steps you've taken to  
24 increase security. I don't know your system, and you have  
25 to I guess be careful in how you answer, but some of what



1 you deal with I suppose involves outside vendors, software,  
2 individuals coming from outside who might implement their  
3 software into your systems or what have you. What steps  
4 are you taking to vet that, both the vendors and whatever  
5 they might introduce into your system?

6 MR. TORSELLA: I overheard a little bit of the  
7 Secretary's answer to this. I would like to actually read  
8 the testimony of I gather your first witness today about  
9 the nature of background checks. Number one, as an  
10 independent agency, we're not exactly obligated to follow  
11 the same procedures the Secretary described, but we do as a  
12 matter of good practice when it comes to procurements.

13 Number two, I note that our interaction with  
14 outside vendors around cybersecurity is relatively limited  
15 now that the conclusion of our IT modernization project is  
16 in the rearview mirror. We do have some ongoing  
17 relationships that are a matter of public record around,  
18 for example, a kind of audit penetration test that I think  
19 is very similar to what's described in your bill.

20 We do do a background check, but I overheard the  
21 discussion and would like to sort of reserve my answer more  
22 fully. We have been working with the IRS which is  
23 requiring a greater level of background check for  
24 individuals handling certain sensitive financial  
25 information, but frankly, I think this is an area where

1 we're looking to improve as well and to do perhaps more  
2 than is required by way of standard background checking.

3 REPRESENTATIVE MILLER: Okay. And a follow-up  
4 question if I may --

5 MAJORITY CHAIRMAN METCALFE: Representative  
6 Miller, we have about half-a-dozen Members to ask  
7 questions, so if there's a second round, we'll come back to  
8 you, but thank you.

9 Representative McCarter.

10 REPRESENTATIVE MCCARTER: Thank you,  
11 Mr. Chairman.

12 And thank you very much, Mr. State Treasurer, for  
13 being here today and for the testimony. And I have two  
14 quick questions, one dealing with cybersecurity. And I  
15 know within your testimony you mentioned the scope of the  
16 attacks that take place on a yearly basis. Just in your  
17 agency alone, what was the figure that you cited?

18 MR. TORSELLA: The current figure is  
19 approximately 4 million malicious attacks and about 4.5  
20 million potentially harmful emails.

21 REPRESENTATIVE MCCARTER: Which gives, I think, a  
22 good statement to the scope of the problem that we  
23 obviously face in terms of both -- as government but also I  
24 think within the Nation as well within our populous as to  
25 what we're facing with this particular issue.

1           The other thing that I wanted to go back to was  
2 actually in Secretary Topper's testimony. A suggestion was  
3 made about performance bonds for many of the contracts that  
4 we do give out. And I was curious in a sense of your  
5 experience with that as to how they might actually work or  
6 not work effectively dealing with IT.

7           MR. TORSELLA: Would you like to answer this one  
8 based on our experience with the upgrade?

9           MR. NARAYANAN: Yes. Generally, when you go  
10 through a procurement process, that's the point where you  
11 decide what kind of contractual obligations the vendor  
12 should provide. But the performance bond can be both ways  
13 because it also makes the customer like us to provide all  
14 the information to ensure the vendor is successful.  
15 Performance bond makes -- if you don't meet certain  
16 timelines, then obviously the vendor needs to pay the  
17 penalty. At the same time, it's also the obligation of a  
18 customer to ensure that they provide all the information  
19 they need for the vendors to make them successful.

20           Performance bonds are good for very large  
21 projects, but I don't think if a project is a very small  
22 volume, a small dollar amount, it doesn't make sense. You  
23 will reduce the competition because not many people may be  
24 willing to provide that kind of [inaudible] to take up  
25 smaller projects. If it is a multimillion-dollar,

1 multiyear project, it may be an opportunity to look at it.

2 REPRESENTATIVE MCCARTER: So the size of the  
3 performance or the contract is really a determinate factor  
4 as to whether in fact that's --

5 MR. NARAYANAN: The size of the project will --  
6 that's where you get the maximum back because, usually, the  
7 smaller projects are not at risk of cost overrun or  
8 schedule overrun. Generally, they get completed on time,  
9 but a larger project where the risks are much higher,  
10 that's where you may want to consider some of those tools.

11 REPRESENTATIVE MCCARTER: Thank you very much.

12 MAJORITY CHAIRMAN METCALFE: Thank you,  
13 Representative McCarter.

14 Representative Dush.

15 REPRESENTATIVE DUSH: Thank you, Chairman.

16 Thank you, Secretary, for being here.

17 Former Chief of Information Protection for the  
18 Pennsylvania Air National Guard -- and I have one question  
19 regarding something you brought up. You had mentioned that  
20 people are actually the greatest vulnerability in a system  
21 like this, and you also touched on some training. Are the  
22 departments that have direct access to your systems -- or  
23 are there any, and if so, are the people who have that  
24 access, are they required to take the training as well?

25 MR. TORSELLA: We don't require anything or can't

1 require anything out of the Department. We do work with  
2 the Commonwealth's cybersecurity officer and office. I  
3 don't know what their training requirements are. Perhaps  
4 P.N. does. So the training I outlined, we also bring in  
5 kind of external best practices that we see in the industry  
6 to speak with our senior team regularly. I don't know if  
7 P.N. could answer the question of whether there's a precise  
8 requirement for that.

9 MR. NARAYANAN: Generally, we make sure that  
10 anyone who works at the PA Treasury, whether it's a  
11 contractor or an intern or an employee, everybody goes  
12 through the same training, whereas we depend on individual  
13 agencies to follow their individual positions because  
14 external agencies contact many of our systems because the  
15 majority of those people who handle it, they handle it  
16 through different files. We get a lot of payment files,  
17 which we process. The actual touch with our system is very  
18 minimal. It will be depending on other agencies to follow  
19 Commonwealth's cybersecurity standards.

20 And we also audit every year whether the right  
21 people are still in the right place, and their managers  
22 need to certify that they are the people who have access  
23 and they continue to have access to tertiary systems.

24 REPRESENTATIVE DUSH: All right. I would just  
25 like to make one suggestion. I believe it was

1 Representative Ward's constituent Ray Semko. He does a lot  
2 of work for the Department of Defense on protecting that  
3 human side of things and ways to identify those types of  
4 issues. He's known as the DICE Man. Like I said, he's  
5 done an awful lot of work for the Department of Defense. I  
6 think he'd be a great resource for your agency, as well as  
7 the rest of the Commonwealth.

8 MR. TORSELLA: If I may just give one example on  
9 the sort of human factor, one of our recent trainings was  
10 on how to recognize a malicious emails in ways that might  
11 not be obvious. And one of the tools was to look beyond  
12 the name to the precise email address underneath the name.  
13 And on the way over here, one of our senior people told me  
14 that she this morning got an email from a sender's name she  
15 recognized, someone out of her address book, but upon  
16 hovering on the name line, it was a malicious address.

17 So when I say it's people, I want to stress that  
18 I don't think it's the case anyone's being cavalier. I  
19 think it's that so much depends not on a system but on sort  
20 of being hyper alert to these threats and vigilant.

21 MAJORITY CHAIRMAN METCALFE: Thank you.

22 Representative Daley.

23 REPRESENTATIVE DALEY: Thanks, Mr. Chairman.

24 And, Mr. Treasurer, it's good to see you. I want  
25 to just take a minute because I think that this

1 cybersecurity broad Committee that's being introduced in  
2 this bill is just a really great idea because it brings in  
3 all areas of government, and I think it's really an  
4 excellent idea, so it kind of goes with the question I  
5 wanted to ask you that you said that you also depend on the  
6 security of information that you get from other sources in  
7 the government. But I'm assuming -- or I don't really want  
8 to assume. I'm going to ask you if those are also areas  
9 that you are looking out for things in your firewalls and  
10 your firewalls are catching them. And I'm not asking for  
11 specifics in this. Do you understand what I'm trying to  
12 get to?

13 MR. TORSELLA: If the information we're getting  
14 from other partners in the State?

15 REPRESENTATIVE DALEY: Yes. I mean, I'm hoping  
16 that your firewalls will be watching out for things that  
17 you might be getting from all areas, not just external to  
18 the Commonwealth but all areas that information comes into  
19 your systems.

20 MR. TORSELLA: Sure. No, I think it's accurate  
21 to say they do. There's also sort of Commonwealth  
22 defenses, but the point is with the multitude, as you note,  
23 the multitude of information, the sheer number of partners  
24 that we in fact have an interest in having a strong and  
25 collective kind of NATO if you will for cybersecurity, a

1 sort of collective defense to it. So I do think the  
2 Committee is a terrific idea. We would welcome -- I'm glad  
3 you wrote it in a way that includes the independent  
4 agencies, the independent offices in it.

5 REPRESENTATIVE DALEY: And I would hope that at  
6 some point the Committee would require education across the  
7 board for all State employees because I'll tell you, I got  
8 a phone call once that I thought was from my Harrisburg  
9 office, and it turned out to be a spoofing thing. It was  
10 on my personal phone, but it asked me to -- said there was  
11 some problem with something and just, you know, press the  
12 number one. And we ended up calling the local police, but  
13 it's the kind of thing that I think we are all getting  
14 tricked in some way and we all need that education. So I  
15 would just -- thank you, Mr. Chairman, and thank you,  
16 Treasurer Torsella.

17 MAJORITY CHAIRMAN METCALFE: Thank you.  
18 Representative Hill.

19 REPRESENTATIVE PHILLIPS-HILL: Thank you,  
20 Mr. Chairman.

21 Representative DeLissio, I couldn't agree with  
22 you more. We don't engage -- or, I'm sorry, DeLissio,  
23 Daley. Yes. Representative Daley. We don't engage in  
24 good what's known as cyber hygiene practices, so I really  
25 appreciate, Treasurer, your emphasis on and your



1 recognition of good cyber hygiene practices at the  
2 Treasury.

3 A question for you. Your information technology  
4 in cybersecurity does not come under our Chief Information  
5 Officer or our Chief Information Security Officer under the  
6 Office of Administration. You have your own independent  
7 entity. That's correct?

8 MR. TORSELLA: Yes.

9 REPRESENTATIVE PHILLIPS-HILL: Okay.

10 MR. TORSELLA: As a constitutionally independent  
11 agency, there are reasons we have a separate IT function  
12 from the Governor's office, for example, or -- those  
13 agencies under the Governor --

14 REPRESENTATIVE PHILLIPS-HILL: Right, although  
15 technically we probably could all unify, but that's  
16 probably a conversation for another day.

17 You discussed your interaction with the Federal  
18 Government, with the IRS. Are you aware of the fact that  
19 there are certain companies and products with regard to  
20 cybersecurity that are not approved for use by the Federal  
21 Government?

22 MR. NARAYANAN: Yes.

23 REPRESENTATIVE PHILLIPS-HILL: Yes. Is it safe  
24 to say that the State Treasury does not utilize any of  
25 those products that the Federal Government says are not

1 appropriate for use?

2 MR. TORSELLA: Absolutely.

3 REPRESENTATIVE PHILLIPS-HILL: Thank you very  
4 much.

5 MR. TORSELLA: And if I can -- I'm glad you noted  
6 our emphasis on sort of cybersecurity and hygiene. I do  
7 want to just state for the record, I'm proud of what we do.  
8 It's something that we at the senior level worry about  
9 literally every day of the year, but we're worried for good  
10 reason. You know, we think we're doing a good job on this.  
11 We're going to try and do a better job on this. We're  
12 going to try and stay ahead of it, but the nature and size  
13 of the threats that are out there, I mean, none of us  
14 should rest easy. And I want to be careful about even when  
15 we think we have a good innovative program about bragging  
16 about it, because I think there is a real and growing and  
17 serious threat here with some very bad actors with lots of  
18 resources on the other side.

19 REPRESENTATIVE PHILLIPS-HILL: And I couldn't  
20 agree with you more. Actually, on Veterans Day, Senator  
21 Toomey was in York County for a large Veterans Day  
22 breakfast, and when he recognized the efforts of the men  
23 and women in uniform, he said on land, air, sea, and in  
24 cyberspace. So it truly is something that I think we all  
25 need to recognize. I appreciate that. Thank you.

1 MAJORITY CHAIRMAN METCALFE: Thank you,  
2 Representative Hill.

3 Representative Grove.

4 REPRESENTATIVE GROVE: Thank you, Chairman.

5 Actually, one of my starting points down this  
6 process was your appropriations testimony where you said  
7 you were attacked 10 million times a year, and it just hit  
8 me on how big cybersecurity was and kind of the idea of  
9 getting all our independent agencies, the General Assembly,  
10 Judiciary, the executive branch, our State Police, get them  
11 all together, get them in a room, and start talking about  
12 cybersecurity so we can have a unified plan moving forward.  
13 I didn't even think about the employee education aspect of  
14 it, but what a great job you're doing and focusing on the  
15 employees and giving them training to stop that.

16 Within this general bill, obviously, you have  
17 your own scope of procurement and, you know, the other  
18 driving factor of this is to get IT projects on budget and  
19 at least on their delivery date. P.N. has done a  
20 phenomenal job of taking a huge project and doing that.  
21 Part of the scope of the procurement changes in here are,  
22 you know, kind of chunking the program. Instead of doing  
23 one large program -- and, you know, I'll go back to the  
24 unemployment compensation modernization, which to date no  
25 one has been able to do correctly, but you have a huge

1 project that seems never-ending, not being able to get  
2 done, instead breaking that down into little chunks,  
3 getting the first one done and then moving on to the  
4 second. Is that kind of how you got your project done on  
5 time? Or what's the magic bullet with IT and getting it  
6 done correctly?

7 MR. TORSELLA: I'm going to turn this over to  
8 P.N. except to say one thing, which is for the record he's  
9 not available for any broader Commonwealth project. I'm  
10 just hearing where you're going.

11 MR. NARAYANAN: Those are gracious words. I  
12 don't know I am worthy of it. I'm very grateful for your  
13 gracious words.

14 The bigger project as a challenge for anyone is  
15 to understand the scope and manage the scope. The majority  
16 of the time when State agencies get funded, they want to  
17 accomplish everything in that one shot. Unfortunately, we  
18 overestimate our abilities, underestimate the complexities  
19 of the projects. In our case, I was very fortunate to have  
20 a very supporting senior staff. When we started the RFP  
21 process, I believe [inaudible] which helped us to deliver  
22 the project on schedule, under budget is that we decided to  
23 split the project into two chunks. One is that we procure  
24 product separately and procure the services separately.  
25 That way we increase the competition for the services.

1           The second thing I'd like to -- when a lot of  
2 people -- when the winners came back and said that we are  
3 going to complete the project in 14 to 18 months, I was  
4 clearly -- I did like the banks, the stress test. When I  
5 did a stress test for my organization, I found that we  
6 don't have internal ability to complete the project in 18  
7 months. Therefore, I went back to my boss at the time and  
8 said that we don't want to go with 18 months. We would  
9 like to do 24 months. That's where our ability to complete  
10 this project. My boss supported it at that time, and the  
11 senior staff supported it at the time.

12           The project actually -- the cost increased when  
13 they initially contracted. It increased by a couple of  
14 million dollars, but fortunately for us, we didn't have any  
15 change orders. To the best of my knowledge, we are the one  
16 project where we had zero-dollar change orders because we  
17 had that vision and understanding that we know our  
18 abilities, and we understood the complexities, and we  
19 decided that we don't want to rush into this project,  
20 manage the scope very carefully, and ask for the extra time  
21 up front. We didn't want to come into the -- it's very  
22 easy for someone to take -- somebody's going to complete in  
23 18 months. It's quick; therefore, it's cheaper, but that's  
24 not true always. The majority of the times, it also  
25 directly proportionately -- your internal ability to

1 deliver the task which is requested by the vendors.

2           When we decided that we don't have that ability,  
3 we went back and extended the project six months. We did  
4 it up front before the project is done, so we saved a lot  
5 of money by not creating any change orders. Therefore, the  
6 best way to -- there's no one best way. There are multiple  
7 ways to control this. The best business practices are try  
8 to manage the scope, don't try to do everything in one  
9 shot, and keep the objectives very clear and follow through  
10 that every day of the project. Thank you.

11           MAJORITY CHAIRMAN METCALFE: Thank you.

12           REPRESENTATIVE GROVE: Thank you.

13           MAJORITY CHAIRMAN METCALFE: Thank you,  
14 Representative Grove.

15           Last question by Representative Miller.

16           REPRESENTATIVE MILLER: Okay. Thank you.

17           MAJORITY CHAIRMAN METCALFE: Last question for  
18 this testifier.

19           REPRESENTATIVE MILLER: All right. Very good.  
20 Some of the vulnerabilities I've heard about from other  
21 organizations that have suffered attacks have not come  
22 through the front door but through the back door, for  
23 instance, through the heating and air-conditioning system  
24 or security system or whatever that they get in through  
25 that. I presume you're taking steps to address those

1 vulnerabilities as well?

2 MR. TORSELLA: We are, and that's one of the more  
3 frustrating facts of the landscape in 2017. I think it was  
4 the target breach through the HVAC system. There's so much  
5 -- so technology's moving in a way with cloud, with the  
6 number of devices, that those sort of points are expanding.  
7 One thing we've tried to do is sort of do a kind of  
8 rigorous analysis of where all those things are that you  
9 might not think about. Another thing we try and do is to  
10 reduce the sort of device footprints, which, by the way,  
11 also have benefits when it comes to economy and frankly  
12 some other sort of cultural things.

13 I think our ratio of printers to people used to  
14 be one printer for every three people, and we've moved it  
15 to one to approximately every seven people. And you don't  
16 think of a printer is your point of cyber vulnerability,  
17 but it is. Computers, by having a one-device policy of one  
18 desktop or laptop but not both, I think we've reduced it by  
19 more than 35 percent. So we're aware of it. We're trying  
20 to defend against it, but, as the potential footprints  
21 expand, it's hard work to stay on top of what they all are.

22 REPRESENTATIVE MILLER: Okay. Thank you.

23 MAJORITY CHAIRMAN METCALFE: Thank you,  
24 Representative Miller.

25 And thank you. We appreciate you being with us

1 today --

2 MR. TORSELLA: Thank you, Mr. Chairman.

3 MAJORITY CHAIRMAN METCALFE: -- Treasurer  
4 Torsella. Thank you very much for taking time out of your  
5 schedule, and thank you for your bringing the expert with  
6 you.

7 MR. TORSELLA: Always a good idea.

8 MAJORITY CHAIRMAN METCALFE: We appreciate your  
9 expertise, sharing it with us today, and thank you for  
10 joining the Committee today. Everyone have a great day.

11 Our next and final testifier, last but certainly  
12 not least is Secretary Minnich from the Office of  
13 Administration. And we had met prior to the Committee  
14 meeting and actually went through some of the material that  
15 she was going to present today. And I knew that she had a  
16 lot of good information to share and had asked for her to  
17 kind of do cleanup here for us because I knew that her  
18 presentation was something the Members would benefit from  
19 and probably have a number of questions on also, so we  
20 wanted to make sure we had a larger time cushion than we  
21 started with in the morning, which has kind of collapsed a  
22 little bit here throughout this hearing, but a lot of good  
23 information, a lot of good questions from the Members and a  
24 lot of great testimony.

25 We appreciate, Secretary Minnich, you joining us,



1 and you can begin when you're ready, ma'am.

2 SECRETARY MINNICH: Great. Chairman Metcalfe,  
3 Members of the Committee, on behalf of Governor Wolf, thank  
4 you for allowing me to testify this morning. With me today  
5 is Deputy Secretary John MacMillan. Can you hear me okay?  
6 I always --

7 MAJORITY CHAIRMAN METCALFE: We can hear you.

8 SECRETARY MINNICH: Okay. I always get I'm a  
9 quiet speaker.

10 He is over IT for the Commonwealth and has over  
11 30 years of experience in the private sector and public  
12 sector, so he brings a great wealth of experience to the  
13 position.

14 Before jumping into the PowerPoint that I believe  
15 you all have -- and I will run through it quickly because I  
16 know you have probably a lot of questions -- I just wanted  
17 to also clarify a few points from this morning's earlier  
18 testimony. We do require as part of IT procurements and IT  
19 terms and conditions that all contractors go through the  
20 background check process, so that is part of all our  
21 contracts and our terms and conditions. As Secretary  
22 Topper talked about, the OST contractor, the staff  
23 augmentation contract also requires that, and we look to  
24 them to verify the education and experience of those  
25 individuals that they're presenting to us as part of that

1 contracted arrangement that we have with them for IT  
2 resources that we bring in on the staff augmentation basis.

3 There was some questions around other Federal  
4 requirements, so we as employees and as contractors need to  
5 make sure that we meet the IRS Publication 1075  
6 requirements, the CJIS requirements, so those individuals  
7 who are accessing those types of data require additional  
8 checks and screens. In fact, IRS Publication 1075, as  
9 you're probably aware, has a new fingerprinting requirement  
10 not just for IT employees but for all employees who are  
11 accessing that data.

12 As part of the Administrative Code, there was  
13 some legislative language around allowing us to now conduct  
14 those fingerprints, so we're in process of determining all  
15 the employees, IT and non-IT, that are going to require to  
16 be fingerprinted and go through that as part of onboarding  
17 new employees, as well as making sure that we identify  
18 those within the SAP system at a position level so that we  
19 can make sure they're all fingerprinted according to the  
20 IRS requirements.

21 As it relates to cybersecurity, we do make sure  
22 that all employees go through onboarding as it relates to  
23 cybersecurity and do annual training. We also do exercises  
24 because, as the Treasurer spoke, one of the main issues  
25 that you have is an individual clicking on something or

1 innocently do something that may expose the network, and so  
2 we do those exercises, as well as the onboarding and annual  
3 training that's required of all Commonwealth employees, as  
4 well as contractors.

5           So I just wanted to clarify some of the points  
6 that were discussed this morning. And I see there's some  
7 chairs rearranging. And I'm going to quickly turn over to  
8 the PowerPoint, and I will go through this as quickly as  
9 possible knowing that time is somewhat limited.

10           On Slide 2 very, very briefly, over probably the  
11 last, you know, 25-plus years, the Commonwealth from an IT  
12 perspective has been going through consolidation  
13 activities. Most of those have been core infrastructure,  
14 so data centers, networks, email systems. In the 2000 to  
15 2010 time frame you started to see applications such as the  
16 ERP, the SAP system that we currently use being provided at  
17 a shared service perspective.

18           During that time frame also, we started to see  
19 agencies begin to consolidate, so Department of Human  
20 Services providing IT application services to the  
21 Department of Insurance, for example. What we did at the  
22 end of last year was took a step back and really looked at  
23 how our services had grown and how our service delivery  
24 model looked, and it was really a mixed bag. We had all  
25 different kinds of service delivery in terms of agencies

1 providing application development support, as well as  
2 centralized support at the enterprise level.

3           So we looked at this as an opportunity to not  
4 only save dollars for the Commonwealth but transform  
5 service delivery and align it to best practices.

6           So if you flip to page 3, you'll see the  
7 timeline. And I wanted to put this in the context of the  
8 bill because we are very -- what we're doing is aligned to  
9 I think the legislation. We're in the midst of  
10 transforming IT in the Commonwealth. We spent the last six  
11 months or the first six months of this part of the year  
12 going through an as-is analysis, a to-be design analysis,  
13 and then determining our organization structure that should  
14 support that to-be future state. We built that along  
15 assumptions that you see really aligning to best practices,  
16 grouping services as they relate to an enterprise service,  
17 which means we serve all agencies the same way or a  
18 business service meaning those agencies that are clustered  
19 together and need a high touch.

20           We are looking at consolidating complement to  
21 allow us flexibility and to move resources. We're  
22 implementing a multiple-tiered governance structure so that  
23 we have governance at an agency level, at a shared-service  
24 level, and at an enterprise level. And then we're  
25 implementing metrics to align to the new service delivery

1 model. So we spent the first six months of the year going  
2 through the planning process and getting ready to move into  
3 transition.

4           So what you see on Slide 4 is what IT actually  
5 looks like now in the Commonwealth as of July 1st. In the  
6 blue boxes we have five enterprise organizations, strategy  
7 and management, that's IT planning, standards, policy-  
8 setting, project management, enterprise solutions. Those  
9 are those technology solutions that everyone should  
10 utilized, SharePoint, credit card processing, Keystone ID,  
11 service desk, which is our incident management system,  
12 cybersecurity, and technology and operations. Those are  
13 the core data center network email systems.

14           In the green we have shared service delivery  
15 centers. Those are agencies that are grouped by mission to  
16 serve multiple agencies, so you see six delivery centers  
17 down the right-hand side of the page, and I'll talk to  
18 those in one moment.

19           So if you flip over to slide 5, we have our six  
20 delivery centers grouped by mission, too, that I just  
21 wanted to highlight because you might wonder why they are  
22 clustered the way they are clustered. This came out of the  
23 visioning session. Military and Veterans Affairs is with  
24 Health and Human Services. We originally thought that they  
25 would be more aligned to public safety. As part of those

1 conversations in the hospitals that they both manage, they  
2 thought that there was much better alignment both from a  
3 personnel and application portfolio to be with the Health  
4 and Human Service group.

5           And then PEMA in Infrastructure and Economic  
6 Development, PEMA does a lot with PennDOT when it comes to  
7 responses around emergencies. They are located together in  
8 the new building, and they felt that they had a better  
9 alignment with PEMA than with the Public Safety group. So  
10 you see some of those shifts. So these are the clusters  
11 that are now in process of being transitioned to our future  
12 state.

13           So where are we? We're three months into  
14 transitioning, so we're in the next phase, which is  
15 transitioning. It's a six-month phase from July 1 to  
16 December, and during that time frame, we're doing several  
17 things. The first thing, as of July 1, we moved all  
18 employees into OA from a complement perspective, so their  
19 financials still remain in the agencies, but they are now  
20 on the OA complement. So all IT -- and we are doing the  
21 same thing on the HR side -- and HR employees are part of  
22 the OA complement. This gives us the ability to be able to  
23 flex resources to where needs are to be able to respond to  
24 issues or projects in a more nimble way.

25           We stood up a pilot delivery center. That the

1 Conservation and Environment Delivery Center. I'll speak  
2 to them in a moment, but they are going through everything  
3 at a faster pace and documenting lessons learned. Those  
4 lessons learned are going out to the remaining five  
5 delivery centers.

6 We stood up delivery center governance, so every  
7 delivery center has now gone through the first governance  
8 process, and that is to look at how they're going to move  
9 from their current state to the future state, talk about  
10 governance, talk about what they should be deciding in  
11 terms of enterprise views.

12 We are going through transition planning for the  
13 remaining five delivery centers to talk about where they're  
14 going from today to the future state, and then we  
15 implemented a matrix, and I'll speak to that in one moment.

16 What's next, post-December when the transition  
17 plans are complete, we will begin to move the agencies from  
18 their current state to the future organization. We are  
19 continuing to do a financial model that will allow us to  
20 have flexibility in terms of resources and billings so that  
21 we have the ability to take resources from one agency that  
22 may be a short-term need in another agency and have a bill-  
23 back model, which we don't have today.

24 We're rolling out the governance in the spring,  
25 and we're rolling out the metrics. We hope to have the

1 financial model in place by July 1st of next year, so from  
2 a budgetary perspective, the budgets will continue to look  
3 as-is for the '18/'19 budget, and then we'll do a spring  
4 update when we get the financial model in place.

5 After July, we're going to move into full  
6 consolidation. Once we get through consolidation, we can  
7 begin to standardize across processes and then hopefully  
8 we'll continue to optimize this model.

9 At the delivery center level, what this allows us  
10 to do, if you think of application build, we often build in  
11 silos. The way they're thinking about application build  
12 now is what does an agency need? Can I solve it within my  
13 delivery center? If there's a system out there that  
14 already does permitting, can we just use that to shorten  
15 the lifecycle of build. If I can't solve it within the  
16 delivery center, are there other delivery centers that have  
17 a similar solution? So we try to solve it first within and  
18 then across. And it's something that we have not done  
19 before because we haven't had the ability and the structure  
20 in place to really move that forward.

21 So what you see on Slide 7 is how the delivery  
22 centers were structured July 1st, which really still has  
23 that agency view. It's not aligned to services yet. But  
24 you'll see two boxes in yellow that are the matrix  
25 organizations. And very briefly, what all that means is



1 those individuals report to the enterprise structure, those  
2 boxes in blue, but are assigned out to work in that  
3 delivery center. And that allows us to have standards in  
4 place across the enterprise. So the July 1 was a -- you're  
5 going to keep your agency view and go through a six-month  
6 transition plan to get you to Slide 8.

7           And Slide 8 is where each of the delivery centers  
8 should be going from how they look moving forward. And you  
9 see they're aligned to the enterprise services and the  
10 agency lines are gone. And they're going to be looking at  
11 business and service management, solution management, data  
12 management, end-user support, and service desk for all of  
13 the agencies within that delivery center.

14           So that is where we are, what we've done over the  
15 course of the last 10 months, and what we're going to do  
16 between now, July 1st, and moving forward. It has been,  
17 you know, a team effort from all of the agencies in terms  
18 of support for the project, for the vision, and the  
19 execution to date.

20           So with that very, very quick overview of the  
21 last 10 months, I will open it up for questions.

22           MAJORITY CHAIRMAN METCALFE: Thank you. Thank  
23 you, Secretary Minnich.

24           Representative Bullock?

25           REPRESENTATIVE BULLOCK: Thank you, Mr. Chairman.

1           Thank you, Secretary, for your testimony and for  
2 running through those last 10 months rather expeditiously.

3           When I took a look at the draft of House Bill  
4 1704, it's just a substantial amount of responsibilities to  
5 the Office of Administration in regards to IT,  
6 specifically, about 41 duties to that office, including the  
7 procurement and management of contracts for each agency.  
8 Our first testifier spoke in detail about some of his  
9 concerns in regard to contractors, independent contractors.  
10 And in the written testimony of Secretary Topper, he also  
11 talked about the bid scoring and specifically in that  
12 written testimony emphasized the importance of reflecting a  
13 balance of price, expertise, as well as inclusion of small  
14 and small, diverse businesses and specifically talked about  
15 how equity is important in his words in his written  
16 testimony.

17           My question to you, and I just couldn't see it in  
18 the draft bill -- I'm not sure if you've taken a look at it  
19 -- is whether or not those concerns are addressed in the  
20 bill and how do you foresee your office taking on that  
21 responsibility to make sure that all businesses, small  
22 businesses and diverse businesses are included in  
23 contracting opportunities?

24           SECRETARY MINNICH: As Secretary Topper  
25 mentioned, when we did the model, you'll see there's no box

1 for procurement, and we had a very strategic conversation  
2 around IT, focusing on IT and DGS focusing on procurement.

3 As it relates to diversity, we have always wanted  
4 to make sure our procurements include small business  
5 enterprises, and so, you know, as we shift back to DGS, we  
6 will work with them to make sure as we do these large and  
7 small procurements that we do them in an inclusive way,  
8 that we're getting the right service at the right price but  
9 also doing it with diversity in mind.

10 REPRESENTATIVE BULLOCK: And have you taken a  
11 chance to take a look at the proposed legislation and see  
12 if the legislation would prevent that kind of collaboration  
13 between the two departments?

14 SECRETARY MINNICH: The proposed legislation puts  
15 procurement back into OA, and I think -- you know, and  
16 there are components I think that are also kind of in  
17 conflict with the current procurement code. I think, you  
18 know, we'd want to make sure that procurement and the  
19 procurement expertise sits with the agency that is the  
20 expert in procurement, and the IT expertise sits with the  
21 agency that should be the expert in IT, and we bring those  
22 two entities together to make sure that we're doing the  
23 procurement properly.

24 So I think, as it's currently written, the  
25 concern is that it moves it back, and we just transitioned

1 it back to DGS so that we can get their expertise from a  
2 contracting perspective.

3 REPRESENTATIVE BULLOCK: Thank you. I think if I  
4 understand you correctly, you would prefer that the  
5 expertise in regards to procurement stay with DGS because  
6 they can handle those kinds of concerns around inclusion,  
7 as well as other procurement policies because that is their  
8 expertise. And this bill removes that expertise from them  
9 back into your office, and that's not necessarily your  
10 expertise?

11 SECRETARY MINNICH: That's correct.

12 REPRESENTATIVE BULLOCK: Thank you. Thank you,  
13 Mr. Chairman.

14 MAJORITY CHAIRMAN METCALFE: Thank you,  
15 Representative Bullock.

16 Representative Ryan.

17 REPRESENTATIVE RYAN: Mr. Chairman, thank you.  
18 And thank you so much for testifying today.

19 I'm supporting House Bill 1704 for a number of  
20 reasons, but I did want to ask you a few questions.

21 The prior testimony that we had -- and it's very  
22 difficult in these kinds of discussions to somewhat sit  
23 back and roll up your sleeves and have a candid and open  
24 discussion, but part of the processes that exist in audits  
25 is that the auditors are required to opine on the IT

1 controls and other areas, and we've been asking, as an  
2 example, for types of documents such as audit reports and  
3 management reports from the auditing firms. And one of the  
4 questions I had for you is you obviously undergo that type  
5 of an audit with the Auditor General. And I'm a CPA. The  
6 processes under which I see those reports sometimes cause  
7 me to be suspect whether or not you're really getting the  
8 type of opinion on an IT control that gives you reasonable  
9 and rational assurance that your IT controls are  
10 appropriate.

11 So the question I would ask you is -- and it  
12 might be best to ask your assistant because it's more of an  
13 IT question -- do you feel comfortable that the IT audit  
14 controls are of such a nature that they can be relied upon  
15 to provide you absolute assurance, as opposed to reasonable  
16 assurance that the system of IT controls are reasonable?

17 MR. MACMILLAN: Thank you for the question.  
18 Absolute is a very, very big word.

19 REPRESENTATIVE RYAN: It is, but with IT  
20 security, if you block 4 million emails, I'm worried about  
21 the one that's not blocked.

22 MR. MACMILLAN: Just so we're clear --

23 REPRESENTATIVE RYAN: Right.

24 MR. MACMILLAN: -- that volume of threat --

25 REPRESENTATIVE RYAN: Right.

1 MR. MACMILLAN: -- was specific to --

2 REPRESENTATIVE RYAN: I understand.

3 MR. MACMILLAN: -- the Treasury.

4 REPRESENTATIVE RYAN: I understand. I  
5 understand.

6 MR. MACMILLAN: There are different numbers  
7 across the Commonwealth.

8 REPRESENTATIVE RYAN: I get that completely.  
9 That's why I'm asking the question.

10 MR. MACMILLAN: Okay. So fundamentally, IT  
11 systems are built to enable the business, and we have to  
12 design the appropriate controls into those systems from the  
13 very beginning. They cannot be an afterthought. So when  
14 we're talking post-implementation, whether or not the right  
15 IT controls are in place, we may be starting from the wrong  
16 end of the animal.

17 REPRESENTATIVE RYAN: That's correct.

18 MR. MACMILLAN: I think there are opportunities  
19 to improve how IT controls are implemented in business  
20 systems today without a doubt.

21 REPRESENTATIVE RYAN: If you had the control --  
22 and the reason I really like this is it gives you the  
23 control and having it in IT, it's almost like a shared  
24 service for the Commonwealth of Pennsylvania where you  
25 become the shared service. And what our deficiency may be

1 is we may need to give you a contract in expertise if I  
2 heard the testimony correctly. But my apprehension is with  
3 the volume of controls. There's an old adage. It's I know  
4 what I don't know. I know what I know. It's what I don't  
5 know that I don't know is what concerns me. And I was  
6 formerly the Chair of the Audit Committee of Paradigm  
7 Systems, which was a black-box CIA/NSA contractor, which  
8 has been absorbed and bought and acquired by a much larger  
9 DOD contractor.

10 So the questions I have for you from this  
11 perspective is do you see that these systems and this bill  
12 provide you with that ability subject to the effect that  
13 you may have to change other procurement law changes, gives  
14 you a better degree of control to ensure that the  
15 Commonwealth systems don't subject themselves to the  
16 failures that I've seen in so many other areas such as in  
17 the Department of Revenue with notices going out  
18 inappropriately, the problem with the unemployment  
19 compensation systems, the misspecifications of other  
20 procurement areas. It just got me concerned. With all the  
21 failures that I see in terms of governmental activities,  
22 when others are patting themselves on the back, I think  
23 Treasury Torsella gave probably what I think is outstanding  
24 testimony where their systems of financial controls under  
25 the FFIEC standards are very, very appropriate. Do you

1 feel that having this type of control, would you give a  
2 greater ability for the Commonwealth to provide a better  
3 end product to the consumer?

4 MR. MACMILLAN: I think that we need checks and  
5 balances here, right? When we are talking about IT, we are  
6 asking people to design and develop systems that support  
7 the business. And we can't have the folks writing the code  
8 auditing themselves. I think we need to look at that  
9 appropriate balance and responsibility, and I think with a  
10 number of controls that have been put in place through the  
11 Office of Budget recently, we have very good design for  
12 that situation. Could it be improved? I'll repeat myself:  
13 without a doubt.

14 REPRESENTATIVE RYAN: If you were to look -- and,  
15 Mr. Chairman, this will be the last question. If you were  
16 to look at some of the specifications that you had to use  
17 with SAP, it's a pretty sophisticated system and it went in  
18 fairly smoothly. I'm impressed. I've done them and I've  
19 seen them, and it's not easy to do. You had to specify it  
20 properly up front, correct?

21 MR. MACMILLAN: A little different scenario --

22 REPRESENTATIVE RYAN: Okay.

23 MR. MACMILLAN: -- since SAP is a package that --

24 REPRESENTATIVE RYAN: Right.

25 MR. MACMILLAN: -- we essentially configured and



1 customized.

2 REPRESENTATIVE RYAN: But you had to specify that  
3 up front --

4 MR. MACMILLAN: Yes.

5 REPRESENTATIVE RYAN: -- to make sure that you --  
6 so, in other words, if you found out later on you made a  
7 mistake, it's kind of hard to change?

8 MR. MACMILLAN: We would have to work with the  
9 software publisher since they are selling that in the open  
10 market for a number of demands, and we would potentially  
11 have to customize that to meet our own unique requirements.  
12 And, look, across the board we're talking about risk.

13 REPRESENTATIVE RYAN: Right.

14 MR. MACMILLAN: And wherever we're talking about  
15 risk, there usually isn't a right answer.

16 REPRESENTATIVE RYAN: In my mind, having  
17 something consolidated under your auspices whereby a  
18 standard set of systems specifications are designed up  
19 front so the appropriate questions are being asked provides  
20 that shared service vulnerability protection to the most  
21 rational, reasonable degree it can possibly be done, and  
22 that's why I think this is a good bill. And your  
23 testimony's been very helpful today. Thank you.

24 MR. MACMILLAN: And I think that that's the  
25 opportunity to get those requirements built into the

1 procurement process.

2 REPRESENTATIVE RYAN: Okay. Thank you. Thank  
3 you both so much.

4 MR. MACMILLAN: Thank you.

5 REPRESENTATIVE RYAN: Mr. Chairman, I'm done.  
6 Thank you.

7 MAJORITY CHAIRMAN METCALFE: Thank you.

8 Representative DeLissio.

9 REPRESENTATIVE DELISSIO: Just a quick comment,  
10 Mr. Chairman. I've learned a lot today. I appreciate  
11 these efforts for ongoing review and the consolidation  
12 that's underway. I'm struck by the fact that the General  
13 Assembly has four IT shops and look forward to extending  
14 this discussion to our own house, literally and  
15 figuratively. That's kind of been a puzzlement of mine  
16 since coming in, and I can only imagine the opportunities  
17 and advantages to get our own ducks in a row, so look  
18 forward to working with you on that.

19 Thanks, Mr. Chairman.

20 MAJORITY CHAIRMAN METCALFE: Thank you,  
21 Representative DeLissio.

22 Representative Hill.

23 REPRESENTATIVE PHILLIPS-HILL: I couldn't agree  
24 more, Representative DeLissio. I got the name right this  
25 time.

1           I asked some questions of Secretary Topper, and  
2 he said that even though they are now in charge of  
3 procurement, he was not able to answer questions with  
4 regard to the procurement of cybersecurity protection  
5 products, that Secretary Minnich and Deputy Secretary  
6 MacMillan would be better suited to answer those questions.  
7 So I'm not really sure because, based on all the testimony  
8 today, I'm under the impression that DGS does procurement.  
9 Is that in fact the case with cybersecurity protection as  
10 well?

11           MR. MACMILLAN: So the requirements for  
12 cybersecurity in a comprehensive framework come from IT.  
13 We're the folks that say, I need, I want, wouldn't it be  
14 nice if we made this better.

15           REPRESENTATIVE PHILLIPS-HILL: So who evaluates  
16 the cybersecurity company, and is that criteria established  
17 by you or by DGS?

18           MR. MACMILLAN: It's a complex question. The  
19 answer is we evaluate in concert with DGS.

20           REPRESENTATIVE PHILLIPS-HILL: And by what  
21 process is that company and product selected? Do you use  
22 competitive bid? Do you use lowest bid? How does that  
23 work?

24           MR. MACMILLAN: So in terms of a specific  
25 product, right, we frequently use industry expertise to

1 evaluate those products in the marketplace.

2 REPRESENTATIVE PHILLIPS-HILL: So, ultimately, it  
3 is a joint decision then by DGS and Office of  
4 Administration in terms of cybersecurity protection  
5 products?

6 MR. MACMILLAN: So to clarify responsibility, we  
7 own the "I need, I want, wouldn't it be nice if." And we  
8 have what I would hope to be the final say over which  
9 product best meets those requirements.

10 REPRESENTATIVE PHILLIPS-HILL: So we've had  
11 previous conversations, right?

12 MR. MACMILLAN: Good morning.

13 REPRESENTATIVE PHILLIPS-HILL: And I know that  
14 you are aware that there are certain companies and products  
15 that the Federal Government prohibits from use by all their  
16 agencies --

17 MR. MACMILLAN: Indeed.

18 REPRESENTATIVE PHILLIPS-HILL: -- commissions,  
19 departments, and their contractors. Does the Office of  
20 Administration adhere to that same list of products  
21 prohibiting their use amongst State Government agencies,  
22 commissions, and contractors?

23 MR. MACMILLAN: Yes. It is also a changing  
24 marketplace, so we constantly have to be on the watch for  
25 new products that may not be accepted.

1                   REPRESENTATIVE PHILLIPS-HILL: But you in fact  
2 defer to the Federal Government's guidance on those types  
3 of products?

4                   MR. MACMILLAN: It's one of the sources we use,  
5 yes.

6                   REPRESENTATIVE PHILLIPS-HILL: Very good. Thank  
7 you very much. I think my time has run out.

8                   MAJORITY CHAIRMAN METCALFE: Thank you,  
9 Representative Hill.

10                  Representative Daley.

11                  REPRESENTATIVE DALEY: Thanks, Mr. Chairman.

12                  So in looking at your schedule where you're  
13 anticipating that the execution would be completed by July  
14 of 2018, and understanding that this bill currently states  
15 that it would take effect immediately, which we don't  
16 obviously ever know how long it's going to take a bill to  
17 go through all the steps that it needs to go through. I'm  
18 just curious how that changes things for the Department of  
19 Administration and for procurement, and are there any  
20 similarities in the way that you're looking at this?  
21 Clearly, there are some things that are very different with  
22 the procurement piece of it, but are there ways that all  
23 the work that you've been doing to execute your changes,  
24 what happens?

25                  SECRETARY MINNICH: In the current form, I think

1 that we would have to put a stop to the work that we've  
2 done and roll things back because there's language around  
3 agency CIOs, agency personnel being located in certain  
4 places. Things that we've moved out of from a model  
5 perspective would have to be stopped, and we would have to  
6 roll back out of the shared service and into kind of the  
7 agency IT organizations with the reporting structure to the  
8 Deputy Secretary for IT. So, you know, it would move us in  
9 more -- not toward our future state, more toward the past  
10 and the prior executive orders that were drafted before we  
11 started this initiative to really move into a shared  
12 service delivery model.

13           And again, when I say July 1 of 2018, it's really  
14 the start of a process. You know, it's taken us 30 years  
15 to get to this structure. July 1, it's not going to, you  
16 know, materialize overnight to a new organization. It's  
17 going to take time to really get the synergies when you  
18 talk about application portfolio reviews, application  
19 build, sharing application resources. So it's the start of  
20 our journey to a better service delivery model.

21           REPRESENTATIVE DALEY: Thank you. Mr. Chairman,  
22 could I just ask that this bill be put on one of those  
23 meetings that's just with the Committee at some point?  
24 Because I still have questions. And I think we've learned  
25 a lot in this hearing today, and it would really be great

1 if there were an opportunity for us as a Committee to talk  
2 about some of these things and then maybe be able to  
3 consider that because those meetings are generally pretty  
4 useful.

5 MAJORITY CHAIRMAN METCALFE: Yes, we could  
6 certainly consider doing an informational meeting to  
7 discuss what we received today and discuss everybody's  
8 thoughts on the bill.

9 REPRESENTATIVE DALEY: Thank you.

10 MAJORITY CHAIRMAN METCALFE: Work with the prime  
11 sponsor on that idea.

12 Representative Dush.

13 REPRESENTATIVE DUSH: Thank you, Chairman.

14 Thank you, Secretary, and John.

15 With regard to the IT and procurement, have you  
16 started the process of developing systems, procedures, and  
17 processes for communicating with DGS when it comes to the  
18 procurement of this and making sure that you're actually  
19 getting what you want? I've had decades of experience with  
20 the Commonwealth's IT attempts, and what should have been  
21 simple solutions have developed into something else.

22 MR. MACMILLAN: So a complex situation, and it's  
23 taken us about 60 years to get to where we are from an IT  
24 perspective. When we stepped back looking at our financial  
25 situation and tried to design how do we make this better,

1 we use four very simple ideas. How do we make better  
2 decisions? And we're going to call that IT governance.  
3 How are we going to manage our services? And we're going  
4 to use an industry standard to do that called IT service  
5 management based on a standard that was developed in the UK  
6 called ITIL. How are we going to narrow our technology  
7 portfolio? And I think you have a sense that, over time,  
8 the number of products, including cyber products, has  
9 grown. And we want to use some guiding principles to say  
10 how do we get better while reducing our cost, which is the  
11 fourth item, right? We've got to save money somehow  
12 without eroding our security position because we're charged  
13 with protecting our citizens' data, and we take it very  
14 seriously.

15           So we have started working on a model with DGS  
16 partially based on the service management concept to  
17 integrate procurement process, HR process, service  
18 management process, and decision-making in a slightly  
19 different way than has been established in the past. And  
20 we are actively working on that.

21           REPRESENTATIVE DUSH: Thank you. I should have  
22 started with thanking you for actually taking that step  
23 back and taking a look. It's obvious in the way you've got  
24 the plan set up. P.N. discussed earlier that understanding  
25 the scope of the project and managing the scope is key to



1 all of this, and, as I said, with about 20 years of  
2 experience, that has not been the Commonwealth's track  
3 record.

4           And when it comes to this, I see with the way  
5 you're going, one of the key points and possible bottleneck  
6 or problem area will be when DGS does the contracting and  
7 the letting of the contracting versus what the end user in  
8 the various departments is going to need. And that's where  
9 -- if we don't have this using something like Six Sigma  
10 processes to ensure from the very basic user right up  
11 through the procurement process, I do want to make sure  
12 that we are putting the best processes into place and  
13 ensuring that we have accountability at all levels and we  
14 actually get to something that our people can use rather  
15 than what we're stuck with with Department of Labor right  
16 now on unemployment and even it's partially related to IT  
17 but the -- or the Skynet for the State Police and that sort  
18 of thing, so well over a billion dollars wasted so far  
19 between just those two programs.

20           MAJORITY CHAIRMAN METCALFE: Thank you. Thank  
21 you, Representative Dush.

22           Representative Bradford for a quick question.

23           DEMOCRATIC CHAIRMAN BRADFORD: Yeah, with regards  
24 to the shared service initiative, is there anything that  
25 you need specifically in terms of money or appropriation to

1 move this along?

2 SECRETARY MINNICH: No. We don't need  
3 legislation. What we need is time. It goes to we are four  
4 months into transition planning to take that current siloed  
5 agency view into a model that is aligned by services. And  
6 then once we get the organization structured, we have to  
7 then start to standardize the processes within each of  
8 those new service delivery areas, and that's just going to  
9 take some time. And so it's not an ask from a financial  
10 perspective as much as it is a time perspective to let us  
11 move to this new model and stabilize things so that we  
12 really have the structure in place.

13 As I said, you know, the framework when we looked  
14 at the delivery centers, we have movement around where  
15 agencies felt their alignment should be, and so the  
16 likelihood that we'll see movement between now and 12  
17 months from now, you know, I fully expect things to morph  
18 as we begin to standardize and really start to move into  
19 the new structure.

20 DEMOCRATIC CHAIRMAN BRADFORD: It would seem at  
21 least the way that House Bill 1704 is currently  
22 constructed, it might be an impediment, at least during  
23 this next 12 to 18 months. Is that a fair assessment?  
24 Would it make sense to maybe come back to revisit it once  
25 we kind of get through this interim period?

1                   SECRETARY MINNICH: Yes, that would be a fair  
2 assessment.

3                   MAJORITY CHAIRMAN METCALFE: Thank you,  
4 Representative Bradford.

5                   Representative Grove.

6                   REPRESENTATIVE GROVE: Thank you, Mr. Chairman.

7                   I appreciate your time. And one of the reasons  
8 you're my favorite Secretary is because you were just asked  
9 if you need more money, you said no, so one of my  
10 favorites.

11                   Obviously, everybody's put a lot of work into  
12 this, and this bill is multifaceted from the conception of  
13 formalizing our Chief Information Officer in statute to a  
14 consolidation approach, which I would say is outdated from  
15 where the executive order kind of came down your first  
16 division to where you're going now. And obviously, you  
17 have my full cooperation working towards getting that goal.

18                   But from our perspective as the Legislature,  
19 you've got to understand that when the Administration just  
20 decides to switch stuff -- and I'll use procurement, you  
21 know. Corbett went with procurement under OA, and now it  
22 switched back. Constant switching kind of drives us crazy  
23 a little bit because is it going to cost more, is it going  
24 to save money? Well, first, it was going to save money  
25 because we moved it over here. So the purpose of codifying

1 it is to provide us some continuity moving forward as well.

2           Within our budget process, I had appropriations  
3 pull, you know, between the tracking run and some other  
4 stuff, our appropriations says we spend about \$208 million  
5 on IT. I think it's significantly more, but we don't have  
6 any tracking of that. There's not a person in this room  
7 right here that can tell you outside of you two potentially  
8 how much we actually spend on IT, where those projects are,  
9 how they're moving forward. So part of this bill also is  
10 to provide some transparency within those projects.

11           I don't think anybody in this room wants the  
12 first mention of an IT project -- kind of like the  
13 unemployment comp modernization system of it's behind  
14 schedule and way over budget. Just having those  
15 communications back and forth, things happen, right?  
16 Unknown costs come up. How do we manage those moving  
17 forward both as the appropriators and as the individuals  
18 executing those?

19           So as far as this bill is concerned, I think it's  
20 imperative we get far more financial transparency within  
21 those IT processes moving forward. Obviously, procurement  
22 within this needs to be worked on. The thought with trying  
23 to get procurement in this bill is to try to -- how do we  
24 prevent the UC modernization moving forward from those  
25 cases happening? How do we make sure that we have

1 processes in place that ensure that we do not have over-  
2 budget and overextended contracts moving forward?

3           So those are kind of the theories that fit in  
4 here, and I think as far as the cybersecurity, I haven't  
5 heard any negative consequences about getting everybody in  
6 the same room and having discussions on cybersecurity  
7 because we're all facing it. You know, while we in the  
8 House haven't been attacked, you know, our colleagues in  
9 the Senate were shut down. I think they're still having  
10 some problems in there, and I know there's been a  
11 coordinated effort with the executive branch with that. We  
12 just need to continue those conversations because  
13 cybersecurity is not going to go away. It's going to move  
14 forward.

15           So just in general my thought process behind this  
16 bill, I appreciate your work and everything you've done.  
17 IT is a major cost driver. It's an important one. It's  
18 the direction government's going, and so we have all got to  
19 do a better job moving forward. I know you're committed,  
20 we're committed to doing that.

21           MAJORITY CHAIRMAN METCALFE: Thank you,  
22 Representative Grove.

23           It's been mentioned a couple different times  
24 related to the unemployment compensation program. And we  
25 do have written testimony in the Members' packets from the

1 Auditor General Eugene DePasquale, a former colleague of  
2 ours, that he provided for us, and it's less than 2 pages  
3 long. I think it's well worth the Members' time to take a  
4 look at it just to highlight where he starts off at with  
5 what's been mentioned related to the unemployment  
6 compensation program.

7           He said in April his department released an audit  
8 of LI's Service and Infrastructure Improvement Fund. As  
9 part of the audit, the team reviewed the computer system  
10 running the UC program and the contract associated with it.  
11 This review found significant flaws that require nearly an  
12 entire system overhaul. L&I essentially wasted -- this is  
13 the Auditor General's testimony. He says they wasted over  
14 \$160 million in taxpayer funds for a broken system. He  
15 goes to say, "It'll cost an estimated \$60 million more in  
16 taxpayer funds to create a new ideally functioning system."  
17 To add insult to injury, "There were no provisions in the  
18 IT contract with IBM to allow the State to recoup even a  
19 portion of the funds for IBM's failure to provide a fully  
20 operational UC computer system." And again, this is the  
21 testimony provided by the Auditor General.

22           Toward the end, talking about all State  
23 contracts, he said, "I would be remiss if I did not also  
24 note that prior audits by my department, specifically an  
25 audit for the Department of Community and Economic

1 Development that was released in 2014, showed there are  
2 similar concerns with all" -- and he underlines "all" --  
3 "State contracts." So I think certainly the legislation  
4 before us that we're talking about today, that there's a  
5 need for consistency and for codifying good policy that the  
6 General Assembly would like to see and not just being  
7 dependent on one Administration after another as those  
8 Administrations change through the years.

9           And we appreciate the Secretary's work and your  
10 assistant's work with helping us to move forward. Did you  
11 get a chance to hear our first testifier's testimony or  
12 review it?

13           SECRETARY MINNICH: Yes.

14           MAJORITY CHAIRMAN METCALFE: And some of the  
15 issues that he brought up because I know when you and I had  
16 met, I think you said your staffing complement, based on  
17 the way things were changing, was moving I think you said  
18 like 400 people to 2,000 people at a certain date and time?

19           SECRETARY MINNICH: Yes, that was --

20           MAJORITY CHAIRMAN METCALFE: And a lot of new IT  
21 people that are going to be coming underneath your  
22 umbrella?

23           SECRETARY MINNICH: Yes.

24           MAJORITY CHAIRMAN METCALFE: Is that ballpark  
25 correct?

1           SECRETARY MINNICH: Yes. July 1 for both HR and  
2 IT, we went from -- OA had 400 to about 2,000. So that's  
3 combined HR employees and IT employees throughout all of  
4 the agencies under the Governor's jurisdiction in the  
5 Commonwealth. So that's the model that we just talked  
6 about.

7           MAJORITY CHAIRMAN METCALFE: Now, those IT  
8 employees are State employees.

9           SECRETARY MINNICH: Correct.

10          MAJORITY CHAIRMAN METCALFE: Do you know what the  
11 complement of additional contracted employees would be in  
12 addition to those IT employees that are State employees?

13          SECRETARY MINNICH: Through the staff  
14 augmentation contract, we have about 900 staff augmentation  
15 resources that are onsite doing time-and-material --

16          MAJORITY CHAIRMAN METCALFE: Nine hundred IT-type  
17 people?

18          SECRETARY MINNICH: Yes, they would be  
19 application developers --

20          MAJORITY CHAIRMAN METCALFE: Now, are there other  
21 individuals that have been contracted by any agency or  
22 commission in Pennsylvania beyond that?

23          SECRETARY MINNICH: Yes. So the staff  
24 augmentation contract is a time-and-materials contract, so  
25 those individuals come in and they can be two months for a



1 project or six months for a project, so that's one type of  
2 procurement that's used. Through RFPs we have other  
3 contractors on, and they typically do the larger system  
4 builds, so that would have been, you know, the tax  
5 modernization. And so those are project-related  
6 initiatives where contractors come in to assist those  
7 builds of the projects, and then the maintenance is  
8 typically done by Commonwealth staff.

9 MAJORITY CHAIRMAN METCALFE: And some of those  
10 individuals might be who our first testifier had been  
11 reference where we have some people that are employed for  
12 many years as a contractor with the Commonwealth for  
13 certain IT-related consulting work?

14 SECRETARY MINNICH: We do have contractors who  
15 are on -- and I'll look to John. I think the average is  
16 about two years, but we would have to get that specific  
17 data in terms of the length of time individuals -- kind of  
18 the average length of time for the staff augmentation  
19 resources.

20 MAJORITY CHAIRMAN METCALFE: So I certainly would  
21 be looking forward to working with you, as well as  
22 Secretary Topper, in trying to ensure changing -- working  
23 to change the law to ensure that those individuals that  
24 were contracting that are working alongside State  
25 employees, that we're able to vet them properly to ensure

1 we're getting the right credentials at the same time as  
2 making sure that we're having them file similar information  
3 that our State employees do to make sure we don't have any  
4 conflicts of interest where they're essentially ripping off  
5 the taxpayer if they're being contracted and then starting  
6 a side company that's doing contracting work through their  
7 contacts and such.

8 I know we had an issue with the Gaming Commission  
9 where we'd asked for an investigation, and one of their  
10 employees had been running a side business for many years  
11 and had the largest fine levied against that individual  
12 last September that was levied in the last decade through a  
13 consent decree. But I want to make sure we don't have  
14 other situations like that occurring within these  
15 departments or across departments and commissions.

16 SECRETARY MINNICH: And, you know, I think we  
17 agree, which is why we have the terms and conditions for  
18 the background check, which is why, as part of the staff  
19 augmentation contract, we do ask them to do the education  
20 and employment verification so that the individuals that  
21 are coming to us are background-checked. And, you know, we  
22 do not allow contractors to work without those background  
23 checks, so -- we stopped one yesterday. So we are actively  
24 aware that we need to make sure that contractors go through  
25 that same background check process because of the Federal

1 requirements, as well as, you know, the confidentiality of  
2 data and protecting citizens' data. That extremely  
3 important to us, and so we need to make sure that they go  
4 through the same processes as our employees.

5 MAJORITY CHAIRMAN METCALFE: Currently, it  
6 doesn't sound like they are going through the rigorous  
7 process that was suggested by our first testifier. It  
8 sounds like they're going through criminal background  
9 checks but that every IT contracted-type employee isn't  
10 necessarily going through the academic background check,  
11 the experience background check, the other verifications of  
12 information they're providing to get the job.

13 SECRETARY MINNICH: And I'll ask John to add. So  
14 to the 900-ish that we talked about for staff augmentation,  
15 it would be the responsibility of the OST vendor on our  
16 behalf to do that vetting of that individual so that the  
17 people that they're providing to the agencies have the  
18 right experience and it has been vetted. So we look to  
19 that vendor as an outsourced activity for them to do on our  
20 behalf so that they come in. So those are the two ways we  
21 get IT resources through the staff augmentation or OST  
22 contract and through the RFP process.

23 MAJORITY CHAIRMAN METCALFE: So we look to them  
24 to do that, but is that part of the contract, not just  
25 that, based on the nature of the business and the fallout

1 as a result of not doing it, but are they required to and  
2 can they produce documentation to us to show that they have  
3 in fact done that with every employee that's provided  
4 through their system?

5 MR. MACMILLAN: It's one of the reasons we  
6 stopped yesterday's situation. That documentation had not  
7 been provided, and the supplier was not allowed to start.

8 MAJORITY CHAIRMAN METCALFE: Okay. You stopped  
9 something, but is it required in the contract?

10 MR. MACMILLAN: Yes. Yes.

11 MAJORITY CHAIRMAN METCALFE: Okay.

12 MR. MACMILLAN: So the staff augmentation  
13 supplier specifically has to tell us that these situations  
14 have been investigated and produce the documentation to do  
15 that.

16 MAJORITY CHAIRMAN METCALFE: Thank you.

17 MR. MACMILLAN: Okay.

18 MAJORITY CHAIRMAN METCALFE: Our final question  
19 from Representative McCarter.

20 REPRESENTATIVE MCCARTER: Thank you, Mr.  
21 Chairman. And again, I want to take a second to thank  
22 Representative Grover for proposing the legislation.  
23 Whether it's timely or not, it's timely in the sense that  
24 obviously this is of great concern I think to all of us,  
25 that all of these particular threats to our security in

1 terms of what's happening I think are critically important.

2           Yesterday at a hearing I sat in, there was a  
3 comment made about -- and were talking about EV vehicles,  
4 and that by 2035, only 17 years away from now, 80 percent  
5 of all the vehicles on the road in the world will be EV  
6 vehicles. That's the scope of this change that we're  
7 undergoing and we have been undergoing in terms of IT over  
8 the past two decades. This is what's happening.

9           And I noticed in your testimony, Madam Secretary,  
10 that the key word is flexibility, that this is like  
11 changing the tire going down the road while we're still  
12 driving the car, and that everything that we do with IT  
13 changes literally every single day. And so that  
14 flexibility I can see is critically needed in terms of how  
15 we handle this, that it's not like solving a problem of  
16 changing the tire. Once the tire's changed, then you  
17 continue down the road. The tire is always going to be  
18 stressed constantly as we go along.

19           So I give all of you a lot of credit because I  
20 have a hard enough time trying to get my computer on, much  
21 less remembering my passwords and keeping it going in that  
22 direction. So I think for all of us, we thank you, but I  
23 think it's critical for all of us to remember that  
24 flexibility as we move forward and giving the opportunity  
25 in a sense for those that are dealing with these problems

1 the means by which to be able to handle them in an  
2 efficient way without overestimating in a sense the  
3 oversight that we want to have and I think which is  
4 critically important. But we can also kill it in terms of  
5 the oversight and some of this as well, so I give you  
6 credit and thank you very much.

7 MAJORITY CHAIRMAN METCALFE: No final question?

8 DEMOCRATIC CHAIRMAN BRADFORD: No, just to have a  
9 nice day --

10 MAJORITY CHAIRMAN METCALFE: All right.

11 DEMOCRATIC CHAIRMAN BRADFORD: -- Mr. Chairman.

12 MAJORITY CHAIRMAN METCALFE: So I think that's  
13 all the questions we had from the Members for today. Thank  
14 you, Secretary Minnich, and Deputy Secretary, for joining  
15 us today. I appreciate the information you provided. We  
16 look forward to working with you both as we move forward.

17 SECRETARY MINNICH: Thank you.

18 MAJORITY CHAIRMAN METCALFE: Thank you.

19 Motion to adjourn by Representative Grove,  
20 seconded by Representative Knowles. This hearing is  
21 adjourned. Everyone have a great day.

22

23 (The hearing concluded at 11:26 a.m.)

1                   I hereby certify that the foregoing proceedings  
2 are a true and accurate transcription produced from audio  
3 on the said proceedings and that this is a correct  
4 transcript of the same.

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