

N00A01
Administration
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	FY 06	FY 07	FY 08	FY 07-08	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$64,486	\$71,986	\$75,653	\$3,667	5.1%
Special Fund	4,007	4,583	3,004	-1,579	-34.5%
Federal Fund	59,615	70,854	69,168	-1,686	-2.4%
Reimbursable Fund	<u>5,020</u>	<u>3,900</u>	<u>0</u>	<u>-3,900</u>	<u>-100.0%</u>
Total Funds	\$133,128	\$151,323	\$147,825	-\$3,498	-2.3%

- A federal funds deficiency appropriation in the amount of \$1.4 million provides funds to complete the development phase of the Child Care Administration Tracking System.
- The fiscal 2008 allowance decreases the Department of Human Resources (DHR) Administration budget by \$3.5 million, but the actual growth in the allowance is masked by health insurance savings in fiscal 2007 and 2008. After adjusting for one-time health insurance savings, costs increase \$4.8 million, or 3.4%.
- Significant increases in the allowance fund information technology (IT) support services contracts (\$5.9 million), computer upgrades and hardware replacement (\$1.4 million), and other IT contracts (\$2.0 million). These increases are more than offset by health insurance savings and a decline in the Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE) costs reflecting completion of the development and implementation phases of the project.
- The allowance does not include funding for modifications or enhancements to MD CHESSIE.

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

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Personnel Data

	<u>FY 06 Actual</u>	<u>FY 07 Working</u>	<u>FY 08 Allowance</u>	<u>FY 07-08 Change</u>
Regular Positions	1,034.00	1,034.00	1,029.00	-5.00
Contractual FTEs	<u>6.52</u>	<u>3.31</u>	<u>9.27</u>	<u>5.96</u>
Total Personnel	1,040.52	1,037.31	1,038.27	0.96

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	40.95	3.98%
Positions Vacant as of 12/31/06	76.00	7.35%

- The fiscal 2008 allowance eliminates 11 position identification numbers (PINs) because these positions have been vacant for more than a year. Six new positions were included in the allowance to staff the Medicaid Rehab Option program, which had previously been administered through a contract.
- The vacancy rate as of December 31, 2006, is 7.35%, which is greater than the budgeted turnover of 3.98%. In total, there are 76 vacant positions, and 14 of the vacant positions have been vacant for over a year.
- The fiscal 2008 allowance includes 5.96 new contractual positions to support a variety of administrative activities.
- The number of regular positions increased by 10.5 positions between the fiscal 2007 legislative appropriation and the working appropriation. These positions were transferred from within the department due to the centralization of computer-related operations.

Analysis in Brief

Major Trends

Vacancy Rates in Local Department of Social Services Versus Headquarters: A few years ago, the local department of social services (LDSS) offices had a significantly larger vacancy rate than the headquarters, but the situation has reversed and the headquarters now has a higher vacancy rate than the LDSS offices. In fiscal 2007, the vacancy rates for both local and headquarters positions have increased from the fiscal 2006 level.

Issues

MD CHESSIE – Now the Focus Becomes Modifications and Enhancements: MD CHESSIE is operational in 23 out of 24 jurisdictions with implementation of MD CHESSIE in Baltimore City underway. Throughout the implementation phases, a number of potential modifications and enhancements have been identified, but the fiscal 2008 allowance funds only the maintenance of MD CHESSIE without any funding for the needed modifications or enhancements.

Performance Contracting with IT Contracts: Over the last few years, the State has emphasized results and accountability. To ensure the State’s vendors are focused on the State’s objectives, payments or continuation of the contract should be linked to specific performance measures. This issue will analyze the use of monitoring, reporting, performance measures, incentives, and penalties for the Department of Human Resources’ larger IT contracts.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete funding for 6.5 new contractual positions.	\$ 173,914	
2. Delete one position in the Maryland Commission for Women.	45,649	1.0
3. Delete one position in the Division of Budget, Finance, and Personnel.	37,889	1.0
4. Reduce the appropriation for supplies.	117,067	
5. Reduce the appropriation for travel.	83,644	
6. Adopt committee narrative on performance measures for information technology.		
Total Reductions	\$ 458,163	2.0

N00A01 – DHR – Administration

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;
- the Commission on Migratory and Seasonal Farm Labor; and
- the Commission on Indian Affairs.

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 and Finance, which supports the programs of other departmental units through the management and control of fiscal and personnel systems, and the Division of Administrative Operations (DAO), which provides core administrative services to DHR as well as disaster relief/emergency response.

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:

- Client Information System (CIS);
- Office of Home Energy Programs System;
- Child Care Administration Tracking System (CCATS);
- Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE); and
- Child Support Enforcement System.

Local General Administration

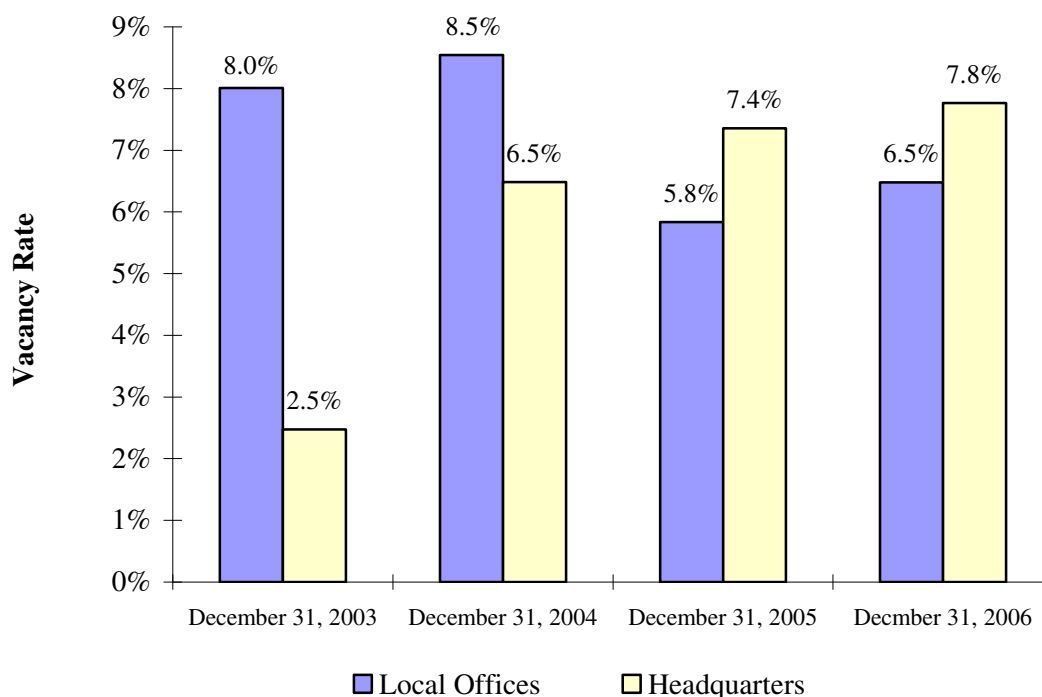
The general administration program provides essential support services and staff to operate the 24 LDSS, including the management of staff, finance, statistical reporting, general services, central records, fleet operations, buildings and grounds, equipment, supplies, procurement, and inventory. Its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

Performance Analysis: Managing for Results

Vacancy Rates

Over the past three years, the departmentwide vacancy rate has remained relatively stable ranging from 6 to 8.2%. However, the vacancy rates at the local offices have decreased over that time, while the vacancy rates at the State headquarters have risen significantly, as seen in **Exhibit 1**. In fiscal 2004, the vacancy rate at the local offices was almost four times greater than the rate at DHR headquarters. Two years later, in fiscal 2006, the situation has stabilized with the vacancy rate of the local offices being 1.6 percentage points lower than that of the DHR headquarters. In fiscal 2007, the vacancy rate for headquarters and local positions both grew, and the headquarters positions continue to have a vacancy rate 1.3 percentage points higher than that of local positions.

Exhibit 1
Managing for Results
Vacancy Rates

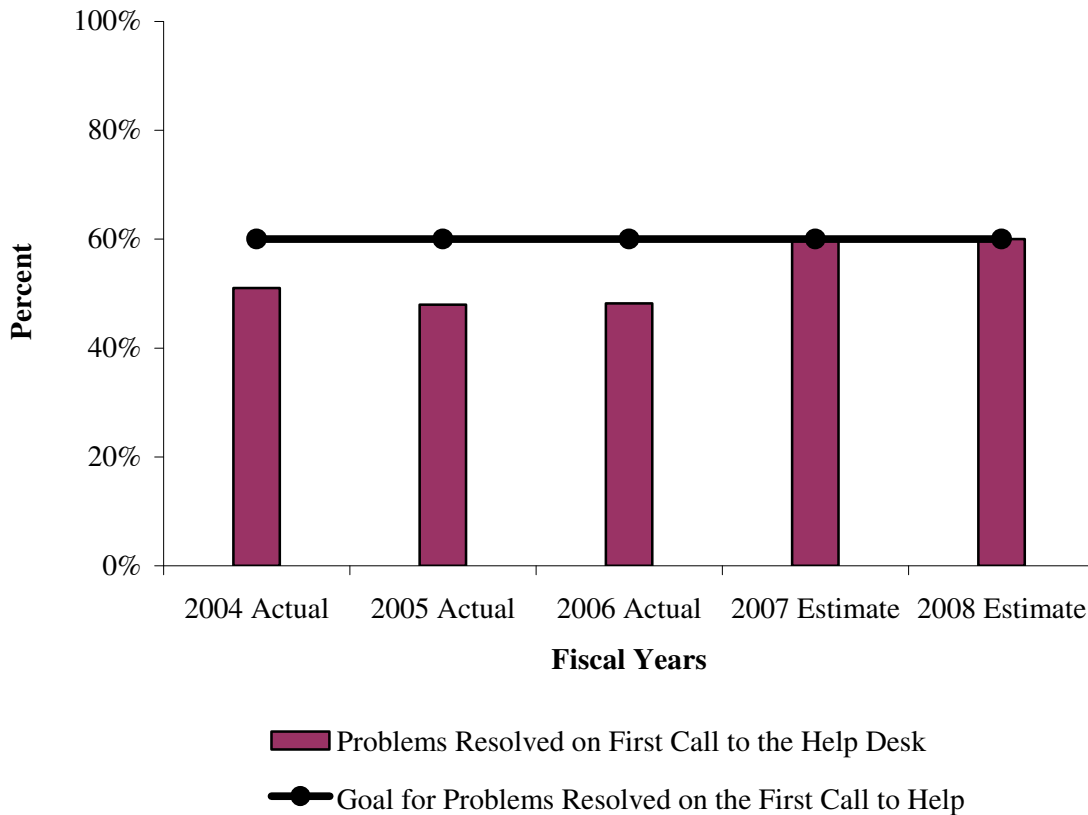


Source: Department of Human Resources

Office of Technology for Human Services

Exhibit 2 shows OTHS has fallen below the Managing for Results (MFR) goal of resolving problems 60% of the time during the first phone call to the help desk. However, OTHS has surpassed the MFR goal for average length of calls to the help desk. In addition, OTHS has continued to meet the MFR goal of having the mainframe systems available 99% of the scheduled time. None of the OTHS performance data measures whether 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 development, maintenance, modification, and enhancement of IT projects because almost \$50 million is spent on these projects annually.**

Exhibit 2
Managing for Results
Office of Technology for Human Resources



Source: Department of Human Resources

Fiscal 2007 Actions

Proposed Deficiency

A fiscal 2007 deficiency appropriation in the amount of \$1.4 million in federal funds has been submitted for the DHR Administration to complete the development phase of CCATS. The system provides services with respect to the transmission, storage, and retrieval of information on the child care community.

The responsibility for CCATS will be transferred to the Maryland State Department of Education (MSDE). The project stayed with DHR when the Child Care Administration was transferred to MSDE because CCATS was in the middle of development when the Child Care Administration was transferred. By the end of fiscal 2007, CCATS will be fully implemented, at which point MDSE will become responsible for maintaining the system.

Governor's Proposed Budget

As shown in **Exhibit 3**, the DHR Administration allowance decreases \$3.5 million, or 2.3%, from the fiscal 2007 working appropriation. However, one-time health insurance savings in fiscal 2007 and 2008 are masking the actual growth in the allowance. The DHR Administration's underlying costs are increasing \$4.8 million or 3.4%.

The funding sources for the DHR Administration budget are changing somewhat in the fiscal 2008 allowance. General funds support is increasing \$3.7 million, while special funds and federal funds are decreasing by \$1.6 and \$1.7 million, respectfully. Also, reimbursable funds are decreasing \$3.9 million due to the end of the MD CHESSIE development. During the MD CHESSIE development, State funding was transferred to DHR as reimbursable funds from the Department of Budget and Management's Major Information Technology Development Fund.

**Exhibit 3
Governor's Proposed Budget
Administration
(\$ in Thousands)**

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2007 Working Appropriation	\$71,986	\$4,583	\$70,854	\$3,900	\$151,323
2008 Governor's Allowance	<u>75,653</u>	<u>3,004</u>	<u>69,168</u>	<u>0</u>	<u>147,825</u>
Amount Change	\$3,667	-\$1,579	-\$1,686	-\$3,900	-\$3,498
Percent Change	5.1%	-34.5%	-2.4%	-100.0%	-2.3%

Where It Goes:

Personnel Expenses

Salary increments	\$1,205
Retirement	932
Turnover	221
Change in positions	-257
Health insurance costs decline due to one-time savings.....	-8,468
Other changes including salaries understated in fiscal 2007 working appropriation	981

Information Technology Expenses

Increases to information technology contracts	7,807
Hardware replacement and upgrades.....	1,362
Reduced MD CHESSIE maintenance costs.....	-261
CCATS transferred to MSDE.....	-1,398
MD CHESSIE development and implementation	-8,271

Other Changes

Cost of Baltimore City's new office.....	922
Other rent.....	792
Increased communication costs to better reflect actual experience.....	689
Legal services for Baltimore City child protective services investigations.....	243
Travel and supplies.....	209
Contractual payments for the 5.95 new contractual positions	174
Fuel, utilities, and motor vehicles.....	167
Funding for Montgomery County provided through a grant	162
Software licenses	-283
Locally funded services	-372
Other	-55

Total **-\$3,498**

CCATS: Child Care Administration Tracking System

MD CHESSIE: Maryland Children's Electronic Social Services Information Exchange

MSDE: Maryland State Department of Education

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

Personnel

Personnel costs decline as retiree health insurance premiums are funded in fiscal 2008 with health insurance savings from previous years. Therefore, the funds are not included in the DHR Administration's allowance. Also, in fiscal 2007, surplus health insurance funds were earmarked for transfer to the Dedicated Purpose Account and the fiscal 2007 cost-of-living adjustment (COLA). The DHR Administration fiscal 2007 budget included the health insurance surplus for the entire department. These funds, amounting to \$6.3 million, are not included in the fiscal 2008 allowance.

In the fiscal 2008 allowance, regular positions for the DHR Administration are decreasing by 5 positions. This is the net result of the elimination of 11 positions and the addition of 6 new positions. Also, contractual positions are increasing 5.96 positions, which is caused by an increase of 6.5 contractual positions and a decrease of 0.54 contractual positions.

All of the positions being eliminated in the allowance have been vacant for more than a year. Positions are being eliminated from the following programs: the Office of the Secretary (1), the Maryland Commission for Women (1), the Division of Budget and Finance (1), the Division of Administrative Services (2), the Office of Technology for Human Services (2), Prince George's county local administrative office (1), and Baltimore City's local administrative office (3).

Six new accountant positions are included in the allowance to staff the Medicaid Rehab Options program, which up until this point has been administered through a contract. In 2004, the State received approval from the federal government to implement the Medicaid Rehab Option, which is a program that allows the State to recover more than \$22 million in federal revenue each year for rehabilitative services provided to Medicaid-eligible children in specific treatment foster care and residential group homes.

The new contractual positions are allocated as follows:

- 1.0 contractual position to be used for two part-time law clerks in the Office of the Attorney General;
- 2.0 contractual positions to assist the Office of the Inspector General cover essential functions and support special projects;
- 1.0 contractual position to provide backup and continuity for the current employee in Financial Systems Development;
- 1.5 contractual positions to oversee the additional duties associated with MD CHESSIE vendors and payment interfaces to the Financial Management Information System in Accounting Operations; and
- 1.0 contractual position to provide telephone coverage, secretarial, and clerical support for Administrative Services.

Information Technology Contracts

Altogether, IT contract costs decrease 3.3% from fiscal 2007 to 2008. The MD CHESSIE project will finish the development and implementation phases in fiscal 2007, which causes IT costs to drop \$8.3 million in fiscal 2008. Offsetting this reduction is a contract with Affiliated Computer Services, Inc. (ACS) for \$35.8 million. In June 2006, this contract was rebid on a sole source basis without competition at a significantly higher price. In fiscal 2008, ACS will receive \$7.6 million more than fiscal 2007 for this contract. The allowance does not include funding for modifications and enhancements to MD CHESSIE. In addition, the allowance reduces the funding for the maintenance of MD CHESSIE by \$261,000.

Hardware Replacement Program

In fiscal 2007, DHR began the technology refresh initiative, which is a program to replace out-dated computers, printers, and servers. The allowance increases funding for the initiative by \$1.4 million to pay the lease payments of equipment purchased in fiscal 2007. This year, DHR replaced 6,900 personal computers that are past their “end of life,” which means they are over six years old, and there are no patches available to correct any discovered security issues or performance problems. Also, 250 printers and 45 servers were replaced.

The need for the hardware replacement program became apparent this past fall when a virus infected approximately 3,000 computers throughout the DHR network. The virus never interrupted services or the distribution of benefits. However, the implementation of MD CHESSIE in Anne Arundel, Baltimore, Cecil, and Montgomery counties was delayed by the virus because OTHS staff was busy working on the virus.

Issues

1. MD CHESSIE – Now the Focus Becomes Modifications and Enhancements

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.

In 1999, DHR began developing Maryland’s SACWIS, named Maryland Children’s Electronic Social Services Information Exchange. The implementation of MD CHESSIE has occurred throughout fiscal 2006 and 2007.

The current cost estimates for MD CHESSIE are stated in **Exhibit 4**. Throughout the project, there have been problems with management and funding for the new system. However, the use of the Department of Budget Management’s Major Information Technology Project Development Fund has resolved many of the funding issues and project management has stabilized over time.

Exhibit 4 MD CHESSIE Cost Estimates (\$ in Millions)

<u>State Fiscal Year</u>	<u>Total Cost</u>	<u>State Portion of Total Cost</u>	<u>Description of Expenditures</u>
1996-2003	\$24.8	\$12.4	Development
2004	8.2	4.2	Development
2005	9.9	5.0	Development
2006	10.0	5.0	Development and Implementation
2007	11.7	6.4	Implementation and Maintenance
2008	3.1	2.2	Maintenance
Total	\$67.7	\$35.1	

Source: Department of Human Resources

Implementation

Initially, DHR planned on implementing MD CHESSIE in three phases, but the experience of the pilot implementation in Harford County caused DHR to adopt a regionally based, six-phase implementation. Currently, MD CHESSIE is fully operational in all jurisdictions except Baltimore City. The implementation of MD CHESSIE in Baltimore City was scheduled to go live on November 13, 2006. However, DHR experienced a severe and prolonged computer virus attack coupled with difficulties in preparing the Baltimore City data for the conversion to MD CHESSIE. These complications caused DHR to delay the implementation of Baltimore City until January 2007.

For the most part, the implementation process has gone smoothly. With each phase of implementation, the process was adjusted according to lessons learned. Several counties did request additional resources during and post implementation, and DHR asserts that no request was denied.

In the 23 jurisdictions where MD CHESSIE has been implemented, there seems to be a consensus that MD CHESSIE provides efficiencies that elevate the level of services provided. Reported benefits include enhancement in documentation; better management of caseload size; easier to complete paperwork; more uniformity; lengthier case plans; easier to transfer and track cases; and access to more data.

Post Implementation

MD CHESSIE has an “issue and risk” log that any user can access. When issues are logged onto the issue and risk log, legitimate issues are sorted into three categories. The first category is fixes, which are modifications that can be done under the current contract. The second category is enhancements, which are things that cannot be done under the current contract. The third category is complex changes that would require a complete overhaul of the MD CHESSIE system.

OTHS is responsible for ensuring the completion of the project according to the original statement of work, as outlined in the contract. The current contractor, Deloitte Consulting, is responsible for maintenance of current application functionality as outlined in the original statement of work through June 2007. So any modification that falls within this original statement of work is handled as expeditiously as possible.

Changes and enhancements not covered by the original scope of work are added to a list of desired enhancements that OTHS has maintained for more than a year. This list was provided to a prioritization team comprised of staff from local department of social services, the Social Services Administration, and the Office of Budget and Finance. This group was responsible for providing recommendations on which modifications are to be completed and in what order based on time, budget, and scope. The list contains over 200 items, but according to DHR there are five high-level enhancements that will resolve most of the issues on the list. These high-level enhancements are listed in **Exhibit 5**.

Exhibit 5
MD CHESSIE
High-Level Enhancements

<u>Enhancement</u>	<u>Description</u>
Client Merge	In the current version of MD CHESSIE, duplicate case files are often created because limited information is received during the referral process. As a result, it may not be possible to identify that a case is related to a case already in the system at the time of referral. This enhancement will allow for the combining of information into a single case file after the referral process.
Supervisory Override	This enhancement will provide the opportunity to correct erroneous data that has been entered into the system. Also, this enhancement will allow for a supervisor to override a previous decision regarding a referral.
Addition of Required Payment and Reporting Fields	This enhancement will add required fields to ensure the accurate payment of vendors, and it will guarantee that critical information will become a part of each case file.
Search Function	The addition of a search function will provide the ability to search the data in MD CHESSIE in a number of different ways, including by first or last name.
Statewide View of Investigations	Currently, workers' access to child protective services investigations is limited to those that occur within their jurisdiction. This enhancement will provide statewide post-appeal viewing of all investigations.

Source: Department of Human Resources

The fiscal 2007 budget includes \$4.0 million for maintenance and modification, but according to DHR this barely covers the cost of maintaining the system. The fiscal 2008 allowance decreases the funding for maintaining MD CHESSIE to \$3.2 million, and no funds are included in the fiscal 2008 allowance for MD CHESSIE modifications or enhancements.

According to Gartner (which is an IT research consulting group), the typical application's life is eight years, and the typical cost for maintenance and enhancement for a system is 2.4 times the initial investment. This can be further broken down into annual maintenance and enhancements costs of \$0.11 and \$0.17, respectfully, for every development and implementation dollar spent. For MD CHESSIE, that amounts to maintenance costs of almost \$7.0 million annually and enhancement costs of almost \$11.0 million annually. This means the fiscal 2008 allowance provides less than 20% of the industry standard for maintenance and enhancements. **The department should explain how the lack of funding for modifications and enhancements will affect the services provided to children and families.**

2. Performance Contracting with IT Contracts

Over the last few years, the State has taken steps to better evaluate the outcomes produced by its programs. The Department of Budget and Management (DBM) is spearheading this effort through its MFR initiative which attempts to link State spending to outcomes. DBM has required every agency to develop a mission, vision, key goals, objectives, and performance measures for each budgetary program. For the State's emphasis on results and accountability to be effective, it must permeate throughout the agency, as well as throughout all vendors doing business on the State's behalf. Managers in public agencies and vendors delivering services on the State's behalf must be equally aware of the relevant goals and objectives and share responsibility for producing the desired outcomes. The best way to ensure that vendors focus on the State's objectives is to link payments or continuation of the contract to specific performance measures.

Performance contracting is especially critical for DHR's Administration to use because the department relies heavily on contracts to develop and maintain most of the department's IT. DHR Administration has \$48 million budgeted in fiscal 2007 for IT contracts. The larger IT contracts administered by DHR's Administration are:

- outsourcing of application hosting, maintenance, and enhancement services (\$28.2 million);
- MD CHESSIE development and implementation (\$7.9 million);
- Electronic Benefit Transfer (EBT) technical services (\$7.5 million);
- CCATS development and implementation (\$2.8 million);
- Department of Human Resources Information System (DHRIS)/CIS/MD CHESSIE Contract Management Plan (\$1.6 million); and,
- Enterprise Address Redesign and Technology Integration (EARTI II) (\$1 million).

All of the larger IT contracts include some degree of monitoring and most include reporting requirements, but the contracts differ with respect to performance measures, incentives, and penalties. The differences between the contracts can be seen in **Exhibit 6**.

**Exhibit 6
Requirements in DHR IT Contracts**

<u>Contract</u>	<u>Monitoring</u>	<u>Reporting</u>	<u>Performance Measures</u>	<u>Incentives</u>	<u>Penalties</u>
EBT Technical Services	√	√	√		√
Outsourcing of Application Hosting, Maintenance and Enhancement Services	√	√	√		
MD CHESSIE Development & Implementation	√	√			√
CCATS Development & Implementation	√	√			√
DHRIS/CIS/CHESSIE Contract Management Plan	√	√			
Enterprise Address Redesign and Technology Integration (EARTI II)	√				

Source: Department of Human Resources

The EBT technical services contract includes meaningful performance measures and penalties. The MD CHESSIE and the CCATS development and maintenance contracts include a penalty. The outsourcing of application hosting, maintenance, and enhancement services contract measures some performance relating to the hosting aspects. The DHRIS/CIS/MD CHESSIE contract management plan contract does not include performance measures, incentives, or penalties. The EARTI II contract includes monitoring, and there are no reporting, performance measures, incentives, or penalties included in the contract. **Based on its review of the contracts, DLS recommends that DHR:**

- **Include financial incentives and performance measures in future development and implementation contracts.**

- **Upon renewal include performance measures, incentives, or penalties for the following contracts: the outsourcing of application hosting, maintenance and enhancement services; DHRIS/CIS/MD CHESSIE contract management plan; and EARTI II.**
- **Discuss with the committees the decision to include outsourcing of application hosting, maintenance, and enhancement services in a single contract. Also, DHR should discuss the possibility of splitting this contract into smaller contracts that different vendors could manage**

Appendix 4 provides information about the use of monitoring, reporting, performance measures, incentives, and penalties for each contract.

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete funding for 6.5 new contractual positions in the Office of the Secretary; the Division of Budget, Finance, and Personnel; and the Division of Administrative Services. The need for these contractual positions has not been expressed.	\$ 107,343	GF	
	\$ 66,571	FF	
2. Delete human services specialist position (077012) in the Maryland Commission for Women. This position has been vacant for more than 12 months.	45,649	GF	1.0
3. Delete fiscal accounts technician supervisor position (054327) in the Division of Budget, Finance, and Personnel. This position has been vacant for more than 12 months.	23,870	GF	1.0
	14,019	FF	
4. Reduce appropriation for supplies. The fiscal 2008 allowance increases the funding for supplies 14%. The reduction brings spending on supplies for the Department of Human Resources Administration inline with the actual spending from fiscal 2006. With the reduction, spending on supplies is 5% above the fiscal 2007 working appropriation.	65,037	GF	
	52,030	FF	
5. Reduce appropriation for travel. The Department of Human Resources' Administration travel expenses increased in fiscal 2007, due to the implementation of the Maryland Children's Electronic Social Services Information Exchange. The implementation will be complete in fiscal 2007, and this reduction will bring the travel spending back inline with the actual spending in fiscal 2006.	51,211	GF	
	32,433	FF	
6. Adopt the following narrative: Performance Measures for Information Technology: The committees request that the Department of Human Resources' include performance measures related to the development, maintenance, modification, or enhancement of information technology projects, systems, and hardware in the annual budget beginning with the fiscal 2009 budget allowance. These performance measures will provide the ability to assess the performance of information technology contracts that cost the State almost \$50 million annually.			

N00A01 – DHR – Administration

Information Request	Author	Due Date	
Performance Measures	DHR	With the submission of the budget allowance	
Total Reductions		\$ 458,163	2.0
Total General Fund Reductions		\$ 293,110	
Total Federal Fund Reductions		\$ 165,053	

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 2006					
Legislative Appropriation	\$58,164	\$3,932	\$61,669	\$0	\$123,765
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	6,323	387	4,214	5,030	15,953
Reversions and Cancellations	0	-312	-6,268	-10	-6,590
Actual Expenditures	\$64,486	\$4,007	\$59,615	\$5,020	\$133,128
Fiscal 2007					
Legislative Appropriation	\$71,353	\$4,088	\$70,854	\$0	\$146,294
Budget Amendments	633	495	0	3,900	5,029
Working Appropriation	\$71,986	\$4,583	\$70,854	\$3,900	\$151,323

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

Fiscal 2006

DHR Administration spent \$15.9 million more than its legislative appropriation in fiscal 2006. General funds increased by \$6.3 million. The increases amounted to \$7.7 million due to lower than anticipated budgeted turnover (\$3.2 million); the increased cost of IT contracts (\$2.2 million); office improvements and lease escalation (\$1.4 million); administrative costs (\$530,000); COLA (\$378,000). General funds decreased \$1.4 million due to greater than anticipated turnover (\$920,000) and lower than expected administrative costs (\$490,000).

Special funds increased by \$387,000 mainly due to higher local government participation (\$317,000), Electric Universal Service Program costs (\$54,000), and the hiring of a mediation trainer (\$15,000). Federal funds increased by \$4.2 million due to lower than anticipated turnover (\$1.7 million), lease charges and office improvements (\$1.3 million), IT expenses (\$697,000), and administrative costs (\$490,000). A transfer from the Major Information Technology Development Project Fund (MITDPF) for MD CHESSIE increased reimbursable funds by \$5 million.

Fiscal 2006, cancellations amounted to \$6.6 million. Special funds (\$311,000) were cancelled due to less than anticipated expenditures for the Office of Home Energy Programs system. Federal funds were cancelled in the amount of \$6.3 million due to unspent Temporary Assistance for Needy Families funds (\$2.7 million), less than anticipated telecommunications and lease costs (\$2.5 million), and less than anticipated IT costs (\$1.1 million).

Fiscal 2007

The fiscal 2007 working appropriation for the DHR Administration has increased \$5 million from the legislative appropriation. The employee COLA, which was originally budgeted in DBM, accounts for an increase of \$695,782 (\$672,440 in general funds and \$23,342 in special funds). Most of the growth (\$4.4 million) is attributed to transfers from the MITDPF for the implementation of MD CHESSIE (\$3.9 million in reimbursable funds and \$471,000 in special funds). There was a general fund reduction of \$44,713 due to reallocation of funding for a comprehensive salary and benefits survey. Also, the DHR Administration appropriation increased by \$7,036 (\$5,772 in general funds and \$1,264 in special funds) for the annual salary review and other salary adjustments.

**Object/Fund Difference Report
DHR Administration**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07 – FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1034.00	1034.00	1029.00	-5.00	-0.5%
02 Contractual	6.52	3.31	9.27	5.96	180.1%
Total Positions	1040.52	1037.31	1038.27	0.96	0.1%
Objects					
01 Salaries and Wages	\$ 62,519,257	\$ 70,985,238	\$ 65,599,211	-\$ 5,386,027	-7.6%
02 Technical and Spec. Fees	797,134	623,987	852,239	228,252	36.6%
03 Communication	8,007,202	7,221,597	7,910,597	689,000	9.5%
04 Travel	464,952	517,594	550,303	32,709	6.3%
06 Fuel and Utilities	290,839	368,510	449,121	80,611	21.9%
07 Motor Vehicles	1,462,173	618,088	704,613	86,525	14.0%
08 Contractual Services	46,420,690	53,989,340	52,244,843	-1,744,497	-3.2%
09 Supplies and Materials	1,355,414	1,297,281	1,473,663	176,382	13.6%
10 Equip – Replacement	142,592	344,147	264,104	-80,043	-23.3%
11 Equip – Additional	1,826,656	2,658,700	3,928,631	1,269,931	47.8%
12 Grants, Subsidies, and Contributions	322,753	2,552,657	2,244,327	-308,330	-12.1%
13 Fixed Charges	9,518,455	10,146,088	11,603,710	1,457,622	14.4%
Total Objects	\$ 133,128,117	\$ 151,323,227	\$ 147,825,362	-\$ 3,497,865	-2.3%
Funds					
01 General Fund	\$ 64,486,217	\$ 71,986,261	\$ 75,653,301	\$ 3,667,040	5.1%
03 Special Fund	4,006,795	4,583,085	3,003,952	-1,579,133	-34.5%
05 Federal Fund	59,615,237	70,853,881	69,168,109	-1,685,772	-2.4%
09 Reimbursable Fund	5,019,868	3,900,000	0	-3,900,000	-100.0%
Total Funds	\$ 133,128,117	\$ 151,323,227	\$ 147,825,362	-\$ 3,497,865	-2.3%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
DHR Administration**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07 – FY08 % Change</u>
01 Office of the Secretary	\$ 10,735,934	\$ 16,088,836	\$ 10,502,893	-\$ 5,585,943	-34.7%
02 Citizen’s Review Board for Children	1,322,462	1,637,757	1,693,292	55,535	3.4%
03 Maryland Commission for Women	737,989	973,522	912,419	-61,103	-6.3%
01 Division of Budget, Finance and Personnel	14,379,450	15,032,319	15,908,411	876,092	5.8%
02 Division of Administrative Services	9,572,105	8,467,311	8,791,016	323,705	3.8%
02 Major Information Technology Development	12,060,860	8,270,787	0	-8,270,787	-100.0%
04 General Administration	42,983,726	56,980,674	64,892,265	7,911,591	13.9%
05 General Administration	41,335,591	43,872,021	45,125,066	1,253,045	2.9%
Total Expenditures	\$ 133,128,117	\$ 151,323,227	\$ 147,825,362	-\$ 3,497,865	-2.3%
General Fund	\$ 64,486,217	\$ 71,986,261	\$ 75,653,301	\$ 3,667,040	5.1%
Special Fund	4,006,795	4,583,085	3,003,952	-1,579,133	-34.5%
Federal Fund	59,615,237	70,853,881	69,168,109	-1,685,772	-2.4%
Total Appropriations	\$ 128,108,249	\$ 147,423,227	\$ 147,825,362	\$ 402,135	0.3%
Reimbursable Fund	\$ 5,019,868	\$ 3,900,000	\$ 0	-\$ 3,900,000	-100.0%
Total Funds	\$ 133,128,117	\$ 151,323,227	\$ 147,825,362	-\$ 3,497,865	-2.3%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

Performance Contracting Analysis

Includes Performance Measures and Penalties

Electronic Benefit Transfer Technical Services

DHR contracts with JP Morgan to manage the technical services for the EBT System, which allocates benefits for the Public Assistance and the Food Stamp programs.

The EBT contract has four performance measures regarding the percent of time the central computer is available, repairing workstations, participants' receipt of benefits, and the posting of benefits within the State's benefits availability time frames. Also, the EBT contract has penalties regarding the availability of the central computer, repairing workstations, and the benefit availability timeframe.

Since the EBT system is responsible for allocating Public Assistance and Food Stamp benefits, many people throughout the State rely on the system's functionality. DHR seems to be ensuring the system is functional with the use of meaningful performance standards and penalties in the contract with JP Morgan.

Includes a Penalty

MD CHESSIE Development and Implementation

The MD CHESSIE contract is monitored by an independent third party vendor as part of DHR's IT planning, quality assurance, quality control, monitoring, and management consulting. DHR conducts a weekly status meeting with project sponsor, vendor, and State project team. Also, the vendor is required to submit monthly status reports to DHR. The contract includes a penalty for direct damages for performance or nonperformance under this contract. During the initial contract term, this penalty is limited to \$15 million and the penalty for individual occurrence is limited to \$500,000.

The MD CHESSIE contract includes monitoring and reporting. The contract does not have any performance measure, but the contract does include a financial penalty. Performance measures may be difficult to establish for development and implementation contracts, but the use of financial incentives could provide the same benefit.

CCATS Development and Implementation

DHR contracts with MAXIMUS for the development and implementation of CCATS, which is the computer database for child care. CCATS is a web-based system that will replace the current Child Care Management Information System. CCATS will incorporate the capture, processing, transmission, storage, and retrieval of information on the child care community, which includes licensing, credentialing, and purchase of care activities.

To ensure that MAXIMUS is following the terms of the contract, various monitoring measures are in place. MAXIMUS is required to submit a monthly progress report, which must be reviewed and approved by DHR before payment is authorized. Also, an independent third party quality assurance/quality control vendor reviews deliverables for adherence to contract requirements and industry standards. The CCATS contract includes a penalty. If the contractor fails to complete the project in accordance with the contract delivery schedule, liquidated damages shall apply.

The CCATS contract with MAXIMUS has an adequate amount of monitoring and reporting requirements, and the contract does include a penalty. However, the contract does not include any performance measures. Performance measures may be difficult to establish for development and implementation contracts, but the use of financial incentives could provide the same benefit.

Measures Performance

Outsourcing of Application Hosting, Maintenance, and Enhancement Services

DHR contracts with ACS for the outsourcing of application hosting, maintenance, and enhancement services. This contract supports DHR's mainframe and server operations as well as provides computer application maintenance and enhancements for DHR's mission critical systems. Additionally, the contract allows for disaster recovery services.

An independent third party quality assurance/quality control vendor reviews deliverables for adherence to contract requirements and industry standards. The hosting aspects of the contract are monitored by the service level agreements and standards measuring performance relating to the network; mainframe and midrange server availability; server response time; and server system restoration. Additionally, a monthly progress report is provided by the vendor and must be reviewed and approved by DHR before payment is authorized.

The outsourcing of application hosting, maintenance, and enhancement services contract has a significant level of monitoring and reporting. Specific performance measures are not included for all aspects of the contract, but performance is measured in the area of hosting.

In June 2006, the outsourcing of application hosting, maintenance, and enhancement services contract was renewed. Only one proposal was received in response to the request for proposal. DHR did contact other vendors, but no other vendor was capable of fulfilling the needs of this contract. The lack of competition may hinder DHR's effort to enforce performance standards during the life of the contract.

Does Not Include Performance Measures, Incentives, or Penalties

DHRIS/CIS/MD CHESSIE Contract Management Plan

DHR contracts with BearingPoint for the contract management plan for DHRIS, CIS, and MD CHESSIE. This vendor assists the State with staff support, quality assurance activities, general management-consulting and strategic planning activities, and enterprise IT planning. BearingPoint is required to provide a monthly status report and project work plan update that must be reviewed and approved by DHR. Progress is reported at a weekly status meeting and supported by individual status reports kept by each team member.

The DHRIS/CIS/MD CHESSIE contract management plan contract with MAXIMUS has an adequate amount of monitoring and reporting requirements, but the contract does not include any performance measures, incentives, or penalties.

Only Monitoring

Enterprise Address Redesign and Technology Integration

Verizon is the vendor for EARTI II contract. The purpose of this contract is to provide expertise to assist DHR in efforts to upgrade and improve its network infrastructure. DHR monitors the vendor's work no less than monthly.

The EARTI II contract with Verizon includes monitoring, but the contract does not include any reporting requirements, performance measures, incentives, or penalties.