

N00A01
Administration
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$65,874	\$62,686	\$58,419	-\$4,267	-6.8%
Special Fund	5,149	3,993	3,935	-58	-1.5%
Federal Fund	57,831	59,265	61,830	2,565	4.3%
Reimbursable Fund	<u>0</u>	<u>2,218</u>	<u>0</u>	<u>-2,218</u>	<u>-100.0%</u>
Total Funds	\$128,853	\$128,162	\$124,184	-\$3,978	-3.1%
Contingent & Back of Bill Reductions			-399	-399	
Adjusted Total	\$128,853	\$128,162	\$123,785	-\$4,377	-3.4%

- The Department of Human Resources (DHR) Administration's fiscal 2006 allowance decreases by \$4.4 million, or 3.4% from the fiscal 2005 working appropriation.
- General funds decrease by \$4.3 million, largely in the Office of Technology for Human Services (OTHS) Administration, while federal funds increase by \$2.6 million, mostly in OTHS for personnel costs and system administration.
- Reimbursable funds decrease by \$2.2 million in OTHS Major Information Project Development because in fiscal 2006 the Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE) project will be funded directly from the Department of Budget and Management's (DBM) Major Information Technology Development Projects Fund (MITDPF).

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 04 Actual</u>	<u>FY 05 Working</u>	<u>FY 06 Allowance</u>	<u>FY 05-06 Change</u>
Regular Positions	991.32	1,019.50	1,009.50	-10.00
Contractual FTEs	<u>4.33</u>	<u>1.31</u>	<u>1.31</u>	<u>0.00</u>
Total Personnel	995.65	1,020.81	1,010.81	-10.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	40.28	3.99%
Positions Vacant as of 12/31/04	75.00	7.36%

- The fiscal 2006 allowance contains 10 fewer regular positions than the 2005 working appropriation. Three of the positions abolished are in Maryland Commission for Women, 2 are in the Office of the Secretary, 1 is in OTHS, and 4 are in local general administration (Baltimore City, St. Mary’s County, Carroll County, and Washington County).
- The fiscal 2006 allowance of 1,009.50 regular positions includes 18 more positions than actual positions in fiscal 2004.
- The vacancy rate as of December 31, 2004, is 7.36%, which is significantly higher than the agency’s turnover rate of 3.99%. However, since DHR is abolishing 10 of the 75 vacant positions for fiscal 2006, the vacancy rate becomes 6.43%, which is more in line with the agency’s turnover rate.

Analysis in Brief

Major Trends

Some Success in the Office of the Secretary and the Office of Technology for Human Services: The Office of the Secretary reports success in the percent of satisfactory audit reports and improvement in the percent of Minority Business Enterprise procurement contract dollars. However, the most recent legislative audit contained multiple repeat findings.

Some Declines in the Division of Administration and the Division of Budget, Finance, and Personnel: In the Division of Administration, performance related to office space and print jobs remains stable, while performance improves in the amounts of privately owned vehicle reimbursements paid. The Division of Budget, Finance, and Personnel shows success in employee ratings received but significant decline in filling vacant positions, mostly due to the statewide hiring freeze.

Issues

Ongoing Development of MD CHESSIE: The MD CHESSIE project continues to experience problems with conflicting cost estimates and other issues. For fiscal 2005, DHR intends to spend \$9.9 million on ongoing development of MD CHESSIE, which is \$1.4 million more than the \$8.5 million cost estimate given during the 2004 legislative session. In fiscal 2006 the ongoing development of MD CHESSIE will be funded from DBM’s MITDPF. This should provide the project with an additional layer of oversight from DBM and its Chief Information Officer. DHR began the early rollout of the Referral Module component of MD CHESSIE, and as of January 2005, this component is being implemented in three counties.

Hiring of Directors of Local Departments of Social Services: DHR has been recruiting for vacant director and assistant director positions in Anne Arundel County, Baltimore City, Baltimore County, Caroline County, Dorchester County, Frederick County, Howard County, Prince George’s County, and St. Mary’s County. Any delay in the hiring of these positions could cause disruption in local office management and the provision of services.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce one position in the Office of the Secretary.	\$ 73,470	1.0
2. Delete five regular positions that have been vacant for over nine months.	270,476	5.0
3. Reduce funds for travel in the Maryland Commission for Women.	16,231	
4. Reduce appropriation for purchase or lease of motor vehicles.	256,604	
5. Adopt committee narrative requiring reports on the status of the Maryland Children’s Electronic Social Services Information Exchange.		
6. Reduce funds for travel in the Office of Technology for Human Services general administration.	78,531	
Total Reductions	\$ 695,312	6.0

Updates

Proposal to Regionalize Offices of Baltimore City Department of Social Services: During the 2004 legislative session, DHR was considering a plan to regionalize local branch offices of the Baltimore City Department of Social Services. The General Assembly provided language in the 2004 *Joint Chairmen’s Report* requiring DHR to submit such a plan for review and comment prior to implementation. DHR has not finalized a regionalization plan, but it intends to present any finalized plan to the General Assembly prior to implementation.

N00A01
Administration
Department of Human Resources

Operating Budget Analysis

Program Description

The Department of Human Resources (DHR) administers programs through a State-supervised and locally administered system. The DHR Administration provides overall direction through four major units:

- the Office of the Secretary;
- the Operations Office;
- the Office of Technology for Human Services (OTHS); and
- local department operations.

Local departments of social services (LDSS) are situated in each county and Baltimore City; their administrative budgets are combined into the local department operations unit for the purpose of the State budget.

Office of the Secretary

The Office of the Secretary provides overall direction and coordination for all programs and activities of DHR. The Office of the Secretary includes:

- the Citizens' Review Board for Children;
- the Maryland Commission for Women;
- the Commission on Asian Pacific American Affairs;
- the Commission on Hispanic Affairs; and
- the Commission on Migratory and Seasonal Farm Labor.

N00A01 – DHR – Administration

Key goals of the Office of the Secretary include:

- increasing the organizational capacity of DHR to achieve its independence and safety goals; and
- resolving critical agencywide issues.

Operations Office

The Operations Office consists of:

- the Division of Budget, Finance, and Personnel (DBFP) – supports the programs of other departmental units through the management and control of fiscal and personnel systems; and
- the Division of Administrative Operations (DAO) – provides core administrative services to DHR as well as disaster relief/emergency response. It administers the Central Distribution Center; the Emergency Operations; the Fleet and Forms; the Graphics Media Center; the Asset Management and Stockroom; the Mail Operations; the Warehousing; the Real Estate (procurement, construction, remodeling, and lease management); the Records Management; the Risk Management; the DHR Central Facility; and the DHR Central Parking.

Office of Technology for Human Services

OTHS, under the direction of the Chief Information Officer (CIO), is responsible for the overall management and direction of DHR's information systems. This includes responsibility for computer applications and systems, computer and communication equipment, computer peripheral equipment, telephone systems and equipment, ancillary facility and support equipment, and consumables and supplies. In addition, the CIO serves as the principal information technology (IT) advisor to the Secretary, Deputy Secretaries, and Executive Staff of the department. OTHS is responsible for development and administration of DHR's IT systems, including:

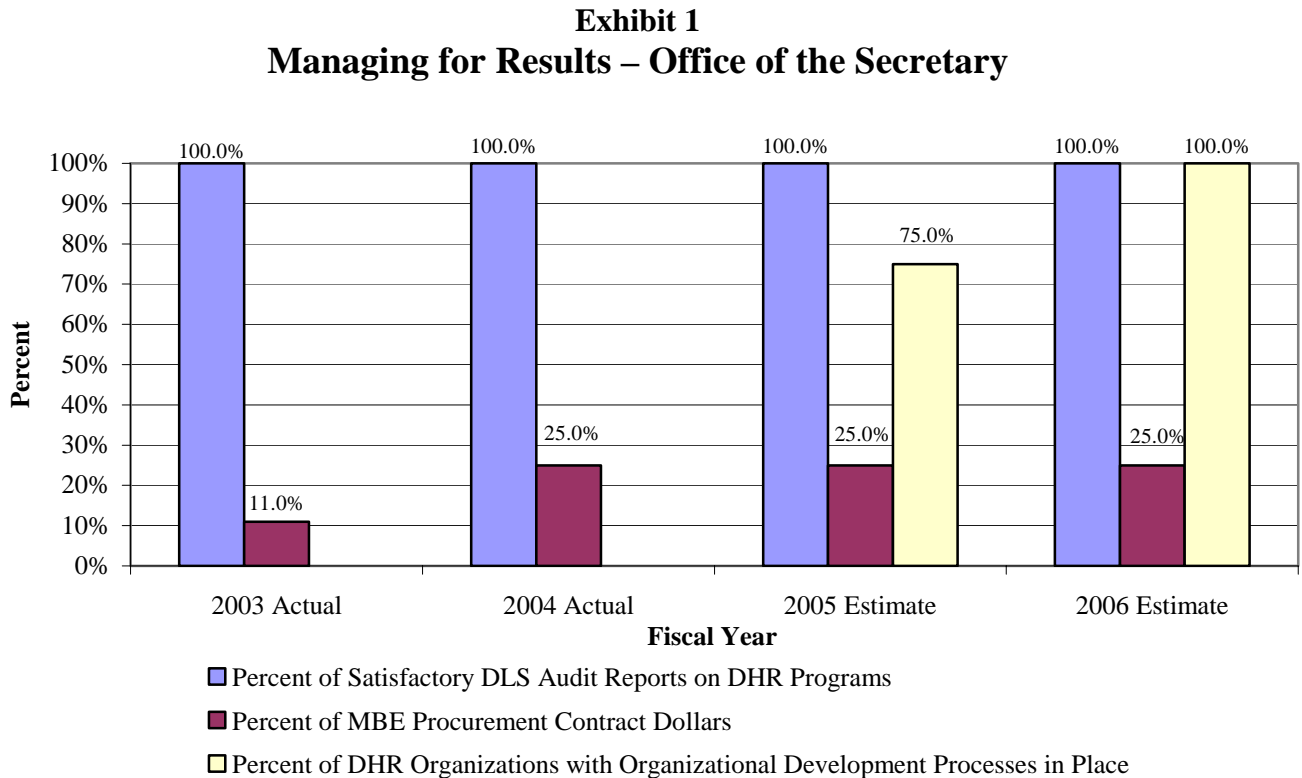
- the Electronic Benefits Transfer System (EBTS);
- the Clients Automated Resources and Eligibility System (CARES);
- the Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE);
- the Client Information System (CIS); and
- the Child Care Automated Management Information System (CCAMIS II).

Local General Administration

The general administration program provides essential support services and staff to operate the 24 LDSS, including the management of staff, finance, statistical reporting, general services, central records, fleet operations, buildings and grounds, equipment, supplies, purchase, and inventory. Its objective is to by fiscal 2006, maintain a perfect record of satisfactory audit results for DHR programs.

Performance Analysis: Managing for Results

Exhibit 1 reports steady success in the Office of the Secretary. Managing for Results (MFR) performance measures indicate success in the percent of satisfactory audit reports in DHR programs. However, as shown in **Appendix 2**, the most recent legislative audit of the Office of the Secretary contains 20 findings including 7 repeat findings. DHR apparently considers reports containing multiple findings to be satisfactory reports. DHR should revise this quality measure to be more specific – perhaps by limiting the number of repeat findings or issues of concern in each audit report. **DHR should comment on how it maintains 100% MFR success while audit reports show significant areas of concern.**



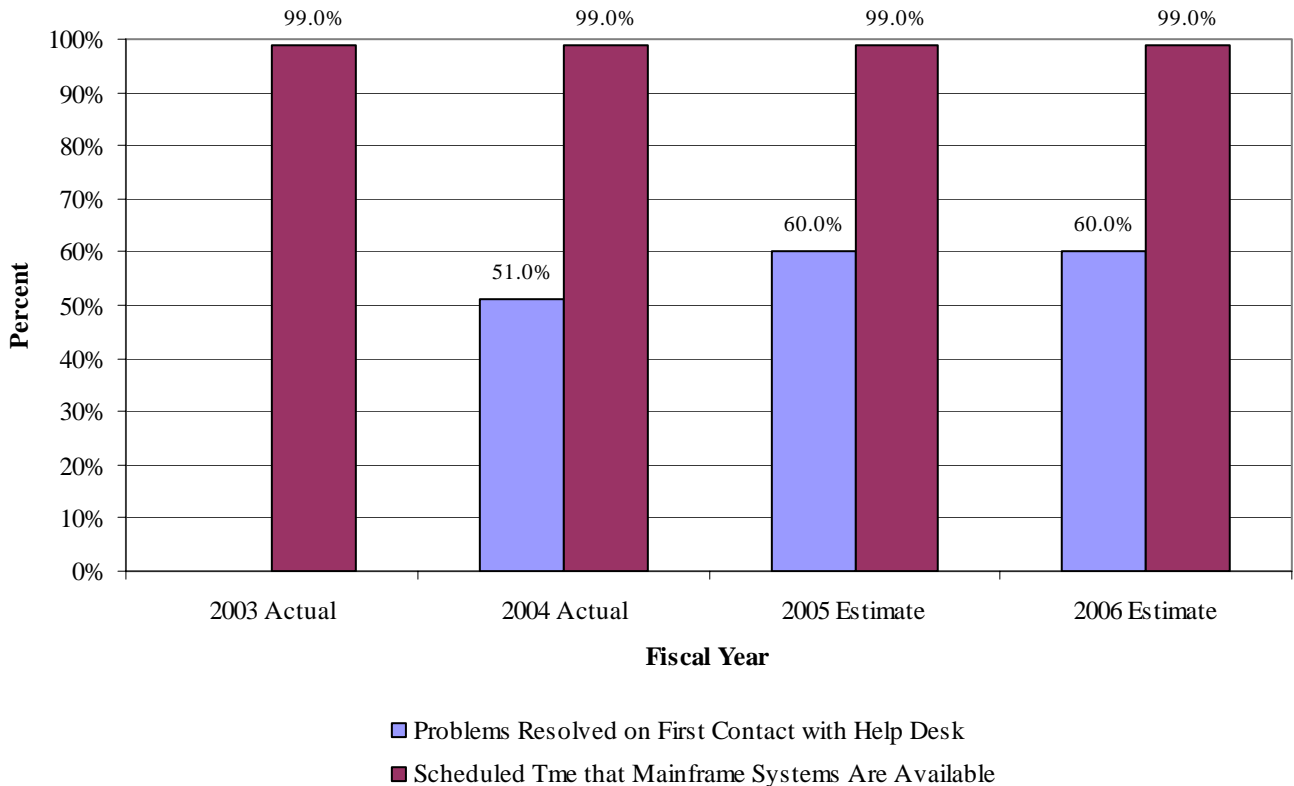
Source: Department of Human Resources

N00A01 – DHR – Administration

Exhibit 1 also shows that the percent of Minority Business Enterprise (MBE) procurement contract dollars rises, reportedly due to the emphasis placed on this priority by the current administration. The data also shows DHR’s estimated success during fiscal 2005 and 2006 in the percent of DHR organizations with organizational development processes in place, but there is no actual data for fiscal 2003 or 2004. With this performance measure, the Office of the Secretary will evaluate DHR’s strategic planning, continuous improvement, and monitoring of performance measures. The performance measure in previous years measured only whether strategic plans were in place; this measure will include implementation and monitoring of the strategic plan.

Exhibit 2 presents MFR measures for OTHS. The exhibit shows that DHR expects improvement in OTHS’s customer service role in its Help Desk and continued success in maintaining mainframe systems. None of the OTHS performance data measures whether its major IT projects are being developed on schedule and within budget. **The Department of Legislative Services (DLS) recommends that future MFR submissions include measures relating to success in developing new IT projects.**

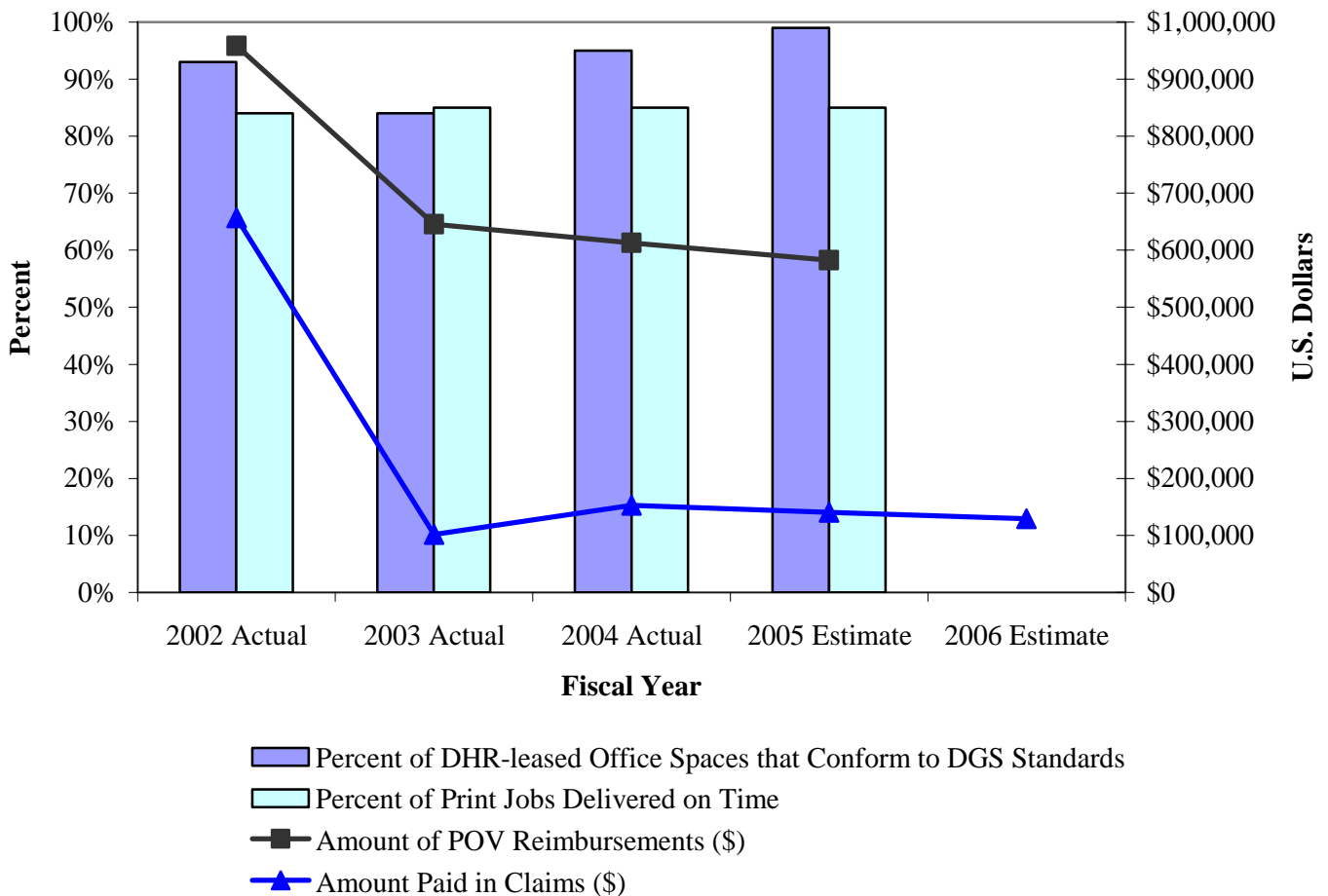
Exhibit 2
Managing for Results – Office of Technology for Human Services



Source: Department of Human Resources

Exhibit 3 shows performance data in the Division of Administrative Services. The percent of office spaces that conform to the Department of General Services (DGS) standards and the percent of print jobs delivered on time remain fairly steady, while performance is improving in the amount of privately owned vehicle (POV) reimbursements paid and the amount paid in injured worker claims. The reduction in POV reimbursements is due to the consolidation of the central fleet of motor vehicles into a system similar to a vehicle rental system. In order to obtain POV reimbursement, employees must first show their effort to utilize a State vehicle. Injured worker claims are decreasing due to DHR’s risk management policies of updating office spaces and increased monitoring of worker injuries.

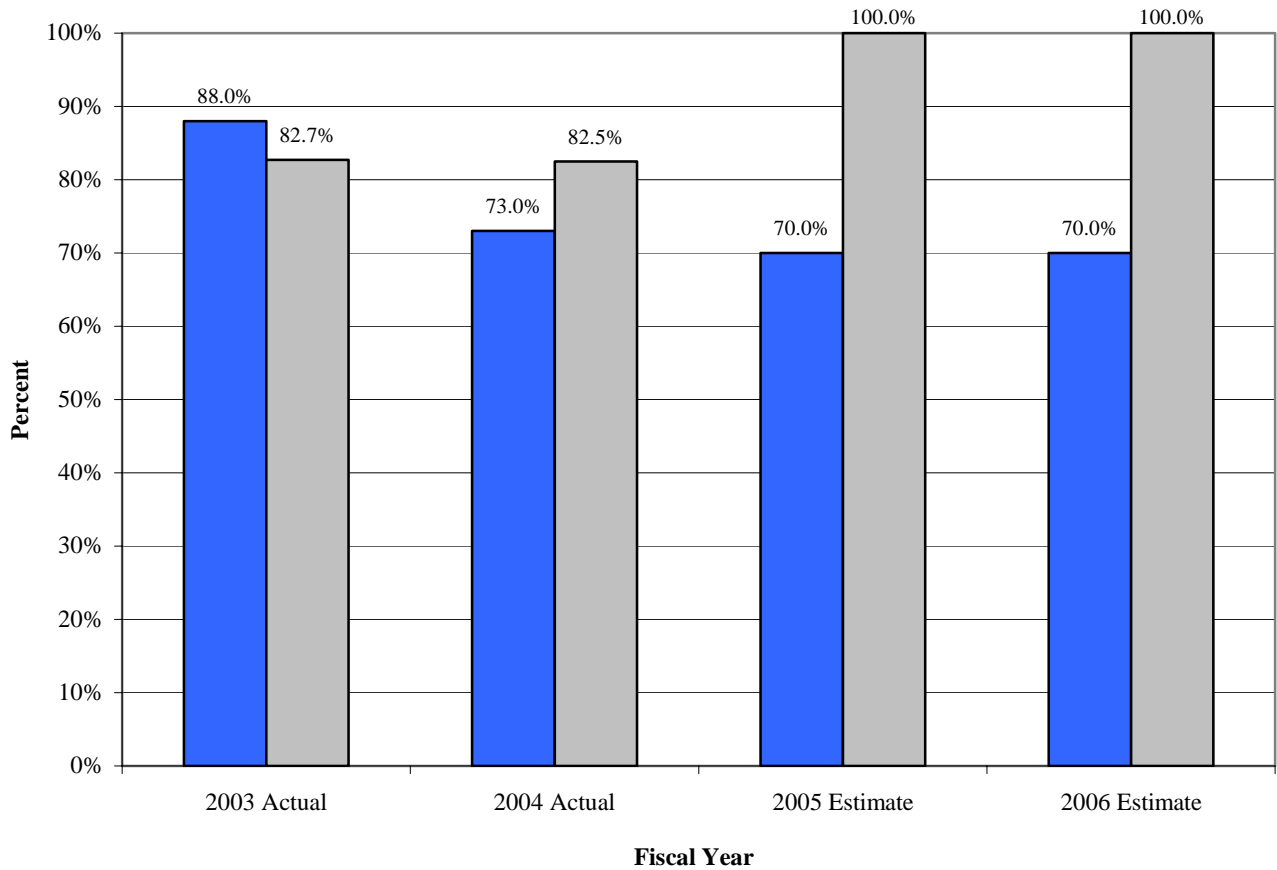
**Exhibit 3
Managing for Results – Division of Administrative Services**



Source: Department of Human Resources

Exhibit 4 shows success for DBFP in obtaining employee ratings but significant declines in the number of vacant positions filled within six months. This lack of success is mostly attributable to the statewide hiring freeze, as well as retirements and turnover.

Exhibit 4
Managing for Results – Division of Budget, Finance, and Personnel



- Total Vacant Positions Filled within Six Months in Current Fiscal Year Divided by the Sum of Total Vacant Positions
- Total Number of Employee Performance Evaluation Program (PEP) Ratings Received in the Current Fiscal Year Divided by the Total Number of PEP Ratings Due in the Fiscal Year

Source: Department of Human Resources

N00A01 – DHR – Administration

DHR should strive to keep performance measures and outputs consistent throughout the years, so data measured can provide thorough and useful information for constantly improving performance. The Office of the Secretary has eliminated some performance data used in last year’s analysis, including the measure of the percent of organizations having strategic plans that fully or partially meet criteria. The Maryland Commission for Women has eliminated its measure of the percent of customers rating satisfaction as good or excellent. DBFP also eliminated the measure of the percent of fiscal estimates submitted on time. MFR measures that are helpful in analyzing DHR’s performance should be maintained consistently over a number of years to more accurately portray performance.

Governor’s Proposed Budget

The fiscal 2006 allowance decreases \$4.4 million from the fiscal 2005 working appropriation, a decrease of 3.4%. **Exhibit 5** details the increases and decreases in the budget, the majority of which occur in OTHS for changes in administration and IT development costs.

Exhibit 5
Governor’s Proposed Budget
Department of Human Resources Administration
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimburs able Fund	Total
2005 Working Appropriation	\$62,686	\$3,993	\$59,265	\$2,218	\$128,162
2006 Governor's Allowance	58,419	3,935	61,830	0	124,184
Contingent & Back of Bill Reductions	<u>-232</u>	<u>-9</u>	<u>-158</u>	<u>0</u>	<u>-399</u>
Adjusted Allowance	58,187	3,926	61,672	0	123,785
Amount Change	-\$4,499	-\$67	\$2,407	-\$2,218	-\$4,377
Percent Change	-7.2%	-1.7%	4.1%	-100.0%	-3.4%

N00A01 – DHR – Administration

Where It Goes:

Personnel Expenses

Increments and other compensation	\$1,139
Retirement	451
Employee and retiree health insurance	-1,216
Abolished/transferred positions	-556
Turnover and other adjustments	-107

Other Changes

OTHS costs for EBTS contract increase to reflect actual expenditures	1,291
Insurance coverage and IT licenses	1,046
Increase in OTHS contract costs for Office Systems	689
Motor vehicle purchase and related charges.....	491
Increase in OTHS contract costs for Data Center Services	367
Increase in communications costs to better reflect actual expense offset by administrative efficiency actions. Budget is \$2.4 million below actual fiscal 2004 spending.....	344
Increase in grants and subsidies, mostly in Montgomery County administration	310
Anticipated increase in Baltimore County Attorney's fees.....	246
Office supplies, mostly in Baltimore County and Baltimore City LDSS	194
Replace mainframe data processing equipment.....	79
Increase for in-state travel due for systems analysis at LDSS, offset by reductions	72
OTHS CARES/CIS costs decline due to contract amount reduction and administrative efficiency measure to eliminate quality control contract.....	-4,384
Decrease in development costs for CCAMIS II development.....	-1,903
Decrease in MD CHESSIE development as funds now budgeted in the Major IT Project Development Fund (MITDPF)	-1,311
Operational costs drop due to administrative efficiency measures.....	-692
Equipment costs drop, mostly in MD CHESSIE	-567
Rent.....	-328
Utilities decline to reflect actual expenditures.....	-23
Other	-9

Total **-\$4,377**

Note: Numbers may not sum to total due to rounding.

Personnel Expenses

In the fiscal 2006 allowance, personnel expenses decrease by \$289,000. Ten abolished PINs account for \$556,000 in savings, while increments and other compensation costs increase by \$1.1 million. Employee and retiree health insurance costs decrease by \$1.2 million due to over-

N00A01 – DHR – Administration

budgeting in fiscal 2005, which is offset by an increase of \$451,000 in retirement benefit costs. Turnover and other adjustments save an additional \$107,000.

Communications, Travel, and Motor Vehicles

Communications charges for telephone and postage increase by \$344,000 due to budgeting for fiscal 2004 actual costs, which is offset by administrative efficiency reductions and the consolidation of the Communications Office and the Constituent Services Office within the Office of the Secretary. The allowance provides an increase of \$447,000 for the purchase of 38 new motor vehicles (27 in Local General Administration and 11 in Office of Administrative Operations) due to the age and mileage of the current vehicles. The allowance also provides for an increase of \$72,000 for in-state travel.

Office of Technology for Human Services

In OTHS, project development costs for MD CHESSIE decrease by \$1.3 million because in fiscal 2006, funds for MD CHESSIE will come directly from the Department of Budget and Management's (DBM) MITPDF. Development funds for CCAMIS II, which is funded with 100% federal funds, also decreased by \$1.9 million because of reduced project activities. In the OTHS Administration, costs for EBTS increased by \$1.3 million to meet the actual costs of the contract for benefit delivery of Food Stamps and Temporary Cash Assistance, and decreased in CARES/CIS operations by \$4.4 million – the system analysis and design contract decreased by approximately \$2 million, and the elimination of the quality control contract for administrative efficiency saved \$2.2 million. Costs increased by \$0.7 million for an outside technical and systems support contract negotiated by DBM, and by \$0.4 million in Data Center Services for the data processing outsourcing contract.

Fixed Charges

Costs for insurance coverage and IT licenses increased by \$1.0 million, largely due to software updates and enhancements. Operational costs for DHR headquarters and local general administration are reduced by \$0.7 million due to efficiency measures, and rent costs decreased by \$0.3 million.

Impact of Strategic Budget Reductions

The impact of strategic budget reductions is designed to be felt throughout the DHR Administration. Ten PINs were abolished in the fiscal 2006 allowance due to administrative efficiency measures. Of these 10 PINs, 3 are in Maryland Commission for Women, 2 are in the Office of the Secretary, 1 is in OTHS, and 4 are in local general administration (Baltimore City, St. Mary's County, Carroll County, and Washington County). Strategic budget reductions significantly impacted OTHS, which will experience reductions of approximately \$600,000 for office systems administration and \$2.0 million for CARES/CIS operations. \$200,000 is reduced from the Office of the Secretary's Communications Office, approximately \$720,000 is reduced from local general administration, and \$400,000 is reduced from operational costs at DHR headquarters. DHR attempted to spread the impact of strategic budget reductions throughout the department.

Issues

1. Ongoing Development of MD CHESSIE

Background

In 1995 the U.S. Department of Health and Human Services, Administration on Children and Families changed its reporting requirements for various child welfare, foster care, and adoption services to determine eligibility for federal funding under the Social Security Act. The federal government did not specifically mandate that states develop a new automated information system, but it offered states 50% matching funds to create a State Automated Child Welfare Information System (SACWIS) to comply with the new reporting requirements. DHR contracted with Deloitte Consulting (Deloitte) to develop and implement Maryland's SACWIS, named MD CHESSIE. The project was approved by the federal government in 1999, and the contract with Deloitte was approved in 2001.

Fiscal 2004

Due to numerous problems with management and funding of the project, the General Assembly reduced the fiscal 2004 allowance for MD CHESSIE by \$4.0 million (\$2.0 million reduction in general funds and \$2.0 million reduction in matching federal funds). During fiscal 2004, funds remained in the budget only to fund the capital lease on MD CHESSIE equipment. The project was to resume when the management and funding problems were resolved. Despite the budget reduction, during fiscal 2004 DHR generated \$3.3 million in general funds through internal administrative savings (matched by \$3.3 million in federal funds) to fund the ongoing development of MD CHESSIE. However, near the end of fiscal 2004, a budget amendment (BA 248-04) only transferred \$2.8 million for MD CHESSIE; DHR explained that it intended to cover lease payments with general fund savings but later DBM's MITPDF covered the lease payments.

Fiscal 2005

The fiscal 2005 allowance contained funds for the capital lease on MD CHESSIE equipment. Ongoing development of the project is funded through continuing internal administrative savings of \$3.3 million. Although DHR informed the General Assembly during the 2004 legislative session that it intended to fund MD CHESSIE in the same amounts and from the same sources as it did in fiscal 2004, the amounts and sources changed greatly. Some examples of the differences are detailed in **Exhibit 6**. Pursuant to language in the 2004 *Joint Chairmen's Report* (JCR), funds for MD CHESSIE were transferred from DHR to DBM's MITPDF, and then transferred back to DHR to use for MD CHESSIE. It is the understanding of DLS that DBM intends to incrementally transfer these funds from the MITPDF to DHR for MD CHESSIE, consistent with the additional layer of oversight of the project from DBM and DBM's CIO.

Exhibit 6
A Comparison of the Proposed Sources of Funds for MD CHESSIE
Fiscal 2004 – 2005

<u>Programs Contributing More in Fiscal 2005</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Difference</u>
OTHS – Administration	\$27,924	\$587,197	\$559,273
Adult and Community Services (CSA) – Legal Services	1,797	320,678	318,881
CSA – Adult Services	143,382	443,630	300,248
Child Welfare – Administration	51,503	302,408	250,905
CSA – Victim Services	25,434	221,015	195,581
CSA – Shelter and Nutrition	77,673	251,609	173,936
Child Care – Administration	0	156,773	156,773
CSA – Local Adult Services	41,510	145,340	103,830
CSA – MONA	0	3,726	3,726
<u>Programs Contributing Less in Fiscal 2005</u>			
Child Support Enforcement – Administration	\$690,633	\$62,333	-\$628,300
Administration – Administrative Services	305,955	77,207	-228,748
Local Child Welfare Services	379,339	193,962	-185,377
Administration – Local General Administration	263,275	120,342	-142,933
Family Investment Administration (FIA) – Director’s Office	343,312	201,157	-142,155
Administration – Office of the Secretary	110,383	32,198	-78,185
Local Family Investment Program	232,036	159,418	-72,618
Administration – Division of Budget, Finance and Personnel	62,944	12,645	-50,299
Local Child Support Enforcement Administration	52,554	28,366	-24,188
Administration – Maryland Commission for Women	17,519	2,827	-14,692
Administration – Citizens’ Review Board for Children	7,287	2,280	-5,007
CSA – Administration	5,389	889	-4,500

Source: Department of Human Resources; Department of Legislative Services

Fiscal 2006

In fiscal 2006 all of the State funds for MD CHESSIE will be in DBM’s MITPDF. There are \$5,019,561 in general funds in DBM’s MITPDF. There are \$5,019,561 in matching federal funds in DHR’s OTHS budget, which is an increase of \$352,747, or 7.6% from the fiscal 2005 working appropriation. Incremental funding from DBM’s MITPDF should provide the project with an additional layer of oversight from DBM and its CIO. The MD CHESSIE project continues to experience management and funding issues, including changing cost estimates.

Cost Estimates

During the 2004 interim, DHR’s revised fiscal 2005 cost estimate of \$9.9 million for MD CHESSIE exceeded the cost estimate of \$8.5 million reported during the 2004 legislative session by \$1.4 million. The inability of DHR to provide consistent budget data to the General Assembly raises questions about project management. For fiscal 2005 the combination of \$3.3 million from DHR’s internal cost savings (matched by federal funds), the approved \$0.9 million from the MITPDF (matched by federal funds), and the requested additional \$0.4 million from the MITPDF (matched by federal funds) still leaves a shortfall of \$0.7 million for fiscal 2005; DHR plans to identify \$350,000 in internal cost savings and cover the remaining \$350,000 with matching federal funds. The current cost estimates are stated in **Exhibit 7**.

Exhibit 7
MD CHESSIE Cost Estimates

<u>State Fiscal Year</u>	<u>Total Cost</u>	<u>State Portion of Total Cost</u>	<u>Source of State Funds</u>
1996 – 2003	\$24.8 million	\$12.4 million	General funds
2004	\$8.2 million	\$1.3 million in special funds	MITPDF
		\$2.9 million in general funds	Internal savings
2005	\$9.9 million	\$5.0 million	\$3.7 million in internal savings \$1.3 million from MITDPF
2006	\$10,039,122	\$5,019,561	MITDPF
2007	\$8,540,000	\$4,270,000	MITPDF
2008	\$2,906,275	\$1,453,138	MITDPF
2009	\$813,379	\$406,690	MITDPF
2010	\$960,000	\$480,000	MITDPF
2011	\$960,000	\$480,000	MITDPF
2012	\$960,000	\$480,000	MITDPF

Note: Current estimated total cost through fiscal 2007 is \$61,479,122. Current estimated total cost through fiscal 2012 is \$68,078,776, which includes system maintenance costs.

Source: Department of Human Resources

Schedule

Since its inception, the MD CHESSIE project has been subject to numerous schedule revisions. However, DHR’s current projected schedule for the entire project is identical to that submitted for the 2004 legislative session. **Exhibit 8** shows the projected timeline.

Exhibit 8 MD CHESSIE Timeline

<u>Project Phase</u>	<u>Projected Timeline</u>
Complete System Development	January– July 2004
Testing	August 2004 – January 2006
Data Conversion	May 2005 – December 2006
Training	September 2005 – November 2006
Pilot	February– April 2006
Statewide Implementation	May– November 2006
Post Implementation/Maintenance	December 2006 – June 2007

Source: Department of Human Resources

Other Issues

An audit report prepared by DLS Office of Legislative Audits (OLA) entitled State Information Technology Application Development Projects and released in December 2004 brings up numerous other issues with MD CHESSIE. OLA’s presentation to the Joint Audit Committee on January 19, 2005, made it clear that while early on in the MD CHESSIE project, DHR did not conform with industry best practices, DHR is currently attempting to implement best practices. Other issues of concern include:

- whether DHR has developed a Master Project Plan;
- when a technical IV&V will be done;
- whether there is one senior program representative (in addition to IT representative), other than the Secretary, accountable for the project;
- whether DHR has adequately responded to the January 2004 IV&V;

N00A01 – DHR – Administration

- whether the total cost will remain as estimated – \$61,479,122; and
- whether DBM has provided a master plan for future oversight of MD CHESSIE.

DHR should brief the committees on the status of each issue stated above. DHR should also brief the committees on the possible problem involving MD CHESSIE software being incompatible with previously purchased computer systems and whether this could cause the project costs to increase.

Conclusion

Despite various concerns regarding MD CHESSIE, DHR and DBM have expressed their full support of the project and identified it as a priority for DHR and the State. Once fully implemented and operational, MD CHESSIE has the potential to greatly improve the provision of social services in Maryland. The likelihood of success of the project is increased with DBM’s structured release of funds from the MITDPF on an incremental basis as certain items are addressed. **DLS recommends the continued involvement of the General Assembly in the rigorous scrutiny of this major IT project.**

2. Hiring of Directors of Local Departments of Social Services

Status of Vacant Positions

DHR has recently been in the process of hiring a director or assistant director in nine jurisdictions. **Exhibit 9** provides details on the status of the hiring process in these jurisdictions.

Exhibit 9 Status of Hiring of Directors and Assistant Directors in LDSS

<u>Jurisdiction</u>	<u>Position</u>	<u>Status</u>
Anne Arundel County	Director	Interviews conducted
Baltimore City	Director	Complete
Baltimore County	Director	Complete
Caroline County	Director	Complete
Dorchester County	Assistant Director	Currently recruiting
Frederick County	Assistant Director	Currently recruiting
Howard County	Director	Complete
Prince George’s County	Assistant Director	Currently recruiting
St. Mary’s County	Assistant Director	Currently recruiting

Source: Department of Human Resources

Impact of Possible Delays in Hiring Directors and Assistant Directors

DHR should discuss the process for recruiting and selecting new directors and assistant directors and the role that local government officials play in the selection process. Of course, any delay in the hiring of a director or assistant director in a LDSS may cause disruption in office management and the provision of services to constituents. DHR should brief the committees on the length of time that each vacant director and assistant director position has been vacant and on its efforts to fill each position as expeditiously as possible.

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Reduce one position in the Office of the Secretary. This Administrator III position was previously filled by a Grants Coordinator who worked to obtain private funds for the Department of Human Resources (DHR) but has been vacant since August 2004. DHR has been working on determining the need for the position, but it has not determined how the position would be utilized if filled and has not yet acted to obtain an exemption from the hiring freeze. The PIN is 056978.	\$ 44,817	GF	1.0
	\$ 28,653	FF	
2. Delete five vacant positions. Five PINs have remained vacant longer than nine months. Four of the positions are fiscal and personnel positions in Baltimore City local administration. These PINs are 203843, 203762, 203611, and 077927. The reduction of these four PINs would still leave four vacant fiscal and personnel positions in Baltimore City local administration. The fifth PIN, 029263, is a Senior Program Manager I position in the Maryland Commission for Women.	204,170	GF	5.0
	66,306	FF	
3. Reduce funds for travel. The fiscal 2006 allowance contains an increase of \$16,231 for travel in the Maryland Commission for Women. Considering the current fiscal condition of the State, fiscal 2006 travel expenses should be kept in line with fiscal 2005 travel expenses.	16,231	GF	
4. Reduce funds for replacement vehicles. The fiscal 2006 allowance contains an increase of \$446,846, or 235% for the purchase or lease of motor vehicles. This reduction still allows for an increase of \$190,554, or 100% for the purchase or lease of motor vehicles.	154,047	GF	
	102,557	FF	

N00A01 – DHR – Administration

5. Adopt the following narrative:

Quarterly Reports on Status of the Maryland Children’s Electronic Social Services Information Exchange (MD CHESSIE): The committees plan to continue monitoring the status of the MD CHESSIE project. The Department of Human Resources (DHR) should submit quarterly reports to the committees that include the following and specifically state if there are any changes to (1) the master project plan; (2) the project schedule; (3) cost estimates for State fiscal 2005 through 2008; (4) sources of funds for State fiscal 2005 through 2008; (5) total project cost estimates; (6) any audit or independent verification and validation on the project since January 25, 2005; (7) any revisions to the scope of the project; (8) changes in key project personnel; and (9) status of rollout and implementation of project components. DHR should submit the first quarterly report on April 15, 2005, and this report should include the master project plan. Subsequent reports may only include changes to the master project plan, in addition to the other eight items.

Information Request	Author	Due Date
Quarterly reports on status of MD CHESSIE	DHR	April 15, 2005, and quarterly thereafter

	<u>Amount Reduction</u>	<u>Position Reduction</u>
6. Reduce funds for Office of Technology for Human Services (OTHS) travel. The fiscal 2006 allowance contains an increase of \$78,531 for travel in OTHS general administration. Considering the current fiscal condition of the State, fiscal 2006 travel expenses should be kept in line with fiscal 2005 travel expenses.	41,150 GF 37,381 FF	
Total Reductions	\$ 695,312	6.0
Total General Fund Reductions	\$ 460,415	
Total Federal Fund Reductions	\$ 234,897	

Updates

1. Proposal to Regionalize Offices of Baltimore City Department of Social Services

DHR has been considering a plan to regionalize the local branch offices of the Baltimore City Department of Social Services (BCDSS). The 2004 JCR provided language that requires DHR to submit a plan or proposal for review and comment prior to closing or consolidating a local branch office of BCDSS. The plan or proposal is to be submitted to the budget committees, the Baltimore City mayor, the Baltimore City Council, the Director of BCDSS, and the chair of the BCDSS board of directors. The plan or proposal must include the anticipated cost savings and the impact on services and constituents.

Since language became effective, DHR has not finalized a plan to regionalize BCDSS offices. Preliminary meetings have included Mass Transit Authority (MTA), and DHR reports that MTA will revise bus routes to accommodate BCDSS customers, if necessary. BCDSS's new director is currently reviewing the feasibility of and need for a regionalization plan. As of January 2005, regionalization activities have been halted until programmatic decisions are finalized. As required by the 2004 JCR, DHR intends to present any plan to the General Assembly prior to implementation.

Current and Prior Year Budgets

**Current and Prior Year Budgets
Department of Human Resources – Administration
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$63,342	\$3,158	\$60,346	\$0	\$126,846
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	5,223	2,237	2,994	0	10,455
Cost Containment	-2,439	0	0	0	-2,439
Reversions and Cancellations	-252	-247	-5,510	0	-6,009
Actual Expenditures	\$65,874	\$5,149	\$57,831	\$0	\$128,853
Fiscal 2005					
Legislative Appropriation	\$63,037	\$3,593	\$56,301	\$0	\$122,931
Budget Amendments	-351	400	2,964	2,218	5,231
Working Appropriation	\$62,686	\$3,993	\$59,265	\$2,218	\$128,162

Note: Numbers may not sum to total due to rounding.

Fiscal 2004

In fiscal 2004 the DHR Administration spent \$2.0 million more than was originally appropriated. Budget amendments increased the general fund appropriation by \$5.2 million, including \$2.9 million for MD CHESSIE and \$2.2 million to reflect the transfers of the Central Distribution Center (CDC) from OTHS to DAO and commissions from CSA to the administration. Budget amendments increased the special fund appropriation by \$2.2 million, mostly due to the transfer of funds from the MITPDF for MD CHESSIE and use of Child Support Reinvestment funds for enhancements to the Child Support Enforcement System. The federal fund appropriation increased by \$3.0 million, which reflects the transfers of CDC and commissions and increased federal grants following Hurricane Isabel, offset by reductions in local operations. These budget amendment increases were offset by \$6.0 million in reversions and cancellations, mostly in federal funds that were unspent for MD CHESSIE.

Fiscal 2005

During fiscal 2005, the DHR Administration's general funds decreased by \$351,000, which arose from an increase of \$484,000 for cost-of-living adjustments, combined with a transfer of \$835,000 to the MITPDF for MD CHESSIE. The special fund appropriation increased by \$400,000, reflecting additional funds requested from DBM's MITPDF for MD CHESSIE. The federal fund appropriation increased by \$2.96 million, which are matching federal funds for MD CHESSIE. The budget amendment was for an additional \$3.7 million in federal funds, but the use of the matching federal funds for MD CHESSIE caused DHR to lose \$762,037 in federal funds in other programs. Reimbursable amendments move MD CHESSIE funds from the MITPDF to DHR.

Audit Findings

Audit Period for Last Audit:	July 1, 2000 – June 30, 2003
Issue Date:	September 2004
Number of Findings:	22
Number of Repeat Findings:	7
% of Repeat Findings:	27%
Rating: (if applicable)	

- Finding 1:** The federal government disallowed \$7 million in DHR program expenditures. Preliminary federal audit findings indicate that significant additional expenditures have been questioned.
- Finding 2:** The implementation of the MD CHESSIE system development was delayed due to project management issues and funding problems. A recent consultant’s report addressed several concerns regarding the project.
- Finding 3:** DHR paid for project deliverables that the project monitor indicated were incomplete, without adequate written explanation.
- Finding 4:** DHR did not verify the propriety of certain project monitoring charges.
- Finding 5:** DHR did not pursue discrepancies identified during a review of a computer consultant’s billings. Nor did DHR refer this matter to its Office of the Inspector General or the Office of the Attorney General for further investigation or recovery.
- Finding 6:** **DHR did not review previously paid contractor computer billings to determine if the contractor had improperly billed for corrections made to fix program modification problems covered under contract warranty provisions.**
- Finding 7:** **Proper internal controls were not established over the processing of purchasing and disbursement transactions.**
- Finding 8:** DHR awarded two contracts, totaling \$41.6 million, without maintaining adequate documentation to substantiate the integrity of the evaluation process used to award these contracts.
- Finding 9:** Internal controls were inadequate over foster care payments processed on one local department’s payment system.
- Finding 10:** DHR’s internal network was not adequately secured from external threats.

N00A01 – DHR – Administration

- Finding 11:** DHR’s computer network monitoring was not adequate and configurations of critical devices were not backed up off-site.
- Finding 12:** DHR’s internal core computer network was not adequately secured.
- Finding 13:** **Access to DHR’s critical production data files and databases was not properly restricted.**
- Finding 14:** **DHR had not established effective menu screen access controls over electronic benefits authorized and payments processed.**
- Finding 15:** **Security reporting, review processes, and monitoring were inadequate.**
- Finding 16:** DHR did not have a complete departmentwide information technology disaster recovery plan.
- Finding 17:** Sufficient controls were not established over corporate purchasing cards.
- Finding 18:** Internal controls were inadequate over bank accounts and cash receipts.
- Finding 19:** DHR had not taken any action in two years to resolve a disputed delinquent account totaling \$1.3 million and did not report the account to the Central Collection Unit in accordance with regulations.
- Finding 20:** **Accrued federal fund revenues totaling approximately \$22.6 million could not be substantiated.**
- Finding 21:** Internal controls over payroll were inadequate.
- Finding 22:** **Adequate accountability and control was not established over DHR equipment.**

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
DHR – Administration**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	991.32	1019.50	1009.50	-10.00	-1.0%
02 Contractual	4.33	1.31	1.31	0	0%
Total Positions	995.65	1020.81	1010.81	-10.00	-1.0%
Objects					
01 Salaries and Wages	\$ 57,341,708	\$ 58,679,804	\$ 58,789,325	\$ 109,521	0.2%
02 Technical & Spec Fees	562,717	360,904	558,913	198,009	54.9%
03 Communication	10,432,760	7,668,224	8,012,078	343,854	4.5%
04 Travel	246,891	353,841	425,425	71,584	20.2%
06 Fuel & Utilities	342,891	325,127	301,903	-23,224	-7.1%
07 Motor Vehicles	622,174	919,315	1,410,301	490,986	53.4%
08 Contractual Services	46,186,842	45,523,567	40,312,685	-5,210,882	-11.4%
09 Supplies & Materials	1,060,190	925,958	1,119,787	193,829	20.9%
10 Equip - Replacement	229,268	71,119	149,730	78,611	110.5%
11 Equip - Additional	3,758,679	1,675,117	1,107,990	-567,127	-33.9%
12 Grants, Subsidies, and Contributions	155,819	1,872,548	2,182,714	310,166	16.6%
13 Fixed Charges	7,913,528	9,786,164	9,813,042	26,878	0.3%
Total Objects	\$ 128,853,467	\$ 128,161,688	\$ 124,183,893	-\$ 3,977,795	-3.1%
Funds					
01 General Fund	\$ 65,873,783	\$ 62,685,885	\$ 58,418,938	-\$ 4,266,947	-6.8%
03 Special Fund	5,148,863	3,993,194	3,934,911	-58,283	-1.5%
05 Federal Fund	57,830,821	59,264,609	61,830,044	2,565,435	4.3%
09 Reimbursable Fund	0	2,218,000	0	-2,218,000	-100.0%
Total Funds	\$ 128,853,467	\$ 128,161,688	\$ 124,183,893	-\$ 3,977,795	-3.1%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary
DHR – Administration**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Office of the Secretary	\$ 8,853,741	\$ 9,395,885	\$ 9,096,369	-\$ 299,516	-3.2%
02 Citizen's Review Board for Children	1,315,502	1,514,401	1,566,601	52,200	3.4%
03 Maryland Commission for Women	969,346	886,835	922,310	35,475	4.0%
01 Division of Budget, Finance and Personnel	12,670,368	13,325,949	11,974,743	-1,351,206	-10.1%
02 Division of Administrative Services	8,003,361	7,077,046	7,710,314	633,268	8.9%
02 Major Information Technology Development	13,598,083	12,603,709	8,435,311	-4,168,398	-33.1%
04 General Administration	43,108,343	41,421,540	40,944,872	-476,668	-1.2%
05 General Administration	40,334,723	41,936,323	43,533,373	1,597,050	3.8%
Total Expenditures	\$ 128,853,467	\$ 128,161,688	\$ 124,183,893	-\$ 3,977,795	-3.1%
General Fund	\$ 65,873,783	\$ 62,685,885	\$ 58,418,938	-\$ 4,266,947	-6.8%
Special Fund	5,148,863	3,993,194	3,934,911	-58,283	-1.5%
Federal Fund	57,830,821	59,264,609	61,830,044	2,565,435	4.3%
Total Appropriations	\$ 128,853,467	\$ 125,943,688	\$ 124,183,893	-\$ 1,759,795	-1.4%
Reimbursable Fund	\$ 0	\$ 2,218,000	\$ 0	-\$ 2,218,000	-100.0%
Total Funds	\$ 128,853,467	\$ 128,161,688	\$ 124,183,893	-\$ 3,977,795	-3.1%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.