

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE

STATE CAPITOL
HARRISBURG, PA

MAIN BUILDING
ROOM 140

TUESDAY, FEBRUARY 27, 2018
1 P.M.

BUDGET HEARING

OFFICE OF ADMINISTRATION
OFFICE FOR INFORMATION TECHNOLOGY

BEFORE :

HONORABLE STANLEY SAYLOR, MAJORITY CHAIRMAN
HONORABLE KAREN BOBACK
HONORABLE SHERYL DELOZIER
HONORABLE GEORGE DUNBAR
HONORABLE GARTH EVERETT
HONORABLE KEITH GREINER
HONORABLE DOYLE HEFFLEY
HONORABLE SUE HELM
HONORABLE LEE JAMES
HONORABLE WARREN KAMPF
HONORABLE FRED KELLER
HONORABLE JASON ORTITAY
HONORABLE MIKE PEIFER
HONORABLE MARGUERITE QUINN
HONORABLE BRAD ROAE
HONORABLE JAMIE SANTORA
HONORABLE CURT SONNEY
HONORABLE JOSEPH MARKOSEK, MINORITY CHAIRMAN
HONORABLE KEVIN BOYLE
HONORABLE TIM BRIGGS
HONORABLE DONNA BULLOCK
HONORABLE MARIA DONATUCCI
HONORABLE MARTY FLYNN
HONORABLE PATTY KIM
HONORABLE STEPHEN KINSEY
HONORABLE LEANNE KRUEGER-BRANEKY
HONORABLE MIKE O'BRIEN
HONORABLE MARK ROZZI
HONORABLE PETER SCHWEYER

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ALSO IN ATTENDANCE:
HONORABLE CRIS DUSH
HONORABLE JUDY WARD
HONORABLE TODD STEPHENS
HONORABLE FRANK RYAN
HONORABLE DARYL METCALFE
HONORABLE MATT BRADFORD

COMMITTEE STAFF PRESENT:
DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR
RITCHIE LaFAVER, MAJORITY DEPUTY EXECUTIVE
DIRECTOR
MIRIAM FOX, MINORITY EXECUTIVE DIRECTOR
TARA TREES, MINORITY CHIEF COUNSEL

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Pennsylvania House of Representatives
Commonwealth of Pennsylvania

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TESTIFIERS

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts online.)

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Summer A. Miller, Court Reporter
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P R O C E E D I N G S

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MAJORITY CHAIRMAN SAYLOR: As we begin this hearing, I'm going to ask members to make sure that they have the PowerPoint presentation that the secretary has. If you don't have it already, there are some on the front table. I believe everyone has it. The Secretary would like to go through the PowerPoint presentation she has and then we'll go into questions.

So with that, Madam Secretary, let me swear you in first.

Anybody who's going to testify -- John, if you're going to testify -- please stand and raise your right hand.

SHARON MINNICH, JOHN MacMILLAN, and ERIK AVAKIAN, called as witnesses, being duly sworn, testified as follows:

MAJORITY CHAIRMAN SAYLOR: Thank you.

Madam Secretary, you may start.

SECRETARY MINNICH: Chairman Saylor, Chairman Markosek, members of the committee, thank you very much for inviting us today. I would like to take just a brief minute before questions to go through the PowerPoint. It's in the

1 appendix to the testimony.

2 MAJORITY CHAIRMAN SAYLOR: Madam Secretary --

3 SECRETARY MINNICH: Can you hear me?

4 MAJORITY CHAIRMAN SAYLOR: Thank you. Yes.

5 SECRETARY MINNICH: I always get that.

6 Just to level set and set the stage for what
7 we've been working on over the course of the last 12-plus
8 months, because we're been in the midst of a lot of
9 transformation and it's reflected in the budget that you see
10 before you.

11 And so if you just look at slide two of the
12 presentation, what we have been doing over the past 25 years
13 from an IT perspective is really transforming. And if you
14 look at the early days, in the 1990s, early 2000s, it was
15 around our core infrastructure, our data centers, our
16 networks, our telecommunications, and the SAP system from a
17 software perspective. We had limited agency consolidations.
18 We had Department of Corrections and Probation and Parole
19 providing joint services, Department of Human Services and
20 Insurance. But other than that, it was really around core
21 infrastructure.

22 So if you turn to slide three, it outlines
23 the results of this transformation over the past several
24 decades. We really had varying support models. We had a
25 lack of standardization across the agencies. We had

1 agencies with small IT offices and agencies with large IT
2 offices, which had agencies that had personnel performing
3 multiple functions, such as wearing the cyber security hat
4 as well as the telecommunications hat, depending on their
5 size. But from a citizen's perspective, your citizens
6 wanted the same level of service from that agency for their
7 IT support. And so we had a varying model.

8 If you look at slide four, it talks about the
9 goals of the initiative. In January of 2017, as part of the
10 budget address, the Governor announced the HR and IT shared
11 services initiative. And this was really to improve our
12 service delivery for HR and IT to the agencies, and
13 therefore, to the citizens. The goals were really around
14 service delivery to agencies, reducing costs, so that those
15 dollars can go to citizen services or go back into new
16 technology to improve citizen services. So that was really
17 the start of the initiative.

18 If you turn to slide five, it goes through
19 our time line. And so when we look at the last 12, 14
20 months now, the first six months of last year, we went
21 through the planning phase. We spent six months looking at
22 our to-be services, our current state services, our future
23 state services, how we were organized to provide those
24 services. We spoke to other states. There are about 25
25 states around the country that have implemented a shared

1 service model. We took the best practices from those
2 models, we took the lessons learned from those models, and
3 we built that into our model. We did this with internal
4 resources and without consulting support, so this was really
5 an internal employee-driven initiative.

6 The assumptions that are listed on that
7 slide, I just want to call out a couple of key assumptions
8 to built the model. One was we wanted to implement against
9 best practices and ITIL standards. The second is that we
10 wanted to make sure that we had a multiple tiered governance
11 structure that we were building to make sure that we were
12 governing IT in a different way to leverage resources and to
13 standardize. We wanted to also align our services to metric
14 so we could measure our service delivery in a new way. And
15 finally, we wanted to look at our service delivery by two
16 lenses. One, what do we deliver to all of the agencies in
17 the same way, and what needs to be mission-focused and
18 agency-focused. And so those were our operating assumptions
19 as we went through the planning phase.

20 If you look at slide six, it shows our new
21 organization design, and this is how we're currently
22 operating as of July 1st. The boxes across the top,
23 strategy and management, enterprise, solution, service desk,
24 security, and technology and operations are those services
25 that are provided to all agencies at an enterprise level.

1 So everyone should be getting the same service from a core
2 group.

3 The boxes that align down the right-hand side
4 are the agency delivery centers. Those are the services
5 that should be driven by the missions of the agency and
6 liked missions were grouped together in delivery centers.

7 If you look at slide seven, it outlines the
8 agencies that we've grouped for delivery centers. The only
9 thing that I want to note here is around the mission of the
10 agencies and why we did that, and it was to align our
11 application supports. So liked-mission agencies should be
12 able to leverage technology within that delivery center so
13 we don't have to replicate the same kind of technology
14 across the same agencies within a delivery center and then
15 cross delivery centers. We want to make sure we can
16 leverage tools where we have them.

17 If you turn to slide eight, it talks about
18 where we are. So from July 1 to December, we went through
19 transition plannings. So all of the deliver centers went
20 through the process to look at how do they take the agency
21 view and move to a more mission-driven focus and align their
22 organizations to the services that we deliver, rather than
23 to the agencies that they're serving so that we can leverage
24 the tools across all of the agencies within those delivery
25 centers.

1 We've implemented governance at the agency
2 level, at the delivery center level, and at the enterprise
3 level. We are implementing metrics in April that will align
4 to our service catalogs and rolling those out. We've
5 transitioned people to the Office of Administration on July
6 1st, and we're putting in place a new billing methodology to
7 allow us to function in this new model. So we are in the
8 middle of transitioning.

9 Slide nine talks about some of the early
10 successes that we've seen. One of the things that I just
11 want to caution as we move through this model and the states
12 that we've looked at, this is not -- you know, it took us
13 decades to get to the point that we're at. We will not be
14 modernized in two to four years. It's going to take a long
15 time to be able to transition from where we are to the
16 future of where we want to be. And you look at the other
17 states and they have been transitioning for five, seven-plus
18 years, to be able to get out of their Legacy environments to
19 reduce a new operating model.

20 So slide 10 just shows the view as you would
21 have seen it July 1st. So to ease transition and reduce
22 risk, we moved people into the model with an agency-specific
23 view. This kept the silos of the agency IT organizations,
24 but moved them into a delivery center.

25 If you look at slide 11, it talks about where

1 we're going. So that transition plan that was done between
2 July and December in all of the delivery centers moved from
3 the agency silo to a service delivery model.

4 And so if you see the green on slide 11,
5 where it says "delivery centers CIO" and the services
6 underneath there, you can see that now they're delivering
7 services to all of the agencies within their delivery center
8 aligned by service rather than by agency. This lets us
9 begin to standardize, begin to leverage technology, begin to
10 share technology across the agencies within that delivery
11 center and across the agencies across delivery centers.

12 So we are very much in a transition phase
13 moving into this structure. We are trying to break down
14 silos, we are trying to leverage the resources and reuse
15 technology. And we're really looking to design for the
16 citizen in mind so that we can save dollars and reinvest
17 those in direct citizen services.

18 So it was a very, very quick overview of the
19 last 12 months, but I just wanted to set the stage of what
20 we've been working on and what's been transforming over the
21 past year as it relates to IT transformation here in the
22 Commonwealth.

23 Thank you.

24 MAJORITY CHAIRMAN SAYLOR: I wanted to
25 recognize, before we start the questions, we've been joined

1 by Representative Ryan, who's not on the committee, and
2 Representative Ward, as well, is here, and thank them for
3 joining us.

4 Representative Markosek, any comments or
5 anything to start?

6 MINORITY CHAIRMAN MARKOSEK: Thank you very
7 much. I have no opening questions, but just to welcome all
8 of you and we're looking very forward to hearing what you
9 have to say.

10 SECRETARY MINNICH: Thank you.

11 MAJORITY CHAIRMAN SAYLOR: With that, we'll
12 start with our first questioner, so we don't keep you here
13 too long. We'll see. We'll start off with Representative
14 Roae.

15 REPRESENTATIVE ROAE: Thank you, Mr.
16 Chairman.

17 And thank you, folks, for your testimony
18 today.

19 It's my understanding that the company
20 MAXIMUS is being used, is that accurate, to do some of the
21 stuff that you guys are working on?

22 SECRETARY MINNICH: Yeah. We do use --
23 sorry. MAXIMUS is helping us with the financial billing
24 model, correct. And they are with the Office of Budget and
25 part of the Office of Budget's federal cost, statewide cost

1 allocation plans. And so the Office of Budget contracts
2 with MAXIMUS and they're helping us with our financial
3 billing model. Correct.

4 REPRESENTATIVE ROAE: Was that contract put
5 out for bid or were they just kind of hired?

6 SECRETARY MINNICH: MAXIMUS is the vendor
7 that the Office of Budget has used, historically, for the
8 cost allocation plans, so they were already on contract.

9 REPRESENTATIVE ROAE: Because I don't know if
10 you're aware of this or not, but the Department of Human
11 Services, back when it was called the Department of Public
12 Welfare, you know, they hired MAXIMUS to improve the
13 accuracy of child county welfare program claims submitted to
14 the federal government. That failed, and it resulted in the
15 department choosing to accept an ongoing partial deferral of
16 federal funds for a loss of about \$3.5 million in federal
17 funding annually.

18 And then also, we talked last year at these
19 hearings, that the Area Agencies on Aging, they were having
20 a problem with MAXIMUS. You know, seniors that were trying
21 to sign up for, you know, home medical care, you know,
22 MAXIMUS was supposed to make sure they got processed in 60
23 days and approved for the program. And there were delays of
24 eight months to ten months for them to get the benefits that
25 they were entitled and qualified for. So I'm just

1 wondering, you know, why we keep using MAXIMUS when, you
2 know, they've failed us a couple of times.

3 SECRETARY MINNICH: We're using MAXIMUS for a
4 very specific area, and it's to review what we're doing from
5 a billing methodology. And that's the historic lense that
6 the Budget Office has used them for, so we want to make sure
7 that we're aligned from a billing methodology to what's
8 already in place.

9 I can't comment on the past use in the other
10 agencies, but when we talk about our billing model, we're
11 looking at phasing it in to make sure that we take -- to
12 reduce risk in the transition. And so the first component
13 of the billing model that we're looking at is personnel only
14 before we get into any other billing associated with
15 operating expenses around IT.

16 REPRESENTATIVE ROAE: Do you know -- I mean,
17 I hope everything goes well, but if things don't go well --
18 you know, like I've said, they've failed us a couple of
19 times before -- is there anything, you know, in the contract
20 that we would get a refund for the money that we're paying
21 them or is there any kind of protection for the taxpayers
22 and the citizens, or is it just kind of a, you know, "oh,
23 well, better luck next time" kind of a thing?

24 SECRETARY MINNICH: All of our contracts have
25 terms and conditions that allow us, if there are performance

1 issues, to address those with the vendors. So those would
2 be part of the standard contracts, yes.

3 REPRESENTATIVE ROAE: All right. Thank you
4 so much.

5 SECRETARY MINNICH: Yeah.

6 MAJORITY CHAIRMAN SAYLOR: Representative
7 Donatucci.

8 REPRESENTATIVE DONATUCCI: Thank you, Mr.
9 Chairman.

10 And hello and welcome today.

11 Technology seems to change and evolve so
12 fast, it's hard to keep up with it. There's still a lot of
13 old Legacy systems in use by the Commonwealth that support
14 critical functions which can be expensive to replace.

15 Can you tell us about the overall age of the
16 Commonwealth's IT infrastructure, both the physical hardware
17 and software components, and what challenges exist with a
18 mix of old and new assets in use across the agencies?

19 SECRETARY MINNICH: Sure. And I will open,
20 and then I'm going to ask CIO John MacMillan to add.

21 We do have an application portfolio. We have
22 about 2100-plus applications in our application portfolio.
23 We look at that for a variety of lenses. One is age and
24 Legacy so that we can strategically modernize our
25 application portfolio. But you are correct, we do have some

1 risk within that portfolio and part of what we need to do
2 is, when we look at the shared service model, is identify
3 where those risks are and put together projects to address
4 the risk and modernize in a way that provides the services
5 while bringing those technologies closer to where they need
6 to be from a skill set and software portfolio.

7 I'm going to turn it over to John to add in
8 terms of Legacy date, age.

9 MR. MacMILLAN: That's a very broad question
10 and I'm going to have to break it down a little bit so that
11 we can understand it.

12 In terms of hardware, much of our hardware is
13 reasonably current. The operating systems that sit on top
14 of that are subject to change so that they can be in a
15 supported state. We'd like to be a little further than
16 where we are, but I think overall we're in very good shape.

17 Now, from an application perspective, that
18 one's a little more complex. All right?

19 One of the reasons that we develop
20 applications is to enable the business and to automate
21 business activities. So where the business doesn't change a
22 lot, it's okay to be in a certain situation in terms of its
23 code. Where the business changes a lot, we've established
24 new procedures and new policy to allow us to look at modern
25 solutions.

1 Not loud enough?

2 (Inaudible.)

3 MR. MacMILLAN: Would you like me to repeat
4 myself? You got it? Okay.

5 When we look at applications, they're built
6 of different components and what we want to do is modernize
7 based upon the risk that's in those components.

8 So for example, if we had an application that
9 was built on a language published by an external supplier
10 that no longer is in business, we would look at that as a
11 risky component and we would want to modernize as quickly as
12 possible.

13 Does that make sense? Okay.

14 REPRESENTATIVE DONATUCCI: It does.

15 So with the shared services and
16 modernization, eliminate and other project failures, like
17 what happened with L&I and IBM, do you know why something
18 like that happened?

19 SECRETARY MINNICH: As we move into the
20 model, I think it reduces the risks.

21 IT projects are large and complex. We've
22 taken several steps to reduce the risks to the Commonwealth
23 for those large projects. First, we put in place a policy
24 that is moving away from custom build to a commercial
25 off-the-shelf software service policy first, that helps

1 reduce the risk around projects. We also are looking at
2 incremental builds rather than the large scale big bang
3 approaches.

4 The shared service model allows us to track
5 project health earlier and take corrective action faster.
6 And so now we are getting project updates in our project
7 portfolio so that if we see risks early, we can take
8 mitigation steps before they become issues.

9 You know, IT is a complex activity. To say
10 that there will be no failures is, you know, a difficult
11 thing to say, but we're trying to do everything from a
12 policy and process perspective to reduce that risk and
13 address issues when we see them sooner, rather than later.

14 REPRESENTATIVE DONATUCCI: Thank you.

15 Thank you, Mr. Chairman.

16 MAJORITY CHAIRMAN SAYLOR: Very good.

17 I recognize Representative Quinn.

18 REPRESENTATIVE QUINN: Thank you, Mr.

19 Chairman.

20 And thank you very much for being here today.

21 I hate to start off with something that's
22 agitating, but I'm going to do this. I'm sure you're well
23 aware of the data breach just a couple of days ago with the
24 Department of Education. I'm trying to understand, as I
25 look through your, the slide presentation, under the shared

1 service delivery centers that you've set up -- and I see
2 under the general government that education is part of it --
3 how do you know that if they breach this section, the
4 teacher certification files, that that's not something that
5 there's now an ability, you know, from that breach to go
6 through all of these other systems?

7 SECRETARY MINNICH: So first, let me correct,
8 it wasn't a breach. It was an employee error. That
9 employee put something into production that allowed
10 individuals in the TIMS systems, those teachers and
11 administrators who had TIMS access, to see information
12 beyond their own information.

13 So there wasn't --

14 REPRESENTATIVE QUINN: Thank you.

15 SECRETARY MINNICH: -- a cyber breach
16 occurring.

17 REPRESENTATIVE QUINN: That's great and
18 that's a great clarification. And I'm sure that was a
19 teachable moment for --

20 SECRETARY MINNICH: Yes.

21 REPRESENTATIVE QUINN: -- many of us.

22 Let me ask, is there something that you have
23 in place for employees? If you really study the cyber
24 security, so often many of the mistakes might not have been
25 a threat from the outside, but just carelessness with regard

1 to forgetting to change your password and things like that.

2 What protocol do you have for every user in
3 terms of their frequency by which they have to change their
4 passwords and other just easy, low cost things like that?

5 SECRETARY MINNICH: From a cyber security
6 standpoint, we have training that every employee has to take
7 every year. We just updated the training to make it more
8 interactive so that they really understand better that
9 they're part of cyber security, password controls, just
10 clicking on links. We also change passwords. We increased
11 our password length to --

12 REPRESENTATIVE QUINN: Are there constant
13 reminders going back out? I'm sorry. We get this -- oh,
14 I'm out of time already, guys. We're not really. They just
15 didn't set it. So I get a full more five.

16 SECRETARY MINNICH: But we do do reminders.
17 We do -- we increase the password length to increase our
18 security profile around passwords. We just put that in
19 place. We do exercises where we see if employees will click
20 on things and then --

21 REPRESENTATIVE QUINN: So you're conscious of
22 it and you're constantly driving this out and not just a
23 one-year training session?

24 SECRETARY MINNICH: Correct. And we have
25 monthly reports.

1 REPRESENTATIVE QUINN: Okay. That's good to
2 hear.

3 While I don't disagree with the consolidation
4 of the shared services, it just concerns me that should
5 there be an outside breach, as opposed to an employee error,
6 that it could just give away the keys to the kingdom instead
7 of having some of what had been siloed.

8 Let me ask you, one of the things that
9 surprises me, last week and even as early as two hours ago,
10 I've been asking about the investment into IT, with
11 specifics on cyber security. Yet nobody has mentioned this
12 huge transition. So I'm looking over this stuff, and I'm
13 like, why hasn't anyone brought that up before?

14 I don't want you to answer for someone else,
15 but are they aware? And if they are aware, are they no
16 longer feeling they have to be on this because you are?

17 SECRETARY MINNICH: They are aware. When we
18 talk about cyber security spend, from an OA OIT perspective,
19 at the enterprise level, it is about \$7 million annually,
20 that's operating and personnel spend, so it's about
21 12 percent of the CTS line item.

22 REPRESENTATIVE QUINN: Can I just stop you
23 there?

24 SECRETARY MINNICH: Yeah.

25 REPRESENTATIVE QUINN: \$7 million?

1 SECRETARY MINNICH: Yes.

2 REPRESENTATIVE QUINN: For cyber security?

3 SECRETARY MINNICH: Within the OA OIT budget.
4 So when you talk about the CTS, the Commonwealth Technology
5 Services line item, in the budget, that talks about
6 enterprise cyber security, so all our layers of cyber
7 security -- and Erik can speak to those layers in much more
8 detail than I can -- that amount is seven million. And then
9 within the agency spend, there's additional dollars for the
10 agency cyber security that they are required to follow based
11 on OA policies and procedures. And so we have multiple
12 layers of security.

13 One of the things that the model, this shared
14 service model, will do is actually improve cyber security
15 because we have now all of the cyber security resources
16 reporting to the Chief Security Officer in the Commonwealth.
17 So they're all operating within one entity, so we can act
18 and react faster and in a more standardized way against best
19 practices and procedures.

20 And so the education example is actually a
21 good example of the shared service model because we
22 immediately brought to bear the resources within the
23 enterprise security office, within our enterprise technology
24 and operations office, to support the individuals in
25 education. And so that's where we want to go.

1 REPRESENTATIVE QUINN: Okay, \$7 million, I'd
2 be curious what it's going to cost just for the ongoing
3 monitoring for the oops that just happened. And you know,
4 at 12 percent of that budget, it just concerns me that
5 it's -- and I know that money is a scarce resource these
6 days, but this is just that important that a screwup or a
7 breach like we've seen in some other states has cost them in
8 turn far more than the investment itself into cyber
9 security.

10 MR. MacMILLAN: Absolutely agree with you,
11 and we're working with our partners at DGS to explore cyber
12 insurance.

13 REPRESENTATIVE QUINN: Thank you.

14 MR. MacMILLAN: So that when those oops
15 happen, and they will, that we are better protected.

16 REPRESENTATIVE QUINN: Do you have a protocol
17 in place with regard to notification? Because I was a
18 little bit bummed to see that they're going to mail letters
19 out to people. Snail mail, by the time they're generated,
20 you've got like, you know, four days till someone's opened
21 that on the other side and --

22 SECRETARY MINNICH: We do follow the protocol
23 and we have to follow the Breach Act. So we're following
24 what we need from a law perspective to do appropriate
25 notification to make sure that we get the notifications out

1 in the right manner for individuals to sign up for credit
2 monitoring. So, yes, we have protocols associated with
3 that.

4 REPRESENTATIVE QUINN: Thank you very much.

5 MAJORITY CHAIRMAN SAYLOR: Let me follow up
6 on that, because I think it's so important.

7 Being one -- probably a lot of us in this
8 room were probably a part of the Equifax breach that took
9 place. Just, any idea what it's going to cost, just general
10 figures, as to provide -- well, let me, before I ask you
11 that question or before you answer that one, how many people
12 were affected by this, if I may ask?

13 SECRETARY MINNICH: We're still going through
14 those numbers. It just happened Thursday, so we want to
15 make sure that we go through the data, identify the
16 appropriate individuals that were affected, so we don't have
17 the final figures yet.

18 MAJORITY CHAIRMAN SAYLOR: Okay. Now, one of
19 the problems with Equifax is, they offered and you had to
20 sign up for protection. Is the department just
21 automatically giving everybody that protection once you
22 discover who all is involved or are you going to make them
23 sign up?

24 SECRETARY MINNICH: It's a similar process
25 because individuals may already have protection, so if you

1 were breached under, or already buy that protection, you may
2 decide not to. So we will follow the same process where we
3 will offer it to all and they can go online. We'll have a
4 phone number for them to call, as well as an online link to
5 be able to sign up electronically. But it will be their
6 decision to sign up based on whether they have protection
7 through another service already or if they wanted to sign
8 up. So it's still an offer.

9 MAJORITY CHAIRMAN SAYLOR: Are you aware of
10 any past -- you know, in our legislative offices, we all
11 have people we have fill out property tax or rent rebate
12 forms, which have Social Security numbers on them. Are you
13 aware of any other breaches that have taken place or these
14 kind of things that have happened, an employee mistake, over
15 the last several years? Are we aware of any?

16 SECRETARY MINNICH: We do have employee
17 mistakes that occur. Yes.

18 MAJORITY CHAIRMAN SAYLOR: I understand.

19 SECRETARY MINNICH: And we are aware. And
20 just like this one, we take immediate action and notify
21 individuals, yes.

22 MAJORITY CHAIRMAN SAYLOR: Very good. I just
23 think, Secretary -- or Representative Quinn -- Secretary
24 Quinn -- Representative Quinn's point, I think, is very
25 sensitive today because of all the hacking and breaches that

1 are taking place with stores and everybody else. And I
2 think when you ask people that we represent to trust us, I
3 think it's more important that we try to make sure that we
4 are leading the industry as far as that kind of protection.
5 I'm surprised that some of the commercial industry has not,
6 but very good.

7 Go ahead, Secretary.

8 SECRETARY MINNICH: If you would like, I
9 mean, Erik can speak to the layers of protection from a
10 cyber perspective that we have in place to the \$7 million
11 within our budget. Just to talk about -- we do take
12 protecting data extremely seriously, which is why we do the
13 training, which is why we change the passwords, which is why
14 we make sure that we do phishing exercises to see if people
15 will fall for e-mail, and then we retrain. And so we take
16 it very seriously from an employee perspective, as well as
17 making sure that we have the right layers of security built
18 in at the enterprise level and then at the agency level,
19 because it is everyone's reputation to protect that data.

20 MR. AVAKIAN: So good afternoon,
21 Representatives and members.

22 Again, my name is Erik Avakian, and I'm the
23 chief information security officer for Pennsylvania. I've
24 been in my position with Pennsylvania since 2010. And in
25 that time, we have seen, obviously, the cyber threat

1 landscape significantly change. You mentioned some of the
2 cyber breaches that we've started to see now from different
3 companies.

4 We take cyber security in the Commonwealth
5 extremely seriously. In my time here, we have improved the
6 cyber security posture of the Commonwealth significantly
7 through additional cyber security services, additional
8 layered security, which the secretary was talking about.

9 So we look at different methods of attacks
10 across all the different layers and put the appropriate
11 training, people, processes, and technologies in place.
12 We've made significant investments in all of those areas.
13 For instance, again, to go on training because I think
14 training is so important. We've revamped that cyber
15 security training which we require for all of our
16 Commonwealth employees and contractors on an annual basis to
17 take. And this year we've actually improved that training
18 with gamification, so users can learn on the fly through
19 that training as to what not to click on, for instance a
20 phishing e-mail, things that you start to see, where a lot
21 of these breaches that we've seen in the news happened that
22 way.

23 So we train our users and we do ongoing
24 training with our users, changing the culture throughout our
25 Commonwealth, and then we test our users through the same

1 types of models that are best practice. And we do that
2 regularly. So we train our users to see if they are
3 vulnerable. Have they learned anything from our training,
4 and do we need to improve our training?

5 So we take the people approach very, very
6 seriously. And from a process and technology standpoint, we
7 really, you know -- and if we think about where we're going
8 with IT transformation and cyber, looking at things like an
9 airport. So when you go to an airport today in Philadelphia
10 or if you go in an airport in LA, it's the same experience.
11 You've got multiple layers of security as you go through
12 that baggage check, as you go through the line, you take off
13 your shoes, and you go through all of those processes. You
14 go through levels of technology, really taking that same
15 approach across all of the Commonwealth agencies through IT
16 transformation to really lead to a model where there are no
17 haves and have-nots. Everybody has the same processes, the
18 same procedures. They're going through the same level of
19 layered controls. And that's going to boost the cyber
20 security posture for all of the Commonwealth.

21 So as we go through this journey with IT
22 transformation, it's going to improve cyber security, it's
23 going to really reduce duplication of effort across the
24 different agencies, have everybody come together, work
25 together, share knowledge. And I think that's really going

1 to improve our people, it's going to improve our process,
2 and it's really going to take away that notion of haves and
3 have-nots so that we can maintain a cyber security posture
4 that's consistent across the entire Commonwealth.

5 And I think that's a good story and I think
6 that's where we're going. And I think, again, we take cyber
7 security extremely seriously and we're always looking to
8 improve, we're always learning from each incident so that we
9 can always get better.

10 MAJORITY CHAIRMAN SAYLOR: Representative
11 Krueger-Braneky.

12 REPRESENTATIVE KRUEGER-BRANEKY: Thank you,
13 Mr. Chairman.

14 Thank you, Secretary, and team for joining us
15 here today.

16 So my colleague, Representative Donatucci,
17 talked about the aging infrastructure of our systems here in
18 Pennsylvania. And I saw that firsthand as a member of the
19 Labor and Industry Committee. As we were talking about the
20 benefits modernization project, a few of us went over to the
21 department. We actually were walked through the mainframe
22 process by the staff and saw how the call centers operated,
23 and it was overwhelming to see technology that probably was
24 developed before I was born running a system as important as
25 our Unemployment Compensation Center.

1 So my question for you is this, in our
2 conversations at that meeting that day and as a Labor and
3 Industry Committee, some of my colleagues wanted to sort of
4 drop in solutions from the private sector, but having worked
5 in the private sector and in government, I know that things
6 operate very differently.

7 So, Secretary, I know that you've worked
8 extensively in the public and the private sectors. Can you
9 talk about what you've observed, the key similarities
10 and differences between the private sector and how
11 Pennsylvania state government works?

12 SECRETARY MINNICH: Sure. Thank you for that
13 question.

14 I think from a similarity, you know, when you
15 talk about large organizations in the private sector and the
16 public sector, we have complex systems that support us. I
17 think when you talk about the major differences, it's how do
18 we approach our customers.

19 And so one of the things that we're looking
20 to do with this model is -- in the private sector you build
21 from the customer first. And so you look at how does the
22 customer interact with us regardless of agency and
23 regardless of what we're buying so you can provide a kind of
24 one-stop experience for that customer.

25 In the public sector, we often build to the

1 funding that comes into the agency and at the bureau or the
2 program area, and so then we have our customers needing to
3 go to multiple applications to get services from us, which
4 leads to the large portfolio of applications that we have
5 built over the course of time. And so we need to flip that
6 model and start thinking about, how does the customer
7 interact with us so that we have more of a seamless
8 interaction with the customer and then build to that to make
9 that experience better.

10 REPRESENTATIVE KRUEGER-BRANEKY: So can you
11 talk about -- that's helpful. And my legislative office
12 deals all the time with helping to guide constituents
13 through bureaucratic processes that are not customer
14 friendly or customer oriented in any way. And I think
15 probably most of us in this room have staff who spend a lot
16 of time doing that.

17 Can you talk specifically about managing
18 complex IT projects? And if, as you said, we're often
19 starting from, what's the funding we have and which
20 department does this fall under, versus how do we get an
21 optimum customer experience, how do we navigate that? And
22 with this new approach that the Governor has taken, how is
23 that going to change?

24 SECRETARY MINNICH: So within the delivery
25 centers, one of the first things that they're to look at is

1 that experience both within the agency as well as across
2 agencies. And so if you think of the grant's experience,
3 right now, we could build grant applications for pretty
4 much, many, many agencies that have grants. We want to move
5 to a model where we have -- and we've started a center of
6 excellence around grants, where the offering from the
7 Department of Community and Economic Development is
8 leveraged by seven other agencies. And so if you are on the
9 outside interacting with us related to grants, you're now
10 interacting and have that same experience for those seven
11 agencies.

12 So we're looking at the model to start with
13 what's the need and then how do we solve it in a way that
14 solves it across agency and across delivery centers. And
15 that's part of the governance that we're putting in place.

16 REPRESENTATIVE KRUEGER-BRANEKY: And so the
17 UC modernization, benefits modernization project, will that
18 come underneath the jurisdiction of this new collaborative
19 entity or is that going to continue under Labor and
20 Industry?

21 SECRETARY MINNICH: So we're supporting Labor
22 and Industry from the IT perspective. And so every IT
23 project is both a Labor and Industry project and an IT
24 project. And so our agency supports L&I with the
25 implementation. They have transitioned and they are -- from

1 the custom build model, which was the past model, to a
2 commercial office shelf product that will help reduce risk
3 and aligns to the policy directions in terms of where we're
4 going. And so we are there to support them, so we're in
5 very close contact and can make adjustments as the project
6 moves forward from an IT perspective.

7 REPRESENTATIVE KRUEGER-BRANEKY: Okay. And
8 on behalf of my constituents, I want to say that I'm really
9 glad to hear you starting from the question of "what is the
10 need." I think we more often need to start with that
11 question in government.

12 Thank you.

13 MAJORITY CHAIRMAN SAYLOR: Representative
14 Dunbar.

15 REPRESENTATIVE DUNBAR: Thank you, Mr.
16 Chairman.

17 I just have two really quick, brief
18 questions.

19 First off, I had the unfortunate episode of
20 having my daughter text me and say, "Hey, Daddy, your state
21 just let all of my information go out there." She's a
22 teacher in Maryland. And I don't know how you notified her,
23 but she got some kind of a notification, I guess through
24 Facebook or e-mail or something, and forwarded it on to me.

25 I was wondering also, since we took the step

1 to be notifying everybody that there potentially was a
2 breach, was there any effort to notify any of us? Because
3 we fielded a lot of calls like this, as well. And I don't
4 think that's in your protocols right now that members get a
5 notification of these things.

6 SECRETARY MINNICH: That's a very good point.
7 We did distribute the press announcement when it occurred on
8 Friday, but we can obviously make a better effort to, you
9 know, when we do notifications, give you awareness so that
10 when your constituents call, you're aware, as well.

11 REPRESENTATIVE DUNBAR: That would be
12 helpful.

13 And secondly, Erik -- I'm sorry, I didn't
14 catch your last name. You were talking about different
15 tests of security. Do you ever send out like phishing, like
16 fake phishing e-mails? Like, let's say, send it to me and
17 if I click a box, and you say, "Hey, you dummy, you
18 shouldn't be doing that." Do you do stuff like that?

19 MR. AVAKIAN: So actually, to answer your
20 question, sir, yes, we do. We do that periodically. It's a
21 best practice for organizations to do. But we go a little
22 bit, a step beyond just, you know -- so when a user does
23 click, we want to use that opportunity as an educational
24 moment to further the education. So we do have a
25 reinforcement. So they'll get that reinforcement training

1 page, where they'll get additional information of why
2 that -- so it's trying to take a more positive approach with
3 positive feedback.

4 I think positive feedback, what we've found,
5 yields a change in positive culture. Similar to where we
6 all leave our house in the morning and we all lock our
7 doors. It's second nature. Instilling that type of culture
8 into our end users so that it becomes second nature. And
9 that really is something that we do through positive
10 reinforcement, positive culture change.

11 So, yes, as a bottom line, yes, we do that
12 training. It's very important. And we learn from those
13 trainings so that we can do further training, particularly
14 if it's a specific group that's continuing to do that. So
15 we take those opportunities and that's a best practice and
16 we've been doing that since 2014.

17 REPRESENTATIVE DUNBAR: Thank you.

18 MAJORITY CHAIRMAN SAYLOR: Representative
19 Helm.

20 REPRESENTATIVE HELM: Thank you, Mr.
21 Chairman.

22 Secretary Minnich, I was just wondering if
23 you're able to readily find qualified IT professionals to
24 work with your Office of Information Technology. And what
25 are you doing to attract and retain qualified IT

1 professionals?

2 SECRETARY MINNICH: Thank you for the
3 question.

4 IT is a difficult skill to find. It is
5 obviously a very hot labor market.

6 I think, depending on the skill set, the
7 labor market ebbs and flows, and so there are times where
8 certain resources are more difficult to find than other
9 resources.

10 One of the things that we're working with to
11 help improve how we recruit and retain resources, really,
12 across the Commonwealth is, there's Senate Bill 1037, which
13 is civil service modernization. That will help us recruit
14 and retain employees across the Commonwealth and help us
15 modernize how we go about looking for IT resources.

16 One of the current constraints is they are
17 written exams. And when you're talking about a labor market
18 that is, you know, a competitive labor market, it's hard to
19 get individuals through the current process because it has
20 some impediments. And so we really need to change our
21 processes to be able to recruit and retain the best talent
22 here in the Commonwealth.

23 REPRESENTATIVE HELM: And what is your
24 turnover rate?

25 SECRETARY MINNICH: Across the Commonwealth,

1 we have about, between retirements and separations, and I
2 don't have it on the IT side, but we're probably about eight
3 to ten percent turnover across, you know, all employees,
4 including retirements.

5 REPRESENTATIVE HELM: And do you feel that
6 salary is a big thing here as far as retaining? Are we
7 competitive?

8 SECRETARY MINNICH: Again, I think for
9 certain areas, we are competitive and for certain skills
10 that the market drives higher salaries depending on, you
11 know, that time in the market, we're less competitive. So
12 again, you see that flow with, you know, what are the hot
13 skills and are they driving up the market. And then we
14 become less competitive and then a new technology emerges
15 and those skills kind of drop back down and normalize. So
16 it really depends on the skill set that we're talking about
17 in terms of where our salaries are for competitiveness.

18 REPRESENTATIVE HELM: All right. Thank you.

19 MAJORITY CHAIRMAN SAYLOR: Representative
20 Heffley.

21 REPRESENTATIVE HEFFLEY: Thank you, Mr.
22 Chairman.

23 A couple of things, and thank you for your
24 testimony today.

25 Knowing that this is all going to be

1 consolidated, looking at the available funds and then you're
2 also going to get a lot of money through augmentations from
3 all of the agencies that are now consolidated, so you'll be
4 looking at about a 3.5 -- or \$353.3 billion total budget
5 next year, or with the augmentations of all the -- so you're
6 looking at -- well, anyway, we're spending a boatload of
7 money, and rightly so. We're going to implement and it is
8 taxpayer dollars.

9 So I guess my question is, as we're going
10 through this and we're updating these systems -- and I went
11 through a couple of IT upgrades and mergers in the private
12 sector before I was elected -- and you know, looking at it,
13 vital records right now, it's taking anywhere from three to
14 six months to get a death certificate, which I mean -- I
15 can't even look people in the eyes when they come to my
16 office and complain about that because I can't justify it.
17 And I -- 90 days for a birth certificate right now. I
18 waited two and a half hours at the DMV to get my license
19 renewed, and it was embarrassing.

20 And I know that we're spending the money.
21 We're trying to make these upgrades. I know the program has
22 been -- I guess I would ask, what kind of performance
23 evaluations do we have in there? And as we're contracting
24 with people to buy this software to implement and do these
25 programs, but then what about the users of the programs,

1 right? So the people that are sitting behind the desk now.

2 I mean, nobody likes change, right? I mean,
3 except for maybe Netflix. People like Netflix. But a lot
4 of people don't like change. And when you go to do the same
5 job every day and now they come in and they say, "Now, look,
6 we're going to put a whole new program in place and
7 everything you did for the last 10 years is going to be
8 new."

9 So where does that come into effect? And
10 what do you do to motivate -- or not motivate, but how do
11 you, you know, make sure that people are embracing and
12 accepting these new technologies to expedite these programs?

13 Because at the end of the day, it's not -- in
14 nowhere -- in a day when you can call Amazon, or send an
15 e-mail -- right now I could send an e-mail to Amazon and
16 have a lawnmower delivered to my front porch tomorrow,
17 should it take 90 days to get a birth certificate or six
18 months to get a death certificate.

19 So how are you going to plan to implement all
20 that to make sure that at the end of the day -- and I heard
21 a couple of times that you want to provide for the consumers
22 of these services. You know, how long is this going to take
23 and what are we doing to make sure that the people are
24 adapting and changing?

25 So that would be my question. Thank you.

1 SECRETARY MINNICH: I think there were quite
2 a few questions in there, so let me try to unravel.

3 I think from first, you're correct. I think
4 what we don't want to build is our current processes. And
5 so when we go out to procure new systems, we need to think
6 about the implementation of what are the best practices,
7 redesigning, leaning out the process before we get to the
8 point that technology is brought into the solution. Because
9 otherwise, we're enabling the current process with new
10 technology, and so we don't want to do that. We want to
11 make sure that we're designing with a new process in place.

12 Secondly, when we look at moving from custom
13 build to the commercial off-the-shelf software, software as
14 a service policy, what that does is bring in prebuilt best
15 practices in the software design. And so there, it aligns
16 to your change management component. We need to then work
17 on the change management of employees to say, how do I
18 change my process to use the software because the software
19 is built on best practices. So it's a combination of
20 people, process, and technology. And all three have to
21 change to be able to really get that end result.

22 Again, we have a portfolio of over 2100
23 applications. How do we look at narrowing that application
24 portfolio down so that we can get the right applications out
25 to the citizens and design with a citizen-centered design

1 and process change in mind.

2 REPRESENTATIVE HEFFLEY: And to add on to
3 that, are you purchasing this -- and you're building the
4 system to get it to do what you want it to do and
5 implementing it. But I just want to reiterate the need to
6 expedite some of the these procedures as we go through it
7 because --

8 For example, if you're waiting 90 days for a
9 birth certificate and you need to get your license, your CDL
10 license renewed, these guys are going sometimes without work
11 for two weeks. They have to burn up their vacation
12 because -- and no fault of their own.

13 So I just would hope that the folks at the
14 state that are working in these programs comprehend when
15 these delays like this take place or for a death
16 certificate, when these delays take place, it hurts business
17 and therefore hurts commerce in the state.

18 So thank you.

19 MAJORITY CHAIRMAN SAYLOR: Representative
20 Boback.

21 REPRESENTATIVE BOBACK: Thank you, Mr.
22 Chairman.

23 We spoke a little bit earlier, but I'd like
24 for my colleagues to hear where we stand on this next issue.
25 And as you can understand, a lot of what we bring to the

1 table is what goes on in our offices, questions that we need
2 to respond to. And one of the questions that I've been
3 hearing for several years was, "Where do I go if I want a
4 state job?" And of course, I would direct them to the
5 different agencies and I'd say, "Well, go to their website
6 and, you know, see if you can find out something there."

7 So I did legislation, which you're aware of,
8 which was the one-stop shop, that there would be one
9 place -- I think, I thought it was coming through Labor and
10 Industry, but it sounds like it might come through your
11 department, where people could go and see any state job
12 listed.

13 The problem with my legislation at the time
14 was the civil service component. So now I understand that
15 you're even looking to make sure that that will be a part of
16 it. And I think that's a wonderful thing.

17 I mean, you know, these are constituents,
18 they are taxpayers like all of us. And they have a right,
19 if there's an opening, they should be aware of what that
20 opening is.

21 Would you like to explain that, where we
22 stand on that right now, or what we could do to help get
23 that moving?

24 SECRETARY MINNICH: Sure.

25 As part of the other side of Office of

1 Administration, we have Human Resources. And we have been
2 working to transform that, as well. And so over the last
3 three years, we've been working on a variety of initiatives.
4 And I think we have the same vision.

5 What I would like is, if you are out there
6 looking for a job with the Commonwealth, with the
7 Commonwealth as an employer, you can go to one place and
8 apply for a job and you do not need to know whether the job
9 is civil service or noncivil service. You just need to know
10 this is the job that's available and you have an easy
11 application process.

12 So to get there, there were several bills
13 passed to allow us to move to vacancy-based posting. We
14 still have a kind of duplicative process, where the Office
15 of Administration is responsible for recruit-to-hire for the
16 noncivil service jobs, which is about 30 percent of the
17 workforce. The Civil Service Commission is responsible for
18 the recruit-to-hire process, which is about 70 percent of
19 our workforce, so until we can look at kind of one, that
20 process as one, we have problems with how we're showing
21 ourselves to our applicants. And just like customers at
22 Vital Records, people coming into the Commonwealth from an
23 employee perspective want it to be easy and streamlined, and
24 just like they would, you know, ordering from Amazon or
25 applying at any other job.

1 So we really need to get to a place where we
2 can have that simple recruitment and application process.
3 We are working with the commission to bring them into the
4 same technology in April. But again, we have process
5 changes that need to occur and we still have this
6 duplication of 70 percent going through one side of the
7 organization and 30 percent coming through the Office of
8 Administration.

9 So we have been working on it. We're trying
10 to get there. And I think with the Senate bill and that
11 support moving forward, I think we can really modernize.

12 My biggest worry is that we're not growing
13 leaders. You know, if we can't bring people in, you know,
14 10, 15 years from now, we're not going to have the leaders
15 to help provide the guidance to the agencies and deliver the
16 services that your constituents want. And so our workforce
17 is extremely important and having the right people come in
18 so that we can grow the leaders in the future is extremely
19 important to me.

20 REPRESENTATIVE BOBACK: And that was my sole
21 intent with that legislation, so if I can be of any help,
22 let me know.

23 And thank you for your testimony.

24 Thank you, Mr. Chairman.

25 MAJORITY CHAIRMAN SAYLOR: Thank you.

1 Our last questioner of the day, chairman of
2 the State Government Committee, Representative Daryl
3 Metcalfe.

4 REPRESENTATIVE METCALFE: Thank you, Chairman
5 Saylor.

6 Good afternoon.

7 So Act 100 of 2016 requires that the IFO
8 analyze the costs of proposed collective bargaining
9 agreements before they're finalized. And the process was
10 intended to give the public and policymakers, like
11 ourselves, the tools that we need to understand the
12 potential costs and impacts of the collective bargaining
13 agreement over the lifetime of the agreement.

14 So the agreement that was negotiated with
15 AFSCME Council 13, back in 2016, there was a cost analysis
16 by your office, I believe, and the analysis had come out at
17 around \$292 million for the three years of that contract.
18 So the IFO came back with a \$390.3 million estimate, almost
19 \$100 million more, about more than 33 percent more than what
20 your office had projected.

21 Why is there such a huge difference between
22 your office's estimate of that contract and theirs, and how
23 has it actually worked out?

24 SECRETARY MINNICH: I can get you the data on
25 how it's worked out.

1 The main difference was the turnover factor.
2 And so when we did our estimate, we factored in turnover
3 because we know we have people who are leaving, we know the
4 percentages of people leaving. We have it at the -- we
5 looked at turnover for the specific unions that we were
6 dealing with for each of the collective bargaining
7 agreements, and we would factor in that turnover, knowing
8 that the retirees were making higher salaries than the
9 individuals were coming in as we factored in turnover.

10 The IFO did not factor in turnover. And so
11 they kept the employee at an as-is analysis, and said, "if
12 those individuals would remain for all three years and you
13 wouldn't have that turnover, this would be the total cost."
14 So it was kind of a difference in the methodology that we
15 used when we looked at total cost. Because we know that,
16 you know, as we budget, we budget for turnover and the
17 changes that that has on our overall personnel costs.

18 REPRESENTATIVE METCALFE: That's a huge
19 difference, 33 percent and \$100 million dollars on what was
20 estimated at an almost \$300 million contract. Did they not
21 receive the data that they would need to factor in the
22 turnover or --

23 SECRETARY MINNICH: Yeah. We gave them all
24 our data. So it was a different assumption.

25 REPRESENTATIVE METCALFE: Thank you.

1 The civil service modernization that you've
2 touched on we've talked about it many times in the past,
3 along with having a hearing on the issue with the Civil
4 Service Commission being represented. And we had passed
5 legislation, Acts 69 and 167 of 2016, enacted in July and
6 November, respectively, that would modernize the civil
7 service system and make it more efficient.

8 So the Civil Service Commission, after we
9 passed that in July and November of '16 and '17, they
10 proposed regulations in March of 2017.

11 So many of us looked at what they were doing,
12 believed that what they had done was unacceptable changes
13 that changed the clear language of the Acts and did not
14 abide by the Acts. So after they received many negative
15 comments, they withdrew those, I believe in January of this
16 year.

17 So it took from March of last year and all
18 the discussions we had till January of this year -- another
19 three quarters of a year or more -- to withdraw the
20 regulations that didn't actually implement the law that the
21 legislature had passed and the Governor had signed that you
22 all, in fact, from your department were in favor of.

23 So where are we now with the civil -- and I
24 understand there's legislation that would put more
25 responsibilities that the Civil Service Commission currently

1 has under your area of responsibility. I mean, is that --
2 do you believe that's the answer? Do we need to just take
3 some of those responsibilities away from the Civil Service
4 Commission that's ignoring the law and not implementing the
5 law the legislature clearly passed and gave them direction
6 under? Do we need to radically change that organization in
7 order to have our laws implemented?

8 Where do you see a solution to the problem of
9 these individuals actually not abiding and implementing the
10 law that we've passed?

11 SECRETARY MINNICH: So we have been working
12 with them. And you're correct, they did pull the
13 regulations. We have been working with them to implement
14 process changes and technology changes. We've been
15 providing assistance to redesign process, to provide project
16 management. We have implemented -- we will be implementing
17 those changes in April to a certain degree.

18 I think when we talk about the modernization,
19 we have to look at it from a workforce perspective. We talk
20 about two sides of our workforce and how we recruit and hire
21 those because of this duplication between what the Office of
22 Administration does and what the civil service does. You
23 know, we're talking about both going out and recruiting, we
24 talk about both doing background checks.

25 So we have a lot of duplication in the

1 process because of how we have built this system over the
2 last -- well, since 1941. So we're really looking at it as
3 a way to modernize and get us into a place where we're
4 recruiting and hiring in a way that other states, the
5 federal government, and the public wants us to do from an
6 employee coming into the Commonwealth perspective.

7 REPRESENTATIVE METCALFE: I understand that.
8 That's why we passed the legislation.

9 I think for the public to look on or to watch
10 these hearings and understand that we passed modernization
11 laws, you know, more than a year and a half ago for one Act
12 and almost a year and a half ago for the other, and we're
13 trying to modernize, but it's taken a year and a half and we
14 still don't have regulations -- which I didn't think we
15 needed that many regulations to implement the clear language
16 of the law.

17 So do you believe that the Civil Service
18 Commission is fulfilling their mission or are they not
19 fulfilling their mission as a result of not implementing the
20 law that we've clearly passed? You'd think part of their
21 mission is actually to abide by the law. But they're kind
22 of hamstringing your organization from moving forward with
23 modernization. It shouldn't take -- I mean, there's people
24 out there looking for jobs. A year and a half later, we
25 don't have regulations to implement the modernization to

1 help people get the job.

2 SECRETARY MINNICH: Correct.

3 Again, it is moving at a much slower pace
4 than we would want. You know, I can't speak for the
5 commission. They're a separate entity. I can tell you just
6 what we've been doing to try to move it forward.

7 REPRESENTATIVE METCALFE: But you support the
8 legislation that would take responsibilities away from them
9 and put it under your area of responsibility?

10 SECRETARY MINNICH: Yes, we do.

11 REPRESENTATIVE METCALFE: Thank you.

12 Thank you, Mr. Chairman.

13 MAJORITY CHAIRMAN SAYLOR: For a quick
14 question, I want to recognize Representative Quinn. That
15 will be the final question, other than Chairman Markosek and
16 myself.

17 REPRESENTATIVE QUINN: Thank you.

18 Just a follow-up to Chairman Metcalfe's
19 question. When you have an implementation project that
20 drags on, and a year and a half pales in comparison to some
21 of the other drag-ons we've seen, have we learned from
22 lessons past of IT implementation projects here at the state
23 level to say, "You're beyond this date, here is where
24 penalties kick in"?

25 Are our contracts for IT implementations now

1 set up to have those kind of incentives or carrots and a
2 stick? Because these get expensive, the cost overruns
3 become far greater -- a 33 percent overrun -- I mean, far
4 greater than they should be.

5 SECRETARY MINNICH: So one of the things that
6 we've implemented is a project tracking system, so we're
7 getting all of the IT projects into a standard project
8 tracking system so that we can see project health.

9 When we see the project health early in a
10 project start to turn yellow or red, you know, we want to
11 take corrective action when we're seeing it in the yellow so
12 we can stop it from going into the red.

13 You know, depending on the project, you know,
14 if we're internally having resources associated with it
15 versus contracted resources, you make different decisions to
16 say, "Can we, you know, can we delay without a cost impact?
17 If we have a cost impact, what kind of mitigation steps do
18 we need to do?"

19 And we're trying to take those steps earlier
20 in the process, rather than later in the process.

21 REPRESENTATIVE QUINN: Is there a penalty
22 component in the contracts?

23 SECRETARY MINNICH: Yes, yeah. All of the
24 contracts have penalties associated with them for
25 performance.

1 REPRESENTATIVE QUINN: Have you acted on any
2 of them and received any moneys back?

3 SECRETARY MINNICH: Across the enterprise,
4 yes, we have.

5 REPRESENTATIVE QUINN: He's talking. I can
6 keep going, right?

7 Is this something -- when you have these set
8 up, and I'm not sure if it should be directed to you, but
9 it's just, as we've listened to, not just your agency, but
10 some of the other agencies, talk about in past budget years
11 as well as this, some overages, we just never get that sense
12 of satisfaction that, you know, there's been some money to
13 come back.

14 So are they reality, or are they realistic
15 penalty clauses where you can actually go after?

16 SECRETARY MINNICH: Yes, they are.

17 REPRESENTATIVE QUINN: Can you give an
18 example of one or provide an example? No, I get it. If you
19 could provide as follow-up to the committee examples of that
20 language in the contract. I just want to judge how reality
21 based and how many different components in it could say,
22 "Whoops, we get a waiver because this is what happened."

23 SECRETARY MINNICH: Yeah, we --

24 REPRESENTATIVE QUINN: Thank you for your
25 indulgence.

1 And thank you for your answers.

2 MAJORITY CHAIRMAN SAYLOR: For a minute
3 there, Representative, I thought you were going to talk to
4 your hand or whatever, you know, it's like -- isn't that the
5 old saying?

6 Anyway, Chairman Markosek, any last comments?

7 MINORITY CHAIRMAN MARKOSEK: No, you shut me
8 off. Oh, there it is. It is on.

9 Thank you, Chairman.

10 MAJORITY CHAIRMAN SAYLOR: We need IT
11 training here.

12 MINORITY CHAIRMAN MARKOSEK: No, thanks.

13 SECRETARY MINNICH: Jiggle the wires, right?

14 UNKNOWN SPEAKER: That was not a breach.
15 That was operator error.

16 MINORITY CHAIRMAN MARKOSEK: Thank you.

17 No, I don't have any questions. Thank you
18 very much for your testimony here today.

19 We learned a lot. And especially people like
20 me that -- this is very complicated. And thankfully we have
21 folks like you and your staff that are doing this. And it's
22 not cheap.

23 We have been looking at upgrading technology
24 over the years, really, since I've been chairman and way
25 before that, across state government. And in almost every

1 case, it boils down to, you know, "we need to do this, we
2 should do this, but please give us the money to do it." So
3 it's not easy, but hopefully, we're getting there. And I
4 appreciate all that you had to say.

5 SECRETARY MINNICH: Thank you.

6 MAJORITY CHAIRMAN SAYLOR: Very good.

7 In my closing comments, like I say, we've
8 been spending about a billion dollars a year for the last
9 nine years, in some cases, a little over that.

10 And the real concern, I think, that we have
11 here in the general assembly is, hopefully, we're going to
12 get that cost under control, that we're going to have more
13 unified.

14 I mentioned to you when we met privately
15 about a contract the state PASSHE system awarded to unify
16 all 14 years using the same financial records, using the
17 same application for each of the students. And after it was
18 designed and ready to go, hit the on button, they decided
19 they didn't wanted to use it. What a waste of millions and
20 millions of dollars by PASSHE. And they're in here asking
21 for \$15 million this year, and they wasted more than that on
22 one program they didn't even use.

23 So hopefully -- I'm a little excited, and I'm
24 hoping, Madam Secretary, that we are finally going to get a
25 system or an administration of the computer system that,

1 one, modernizes it to modern day technology, not cobalt and
2 whatever else was before that, and one that is going to
3 accountable to us and that we're not going to have
4 department heads or other secretaries going through -- I
5 should say, not really secretaries as much as really private
6 bureau directors, who are saying, you know, "I want this
7 program," and then not utilizing it or not looking to the
8 future.

9 So I have high hopes that the Office of
10 Administration, particularly in the IT area, will bring
11 those costs under control and have more accountability for
12 things that are done and so that, you know, we can -- the
13 Department of Revenue can keep track of the tax evaders and
14 we'll have a more efficient system.

15 So I want to thank you for your educating us
16 today and your testimony. And to you, John, as well, and
17 also to you. I don't know -- we don't have a name plate for
18 him.

19 SECRETARY MINNICH: Erik Avakian.

20 MAJORITY CHAIRMAN SAYLOR: I'm getting old,
21 so I can't remember these things.

22 So anyway, I want to thank you for your
23 testimony. And with that, we will reconvene tomorrow at 10
24 a.m. for the Department of General Services.

25 (Hearing concluded at 2:18 p.m.)

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C E R T I F I C A T I O N

I hereby certify that the proceedings are contained fully and accurately in the notes taken by me on the within proceedings, and that this copy is a correct transcript of the same.

Summer A. Miller, Court Reporter
Notary Public