



**SIPA Board of Directors
Minutes of Meeting**

June 2, 2016

12:00 - 1:30 p.m.

1300 Broadway, Conference Room 1C

Denver, Colorado

1. Call to Order

Chairman Louie Lago called the meeting to order at 12:05 p.m.

Present in person: Barbara Brohl, Lew Gaiter, Gerald Marroney, Rep. Max Tyler, Suzanne Staiert (for Secretary of State Wayne Williams), and Louie Lago.

Present by phone: Brenda Berlin (for Suma Nallapati), Joe Neguse, Rep. Bob Rankin, and Gregg Rippy.

Excused: Irv Halter, Mary Kay Hogan, Senator Andy Kerr, Suma Nallapati, Simon Tafoya, Senator Jack Tate, and Secretary of State Wayne Williams.

With 10 voting members present, a quorum was established.

2. Meeting Business

Lew Gaiter moved to approve the minutes of the Board's meeting on May 5, 2016. The motion was seconded by Gerald Marroney. The motion was approved unanimously.

3. Approval of FY 2015 - 2016 Budget Adjustments

Gregg Rippy, as Vice-Chair of the Finance & Contracts Committee, advised that the



Finance & Contracts Committee had met and reviewed the proposed FY 2015-2016 budget adjustments and the proposed budget for FY 2016-2017. The Committee unanimously recommended approval of both. He moved to approve the proposed budget adjustments, and the motion was approved unanimously.

4. Approval of FY 2016 - 2017 Budget

Mr. Rippy highlighted changes in the the proposed FY 2016-2017 budget and moved to approve the budget. Barbara Brohl asked about proposed increase in office equipment, and Chairman Lago explained that the increase is due to the upcoming SIPA office move in July 2016. The proposed budget was approved unanimously by the Board.

5. Executive Director Overview

- Jack Arrowsmith reviewed the Board Dashboard for June 2016. He reported that SIPA's accounts receivable are back to a normal state and thanked Board members who assisted with this issue, with a special thanks to Brenda Berlin.
- SIPA is continuing to negotiate with new contractors. Esri is close to completion.
- This is the busy season for government conferences, which SIPA staff attend and provide information about SIPA products and services. As a result, there has been a recent flurry of new business requests received by SIPA.
- The financial overview shows SIPA should have a net income of \$550,000 at the end of the fiscal year. SIPA's annual financial audit process begins in a few weeks.
- Most online payment applications continue to increase. State court payments are down, and DORA payment applications are seasonal. DMV online renewals are up, and the Department of Revenue has a great new advertising program.
- Simon Tafoya asked Mr. Arrowsmith to provide more info on the new NIC mobile platform. Beth Justice will reach out to Board members. They can have



individual presentations, or a group presentation can be arranged. This will show what the mobile platform looks like and what it can do. SIPA is discussing the mobile platform with the State, but we will also be reaching out to municipalities and counties.

- Mr. Arrowsmith reported that SIPA met last week with the Controller's Office. Brenda Berlin also attended and was very helpful. As an aid to the discussion, Mr. Arrowsmith distributed two documents in that meeting, a set of relevant SIPA statutes and an explanation of the ways SIPA does business. (Those two documents were also distributed to the Board members and are attached to these minutes.)
- In the meeting with the Controller's Office, it was decided that the Controller and OIT would develop a new policy applicable to State agency procurements from SIPA. The Controller suggested a six-month hiatus until the new policy is worked out and a master contract with SIPA is completed. Mr. Arrowsmith reported that he was encouraged by the meeting.
- Mr. Arrowsmith asked whether the Board wanted to hold its July 7, 2016 meeting, and he noted that there was no critical business for that meeting. The Board is required by statute to meet at least nine times per year, and additional meetings are left to the Chairman's discretion. Chairman Lago moved to cancel the July 7, 2016 meeting, and Barbara Brohl seconded the motion. The Board approved the motion unanimously.

6. Colorado Interactive Report

- Fred Sargeson, Colorado Interactive General Manager, reported on Gov2Go, NIC's mobile platform app. People don't want to download a lot of mobile apps, and this app provides a single platform where they can interact with the government. There are a total of nine states ready to go, and Colorado is in the



front of the line. Third party vendors approved by the State can be part of the platform. The level of encryption to safeguard data is strong.

- Barbara Brohl raised the issue of the cost for online services and the cost for use of credit cards. If we want to promote online services, then the cost needs to be absorbed; however, state statutes frequently specify the amount of fees to be charged. Therefore legislation may be required in order for the costs to be absorbed. Jack Arrowsmith noted that there will be lots of heavy lifting before we get to implementation. Some state agencies may not want to participate, which is their choice. Rep. Max Tyler stated that cyber security from CI needs to match the State, and Mr. Sargeson noted CI is required to meet the State's cyber security standards under its contract with SIPA.

7. ACH Payment Transactions Monthly Update

Fred Sargeson reported that the ACH changes for DORA premium tax payments were implemented on May 31. The additional day delay has been removed, and there is now a single processor. Joe Neguse expressed his thanks to CI.

8. EMV Compatibility Update

Fred Sargeson reported that CI settled on First Data and the FD40 device for EMV payment processing, and WorldPay is the backup processor. Credit card companies have shifted liability to merchants, and Colorado Interactive absorbs this risk as the merchant of record. E-commerce certification was completed in March. Jack Arrowsmith and Barbara Brohl will meet to discuss the Department of Revenue's needs and develop a plan.

9. Adjournment

There being no other business, the meeting was adjourned at 1:15 p.m.



SIPA's Value Proposition for The State of Colorado

How does SIPA work with State Agencies?

1. SIPA provides technology services to State Agencies at no cost through Colorado Interactive (CI). The most common services are payment processing and websites; however, there are numerous other examples of functionality given to Colorado at no cost. Examples include the transparency portal, locating a child care facility and Colorado Business Express (CBE).

Rationale: The contract between SIPA and the Portal Integrator (Colorado Interactive) requires the integrator to provide a certain amount of services to State and Local Government at **no charge** to the government. While there are a number of services in this category, currently Colorado.gov websites represent the single largest service in this category.

Risks and Mitigation: A general risk is that CI and the parent company (NIC) would go out of business or leave Colorado. We are currently in year two (2) of a five (5) year contract that gives very strong confidence that SIPA would own software and hardware should CI become insolvent or leave Colorado. In addition, SIPA requires a strong insurance policy naming SIPA as an additional insured. The fact that the parent company (NIC) runs portals in 30 other states and has been in business for more than 20 years give additional confidence in this area.

Payment Processing: In addition to the risks stated above, payment processing includes additional risks of potential PCI exposure. Mitigation for this risk includes (1) CI serving as the merchant of record, (2) NIC holding the highest PCI compliance level and (3) the required insurance for CI includes Cyber Insurance.

2. SIPA provides agencies with the ability to pay for software development and functionality using a "Self-Funded" mechanism. Some state agencies have the ability to charge fees for certain government services. In those situations, often a portal administration fee is added to the agency fee to offset system costs and to develop the functionality for the particular government application or service. Examples would include the Department of Regulatory Agencies (DORA) Professional Licensing and the

Colorado State Judicial System. These projects often involve Colorado Interactive and can include third party vendors as well.

Rationale: The “Self-Funded Model” has been a critical operating principle between SIPA and Colorado Interactive since the very inception of SIPA. It has allowed agencies who charge a fee to develop programs and functionality at no cost to government. While not every State Agency charges fees, agencies such as Revenue, DORA and the State Judicial Branch have been able to take advantage of the “Self-Funded Model.”

Risks and Mitigation: The “Self-Funded” model dramatically reduces the chance of loss of taxpayer dollars. The other elements of risk and mitigation are virtually identical to those discussed in number one above, including Payment Processing.

3. SIPA works on a project based on time and materials using CI.

Rationale: Prior to OIT’s current status, SIPA would on occasion provide support to State Agencies on a time and materials basis, usually as a result of resource limitations where CI acted as the project manager. This process allowed the agency to move forward in a nimbler fashion. There remains the same ability to do this today, however such time and materials work is more limited, and much if not most of such work is now done through OIT. Today, SIPA’s work in this area is generally limited around its core competencies, that is, making “off-the-shelf,” well-established, low-risk technologies available to State Agencies.

Risks and Mitigation: In addition to the factors discussed above, several additional items come into play and should be considered. First, CI’s contract with SIPA contains a number of protections for State Agencies, including very detailed and thorough Service Level Agreements. Second, SIPA has its own liability and cyber insurance policies. This adds an additional layer of security beyond the requirement to have CI carry these policies. Third, the SIPA Board of Directors has approved the continuance of a limited reserve fund that is additional protection to State Agencies should a project run into difficulties. In this case, SIPA could bring additional resources to a project at little to no cost to State Government. It should be noted that in the twelve years of SIPA history, no State Agency has suffered a loss of taxpayer funds.

Guiding Principle: It is important for SIPA to understand its limitations in this area. SIPA was never designed to replace or work on “core technologies” for the State. SIPA’s projects have a limited scope and cost, and use proven, best-in-class, low-risk solutions. High-risk, complex projects such as “CORE” or “DRIVES” are left to OIT.

4. SIPA works on a project based on time and materials where Colorado Interactive is NOT used as the vendor.

Rationale: In recent history, this happens rarely. The agency determines there is a specific vendor or implementer that has unique qualifications for a project but that vendor or implementer is not on the list of approved vendors or implementers for OIT; however, OIT has given their blessing to move forward on the project.

Risks and Mitigation: In addition to the factors listed in 3. above, it is important that SIPA effectively contracts directly with the vendor on these projects. All requirements for insurance and SLAs are a direct pass-through to the agency involved in the project. Prior to the launch of these projects, these contracts are in most cases executed or signed off on by OIT, the State Controller if state funds are involved and the agency/client.

Guiding Principle: Should be the same as listed in 3. above.

5. SIPA acts as a procurement vehicle for Software as a Service or Platform as a Service. Examples include Salesforce, Perceptive/Lexmark and Google. These are large, “off-the-shelf” services.

Rationale: This is a fairly recent development, and future growth in this area is uncertain. These “off-the-shelf” products have been procured by SIPA for the State because they represent very large companies that are unlikely to negotiate contract terms directly with OIT. In addition, because SIPA has the ability to sell these products on a statewide basis, sometimes a better pricing can be negotiated with the vendor.

Risks and Mitigation: Cloud-based products are a relatively new development in the technology world and will continue to be evaluated. Because these vendors tend to be large, products are often sold “off-the-shelf” on a “take it or leave it” basis. This means they comply with standards such as “FedRamp” but offer little specific protection for an individual government entity. If a “cloud provider” has an interrupted service or a breach of PII, the many Government users will seek a better alternative, but much like a utility company, the “cloud provider” has little to no liability to individual users. These risks are often offset by the fact that these large vendors have security teams that far exceed State staffs used to protect software owned and housed by the State.

As previously discussed, SIPA maintains its own insurance and contingency funds and this offers State Government significantly more protection than going directly to the vendor.

SIPA's Statutes – 24-37.7

24.37.7-102(1)

There is hereby created an independent public body politic and corporate to be known as the statewide internet portal authority. The authority shall be a body corporate and a political subdivision of the state and shall not be an agency of the state government and shall not be subject to administrative direction by any department, commission, board or agency of the state.

24-37.7-104(1)(a)

To have the duties, privileges, immunities, rights, liabilities, and disabilities of a body corporate and political subdivision of the state.

24-37.7-104(1)(k)

To have and exercise all rights and powers necessary or incidental to or implied from the specific powers granted in this article, which specific powers shall not be considered as a limitation upon any power necessary or appropriate to carry out the purposes and intent of this article.

24-37.7-104(1)(q)

To make and execute agreements, contracts, or other instruments necessary or convenient to the exercise of the powers and functions of the authority under this article, including but not limited to contracts with any person, firm, corporation, state agency, local government, or other entity. All state agencies and local governments are hereby authorized to enter into and do all things necessary to perform any such arrangements or contract with the authority.

24-37.7-104(2)

The authority shall not enter into a contract with a statewide portal integrator unless the statewide portal integrator was chosen by the authority pursuant to a request for proposals issued by the authority.

24-37.7-104(4)

State agencies shall coordinate and cooperate with the authority for the purposes of the delivery of electronic information, products, and services by the authority.

24-37.7-105(1)(e)

Enter into a contract with a statewide internet portal integrator for the development, support, maintenance, and enhancement of the equipment and systems utilized for the statewide internet portal.