

**N00A01**  
**Administration**  
**Department of Human Resources**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$75,808	\$74,122	\$79,017	\$4,895	6.6%
Special Fund	4,239	3,018	3,972	953	31.6%
Federal Fund	66,621	69,583	77,895	8,312	11.9%
Reimbursable Fund	<u>3,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Funds</b>	<b>\$150,569</b>	<b>\$146,724</b>	<b>\$160,884</b>	<b>\$14,160</b>	<b>9.7%</b>

- A \$1.5 million deficiency appropriation is proposed for fiscal 2008 for modifications to the Client Automated Resource and Eligibility System and to the Service Access Information Link Systems.
- The fiscal 2009 allowance increases the general fund appropriation by \$4.9 million, or 6.6%. The special fund appropriation increases by \$953,088, or 31.6%. The federal fund appropriation increases by \$8.3 million, or 11.9%. The overall budget increases by \$14.2 million, or 9.7%. The major increases, other than personnel costs, are related to information technology.
- The underlying growth for fiscal 2009, absent health insurance and Other Post Employment Benefits funding which distorts year-to-year comparisons, is an increase of \$9.8 million, or 7.1%.

***Personnel Data***

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	1,034.00	1,039.00	1,007.00	-32.00
Contractual FTEs	<u>12.95</u>	<u>3.67</u>	<u>2.90</u>	<u>-0.77</u>
<b>Total Personnel</b>	<b>1,046.95</b>	<b>1,042.67</b>	<b>1,009.90</b>	<b>-32.77</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	50.25	4.99%
Positions Vacant as of 1/1/08	89.00	8.57%

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

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## *N00A01 – DHR – Administration*

- The Department of Human Resources (DHR) Administration had 89 vacant regular positions as of January 1, 2008. In fiscal 2009, DHR Administration needs to have 50.25 vacant positions to meet the budgeted turnover of 4.99%.
- The number of regular positions decreases by 32 in the fiscal 2009 allowance. Six positions are transferred to the Governor's Office of Community Initiatives. Three positions each will be transferred from the Commission on Hispanic Affairs and Commission on Asian Pacific American Affairs. An additional 26 positions were abolished.
- The number of full-time equivalent contractual positions decreases by 0.77 in the fiscal 2009 allowance.

## ***Analysis in Brief***

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### **Major Trends**

***Information Technology Project Management:*** New performance measures are in place to track the percent of projects completed on time and within budget.

### **Issues**

***Information Technology Contract:*** In fiscal 2007 the major information technology contract held by DHR was rebid and began at a significantly higher price than the previous contracts. This contract combined a number of services into the contract. Although this contract was competitively bid, only one offer was received. Subsequently, modifications have expanded the scope and cost of this contract. Recently, DHR began actions to modify the contract and rebid the contract into two separate contracts.

***Maryland Children's Electronic Social Services Information Exchange Enhancements:*** The Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE) was implemented in fiscal 2007. Funds were provided in the fiscal 2008 budget for modifications and enhancements to MD CHESSIE. Funds for additional modifications and enhancements appear in the fiscal 2009 allowance. This issue will provide an update on the status of the modification and enhancements planned for fiscal 2008 and discuss the modifications and enhancements planned for fiscal 2009.

**Recommended Actions**

	<b><u>Funds</u></b>
1. Increase budgeted turnover expectancy to 5.5%.	\$ 301,925
2. Add budget bill language restricting funds for the Maryland Children’s Electronic Social Services Information Exchange modifications and enhancements until a report is submitted.	
<b>Total Reductions</b>	<b>\$ 301,925</b>

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**N00A01**  
**Administration**  
**Department of Human Resources**

## ***Operating Budget Analysis***

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### **Program Description**

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

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

### **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 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 complying with statewide requirements for agency performance.

### **Operations Office**

The Operations Office consists of two divisions. The first is the Division of Budget and Finance, which supports the programs of other departmental units through the management and control of fiscal and personnel systems. The other is the Division of Administrative Operations, which provides core administrative services to DHR, as well as disaster relief and emergency response throughout the State. Key goals of these divisions include improving customer services, providing a high quality workforce, providing a professional, well-designed, and safe physical work environment, and reducing the cost of work-related injuries.

## **Office of Technology for Human Services**

OTHS 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 Chief Information Officer serves as the principal information technology (IT) advisor to leaders of the department. The key goals of OTHS include ensuring delivery of high quality products and services responsive to the changing needs of DHR and its customers and ensuring the access and availability of information systems that readily meet the business needs of DHR.

OTHS is responsible for the development and administration of DHR's IT systems including:

- the Child Support Enforcement System (CSES);
- the Client Automated Resource and Eligibility System (CARES);
- the Office of Home Energy Programs (OHEP) System; and
- the Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE).

## **Local General Administration**

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.

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 key goal is to provide effective customer service in each LDSS.

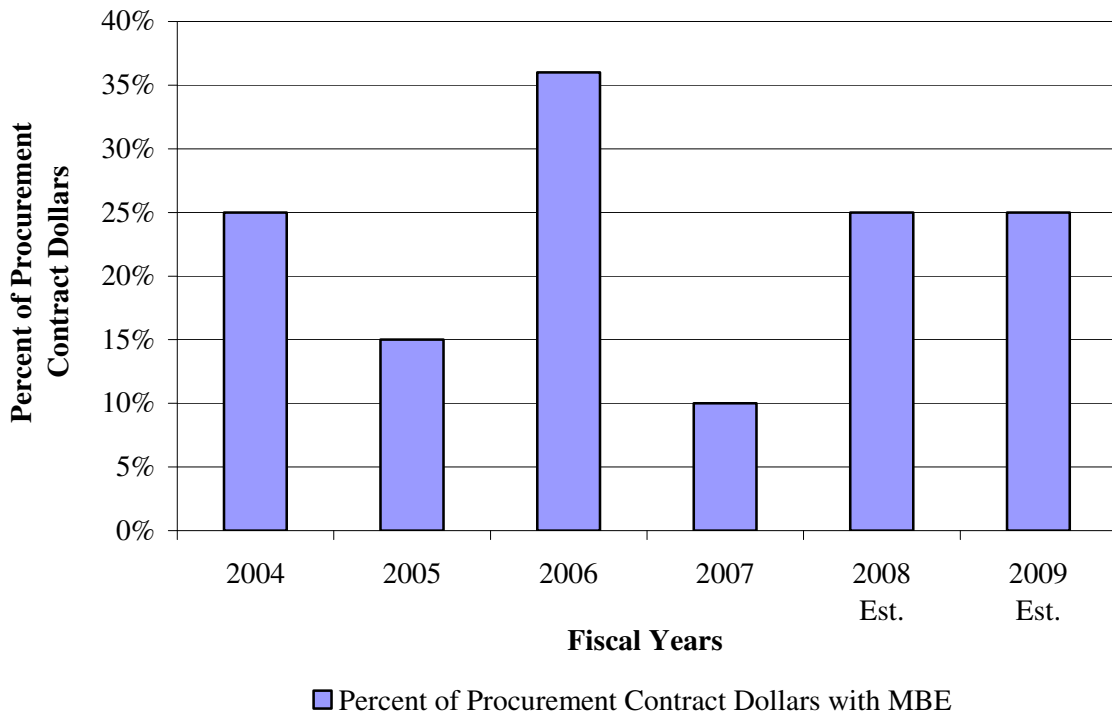
## **Performance Analysis: Managing for Results**

New performance measures were included for DHR Administration. Two measures show the percent of OTHS projects that will be completed within budget and on time. The percent of projects completed on time and within budget are estimated to be 80% in fiscal 2008 and 2009. Because this is a new measure, data is not available for prior years. However, in fiscal 2006, DHR implemented an Enterprise Project Management Office to oversee and support projects. This system has provided an increased ability to track the percent of projects completed within budget and on time. This system has provided oversight for two projects: (1) WORKS, the computer system for the Work Opportunities Program; and (2) the Service Access Information Link (SAIL). DHR reports that these projects were implemented within schedule, budget, and scope. **The department should comment**

on the improvement in project oversight as a result of the Enterprise Project Management Office system. The department should also comment on how the goal that 80% of projects will be completed on time and within budget was selected and whether the goal will be increased in future years.

DHR Administration has a goal of complying with statewide requirements for agency performance. This is measured by the percent of procurement dollars with the Minority Business Enterprise (MBE). DHR’s performance in this area fluctuated between fiscal 2004 and 2007. As shown in **Exhibit 1**, in fiscal 2004, DHR met or exceeded the current goal of 25% of procurement contract dollars with MBE. In fiscal 2007, DHR had 10% of procurement contract dollars with MBE. DHR estimates they will reach the goal of 25% in fiscal 2008 and 2009. **The department should comment on why its performance has been so inconsistent and on its plan to reach the goal of 25% of procurement contract dollars with MBE in fiscal 2008 and 2009.**

**Exhibit 1**  
**Percent of Procurement Contract Dollars with**  
**Minority Business Enterprise (MBE)**  
**Fiscal 2004-2009**



Source: Department of Human Resources

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Performance data was generally unavailable for the Citizens Review Board for Children (CRBC). Only three measures related to child safety had data available and only for fiscal 2005:

- percent of children who exit out-of-home care and are reunified with a parent of guardian; placed with a relative who is awarded custody and guardianship; adopted; or placed with a non-related guardian;
- percent of children in out-of-home placement living in kinship or foster family setting; and
- percent of children in out-of-home placement living in congregate care setting.

These three measures had no recent data, and no data was available for 13 important CRBC performance measures such as percent of applicable cases reviewed in which children are protected from abuse and neglect and the percent of applicable cases in which children are safely maintained in their homes when possible. Data was unavailable for some measures due to problems with the conversion and implementation of MD CHESSIE. Other data was unavailable because the case review instrument required to collect the information was not piloted until the fourth quarter of fiscal 2007. **The department should comment on the availability of performance measures for CRBC in future years.**

## **Fiscal 2008 Actions**

### **Proposed Deficiency**

A fiscal 2008 deficiency appropriation in the amount of \$1.5 million has been proposed for DHR to perform modifications to the CARES and SAIL systems. These modifications will address interface capabilities between CARES and SAIL. Of the \$1.5 million proposed deficiency appropriation, \$637,807 is general funds and \$854,281 is federal funds.

### **Impact of Cost Containment**

In fiscal 2008, DHR Administration had general funds reduced by \$1.8 million and federal funds by \$1.2 million due to cost containment measures. The reductions occurred in each unit. Two examples of general fund reductions are in fixed charges for the local general administration and contractual services in OTHS. The reduction of \$1.0 million occurred in fixed charges related to Baltimore City Department of Social Service's non-Department of General Services rent. There was a reduction of \$201,429 in general funds for contractual services for OTHS which affects all major information technology contracts held by OTHS. DHR indicates that the department may experience shortfalls as a result of these reductions. Two examples of federal fund reductions occur in contractual services for OTHS and grants, subsidies, and contributions from local general administration. DHR indicates that these reductions are not expected to impact contracts and services so long as DHR can continue to claim matching federal dollars. Other reductions occurred in both general and federal funds as well.

## Governor’s Proposed Budget

As shown in **Exhibit 2**, the DHR Administration allowance increases by \$14.2 million, or 9.7% from the fiscal 2008 working appropriation. The major changes in the allowance are the result of personnel expenses, IT contracts, and money available for IT infrastructure upgrades.

Each funding source for DHR Administration increases in the fiscal 2009 allowance over the fiscal 2008 working appropriation. The general fund allowance increases by \$4.9 million, or 6.6%. Special funds increase by \$953,008, or 31.6%. The federal fund allowance increases by \$8.3 million, or 11.9%.

**Exhibit 2**  
**Governor’s Proposed Budget**  
**DHR – Administration**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Total</u></b>
2008 Working Appropriation	\$74,122	\$3,018	\$69,583	\$146,724
2009 Governor’s Allowance	<u>79,017</u>	<u>3,972</u>	<u>77,895</u>	<u>160,884</u>
Amount Change	\$4,895	\$953	\$8,312	\$14,160
Percent Change	6.6%	31.6%	11.9%	9.7%

**Where It Goes:**

**Personnel Expenses**

Health insurance – reduce long-term Other Post Employment Benefits liability .....	\$3,119
Increments and other compensation.....	2,902
Health insurance – pay-as-you-go costs.....	1,551
Other personnel adjustments .....	192
Increased turnover rate from 4.01% to 4.99% .....	-723
Abolished/transferred positions .....	-1,667

**Information Technology Changes**

Transfer of CSES from Child Support Enforcement Administration .....	3,020
Increased cost of Combined Outsourcing contract .....	2,537
Costs for information technology infrastructure upgrades.....	2,507
WORKS hosting and enhancements .....	2,250
Enhancements to the Client Automated Resource and Eligibility System .....	1,633
Network integration and voice contracts.....	483
Software licenses.....	405
Project management software costs .....	334
MD CHESSIE enhancements .....	300

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**Where It Goes:**

Lower cost for new repair and maintenance contract for out-dated computers .....	-238
Lower cost of Electronic Benefit System contract.....	-4,397

**Other Changes**

Communications .....	588
Payments for purchase lease of Xerox copiers and computers .....	363
Employee tuition programs .....	198
Transfer of two commissions to Governor's Office of Community Initiatives.....	-31
Changes in costs for rent.....	-100
Contract in the Office of Planning and Performance .....	-168
Reductions in vehicle replacement and travel costs.....	-215
Transfer of Baltimore County legal services costs to Child Welfare.....	-344
Office services equipment repairs and maintenance costs .....	-364
Other changes.....	25

**Total** **\$14,160**

CSES: Child Support Enforcement System

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

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

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**Personnel**

The personnel costs increase by \$5.4 million, or 8.2% in the fiscal 2009 allowance compared to the fiscal 2008 working appropriation. These increases are largely the result of health insurance cost changes. In fiscal 2008 the retiree health insurance premiums were not included in the allowance because they were paid for with health insurance savings from previous years. The retiree health insurance premiums are included in the fiscal 2009 allowance. The other substantial change in health insurance costs is the result of the addition of the category for Other Post Employment Benefits.

The fiscal 2009 allowance also reduces the number of positions within the DHR Administration by 32 from the fiscal 2008 working appropriation. The reduction in the number of positions in the DHR Administration accounts for a decrease of \$1.7 million in the fiscal 2009 allowance. Six of the reduced positions occur as the result of transferring the Commission on Hispanic Affairs and the Commission on Asian Pacific American Affairs to the Governor's Office of Community Initiatives. The remaining 26 positions were abolished. These abolished positions are part of the statewide reduction of positions action expected to be taken by the Board of Public Works. The abolished positions were all vacant. The abolished positions come from the following areas:

- 12 positions from local department offices, mostly Baltimore City;
- 6 positions from the Division of Budget, Finance, and Personnel;

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- 3 positions from the Division of Administrative Services;
- 3 positions from the Office of the Secretary; and
- 2 positions from the Citizens Review Board for Children.

**IT Contract Expenses**

The major changes, other than personnel, in the DHR Administration budget are related to costs of IT contracts. These changes include:

- An increase of \$3 million is associated with a transfer of the funding of the CSES enhancement contract from the Child Support Enforcement Administration (CSEA) budget to the budget of OTHS. Most of the planned enhancements for fiscal 2009 for CSES focus on complying with changes in State laws and federal requirements.
- An increase of \$2.5 million is associated with the cost of the Combined Outsourcing Contract with ACS State and Local Solutions (ACS).
- An increase of \$2.3 million is related to hosting and enhancements for WORKS. In fiscal 2008, \$1.4 million for WORKS was budgeted in the Work Opportunities Program. In fiscal 2009 the enhancements for WORKS are included in the OTHS budget. The planned enhancements focus on achieving the required work participation rate and thereby avoiding federal penalties. These enhancements seek to focus on case management, creating a single source for information about a customer, monitoring, family independence/employment development plans, customer assessment information for assessing program needs, interfacing with CARES, and the Child Care Administration Tracking System (CCATS).
- An increase of \$1.6 million is associated with enhancements to the CARES system. CARES enhancements focus on adjusting the system to account for the expansion of medical insurance coverage related to Chapter 7 of the 2007 special session. Other enhancements are identified to help improve efficiency. Some of these enhancements will also be worked on with the funding available from the fiscal 2008 deficiency appropriation.
- MD CHESSIE enhancements, which were funded at \$1.7 million in fiscal 2008, are funded at \$2.0 million in the fiscal 2009 allowance, an increase of \$300,000;
- The fiscal 2009 allowance for the Electronic Benefit Transfer system represents a \$4.4 million decrease from fiscal 2008, due to a lower cost contract.

## **IT Infrastructure Upgrade**

The fiscal 2009 allowance provides \$2.5 million for IT infrastructure upgrades. These costs will cover an increase in bandwidth, routers, switches, wireless networking equipment, hubs, and other network security upgrades.

## **Transfer of Commissions**

The fiscal 2009 allowance reflects the transfer of the Commission on Hispanic Affairs and the Commission on Asian Pacific American Affairs to the Governor’s Office of Community Initiatives. Most of the costs of these two commissions are related to personnel. A decrease of \$30,506 reflects all other expenses for these two commissions.

## Issues

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### 1. Information Technology Contract

In June 2006, the Board of Public Works (BPW) approved an IT hosting and maintenance contract with ACS. The hosting and maintenance portions of this contract were previously under separate contracts. At the time the contract was awarded, only one bid had been received. This bid was accepted, and the contract awarded.

This contract was worth \$110 million at the time it was awarded. **Exhibit 3** provides a breakdown of the contract cost by year. The contract had a three-year term and became effective on July 1, 2006, with an end date of June 30, 2009. This contract included such systems as the Client Information System (CIS) and MD CHESSIE. It also includes disaster recovery services and application maintenance and enhancement. Maintenance and enhancement services were to be completed on a task order basis.

Subsequently, the contract was modified three times for a total of \$10.4 million. The cost of each modification appears in Exhibit 3. These modifications are:

- **Modification 1:** Add CCATS hosting to contract for one year only.
- **Modification 2:** Addresses federal and State mandated requirements for CSEA mission critical system.
- **Modification 3:** To incorporate enhancement to CIS, MD CHESSIE, and hosting service.

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**Exhibit 3**  
**Cost of Combined Outsourcing Contract**  
 (\$ in Thousands)

<u>Contract Year</u>	<u>Actual Fixed Price Cost</u>
2007	\$28,200
2008	\$35,637
2009	\$46,177
<b>Total Base Contract Cost</b>	<b>\$110,013</b>
Modification 1	\$828
Modification 2	\$1,745
Modification 3	\$7,809
<b>Total Modifications Cost</b>	<b>\$10,383</b>
<b>Total Contract Cost (to Date)</b>	<b>\$120,396</b>

Source: Department of Human Resources, Department of Legislative Services

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This contract appeared in two findings of the November 2007 audit of the DHR Office of the Secretary and Related Units. **Exhibit 4** provides these findings.

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## **Exhibit 4**

### **Recent Audit Findings Related to Information Technology Contract**

#### **Findings**

- Finding 1: DHR's decision to bundle two previously separate contracts into one procurement appears to have contributed to a lack of competition.
- Finding 2: DHR did not ensure that the lowest possible contractor rates were obtained under a contract modification.

DHR: Department of Human Resources

Source: Department of Legislative Services

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#### **Recent Actions**

DHR has taken two actions regarding the hosting and maintenance contract. The first involves working with ACS to negotiate a new rate schedule for additional work that is completed under the existing contract. The new rates are more similar to those that ACS has in the rate schedule under the statewide Consulting and Technical Services Master Contract. This contract modification is expected to go to BPW in the spring of 2008. This change in rate schedule covers only new work; it is not retroactive. **The department should comment on the difference between the rates in the original contract and the renegotiated rates and the overall savings that may result. They should also comment on when the new rates are expected to go into effect.**

The second action involves the process of rebidding the contract into two separate contracts. DHR recently began this process. The first contract will focus on hosting services, in particular mainframe, non-mainframe, web hosting, disaster recovery, continuity of operations, and technology refresh, including an expansion to cover aspects of MD CHESSIE and the OHEP application. The second contract will focus on maintenance, operation, and enhancement for mainframe, non-mainframe, and web-based systems. There are not expected to be substantive changes in scope for the maintenance contract from the existing contract. **The department should comment on whether the expanded scope of the hosting contract and the lengths of the contract will impact the bidding process.**

The review of the Request for Proposal (RFP) for the hosting contract is currently underway. The RFP is expected to be issued in March or April 2008 with an award expected around September 2008. A ten-month transition time is planned. The planned transition time will take the existing contract to the end of the contract period. **Exhibit 5** outlines the planned timeline for the hosting contract RFP process.

**Exhibit 5**  
**Planned Timeframe for Hosting Contract RFP**

<u>Action</u>	<u>Expected Date</u>
DHR Review of RFP	December 2007
DBM Review of RFP	January 2008
Federal Review of RFP	February 2008
RFP Issued	March/April 2008
Award Contract	September 2008

DBM: Department of Budget and Management  
DHR: Department of Human Resources  
RFP: Request for Proposal

Source: Department of Human Resources

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The RFP process for the maintenance contract is planned to follow the hosting contract by approximately two months. The issue date for the RFP is expected in May or June 2008. A six-month transition time is planned. **The department should comment on the status of the RFP for each of the hosting and maintenance contracts.**

DHR expects to have a base period for the hosting contract, including the transition time, of five years and ten months for the hosting contract. This contract has one option period of a five-year length. The application maintenance contract is expected to have a base period of five years and six months, including the transition period. This contract has several option periods, two of two years and the final one of one year. The final option period is a transition period. **The department should comment on the potential for cost savings expected from these contracts. The department should also comment on when the cost savings can be expected to occur.**

## **2. Maryland Children’s Electronic Social Services Information Exchange Enhancements**

MD CHESSIE was fully implemented in all local departments during fiscal 2007. Funds were provided in the fiscal 2008 budget for modifications and enhancements to MD CHESSIE, and additional funding appears in the fiscal 2009 allowance. The following sections describe the status of the fiscal 2008 modifications and enhancements and what modifications and enhancements are planned for the funding available in fiscal 2009.

## Fiscal 2008 MD CHESSIE Enhancements

In fiscal 2008, \$5.0 million was available for enhancements to MD CHESSIE as a result of a supplemental budget. Of the \$5.0 million, \$1.7 million was federal funds and \$3.3 million was special funds available in the Major Information Technology Development Fund.

Six enhancements were planned and funded with this appropriation, as summarized in **Exhibit 6**.

### Exhibit 6 Status of Fiscal 2008 MD CHESSIE Enhancements

<u>Enhancement</u>	<u>Description</u>	<u>Status</u>
Client Merge	Combines data and client information from multiple case files into a single record	Design stage completed – development stage completion expected January 2008 – planned completion date April 2008
Client Search	Additional search features that will allow for enhanced capacity to match a client and reduce duplications	In design stage with planned completion date May 2008
Financial Management	Enhance procedures for financial payments	In design stage with planned completion date April 2008
Statewide View of Investigations	Allow workers to view information on investigations completed statewide rather than only their own jurisdiction	In design stage with planned completion date April 2008
Administrative Override	Allow certain persons to override a decision or edit erroneous information for case accuracy	In design stage planned completion date June 2008
On Demand Payments	One-time payments – payments to older foster children living in independent situations and working funds of local departments	Cancelled – funds will be reallocated

Source: Department of Human Resources

The first five enhancements are progressing through the design process, but the last has been cancelled. This last enhancement involved one-time payments to parties not routinely set up in the system, payments that are made on behalf of older foster care children who are in independent living situations, and working funds of local departments. The implementation of this enhancement was determined to involve more risk than benefits. In addition, an existing feature allows for one-time only payments. This enhancement will not be completed and the money, approximately \$440,000,

earmarked for this enhancement will be used for other enhancements. **The department should comment on how the funding allocated for the on demand payment enhancement will be used and how the service is provided outside the system.**

### **Planned Fiscal 2009 MD CHESSIE Enhancements**

The fiscal 2009 allowance includes \$4.0 million for modifications and enhancements for MD CHESSIE. Of this amount, \$2.0 million comes from federal funds, and \$2.0 million comes from special funds available in the Major Information Technology Development Fund. Four critical system upgrades have been identified for this funding. These enhancements will support the DHR Place Matters Initiative and are comprised of four major elements.

#### **Financial Management**

This enhancement is related to new policies and procedures for using MD CHESSIE to make payments to providers with a focus on improving the reliability and accuracy of the MD CHESSIE payment process. In particular, the enhancement focuses on:

- reporting child accounts activity;
- recording credits on the collection screen;
- Title IV-E special edit;
- void function required for adoption subsidy eligibility; and
- over/under processing for adoption and guardianship subsidy payments.

#### **Provider Management**

This enhancement will provide integration for the State Children, Youth, and Families Information System (SCYFIS) Resource Directory and SCYFIS Interagency Outcome Evaluations System with MD CHESSIE.

#### **Case Management**

The third enhancement focuses on several aspects of case management. These include:

- a solution within MD CHESSIE for the planned Alternative Response Program – this program could impact the modules for intake and in-home family services;

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- integration with the Interagency Family Preservation Services Program – this will allow private service providers who are under contract to provide information in MD CHESSIE for newly required annual reports;
- additional forms and screens for a new initiative of Place Matters, the Family-Centered Practice Initiative;
- integration with the newly developed home study protocol, Structured Analysis Family Evaluation, for kinship care, foster care, and adoption; and
- implementation of a newly developed assessment/service needs tool, Child and Adolescent Needs and Strengths (CANS). The CANS tool will assist frontline staff and management in efforts to evaluate the appropriateness of out-of-home care placement. In particular, this tool will help to ensure that children are in the least restrictive and least costly placement.

#### **Additional Reporting Functionality**

The final enhancement identified has four parts relating to improving the reporting functionality in MD CHESSIE.

- The first aspect will develop new reports to assist LDSS and the State to address outcome questions: how much activity was child welfare involved in?; how well did child welfare manage its work?; and are the clients better off as a result? These questions are important for StateStat, the Child Welfare Accountability Act, the Child and Family Services Review, Managing for Results, and measuring the impact of Place Matters.
- The second aspect of this enhancement improves data quality assurance to comply with federal and State requirements.
- The third aspect develops audit trail reports on existing levels of access and activity tracking functionality.
- The final aspect will incorporate the Child and Family Services Reviews' Onsite Review Instrument.

#### **Conclusion**

The fiscal 2008 modifications and enhancements are, for the most part, nearing the expected end of the design stage. The design stage has been completed for one of these modifications. This modification is currently in the development phase. One modification originally planned will not be completed. Several modifications and enhancements have been identified for the funding available in fiscal 2009. However, these identified modifications and enhancements are still under review. As a result, the time frame for completion is unknown. **The Department of Legislative Services recommends that the funds for MD CHESSIE modifications and enhancements be restricted until DHR submits a report on the planning, prioritization, and timeliness for the work to be done.**

## Recommended Actions

	<u>Amount</u> <u>Reduction</u>	
1. Increase budgeted turnover expectancy to 5.5% to better reflect trends in vacancies. The reduction should be allocated among all programs within the Department of Human Resources Administration.	\$ 169,078	GF
	\$ 132,847	FF

2. Add the following language:

Section X, AND BE IT FURTHER ENACTED, That \$2,000,000 of federal funds in the Department of Human Resources (DHR), Office of Technology for Human Resources and \$2,000,000 of special funds in the Major Information Technology Development Fund for Maryland Children’s Electronic Social Services Information Exchange (MD CHESSIE) modifications and enhancements in this budget may not be expended until DHR submits a report to the budget committees detailing the modifications and enhancements supported by these funds. In developing the report, DHR should seek input from the MD CHESSIE workgroup and local department representatives.

The report should specifically include:

- how the identified modifications and enhancements will improve performance;
- the prioritization of the identified modifications and enhancements;
- the timeline for completion of each identified modification and enhancement; and
- how funding will be reallocated if an identified modification and enhancement is later reprioritized or determined to be unnecessary.

The budget committees shall have 45 days from the receipt of the report to review and comment.

**Explanation:** The fiscal 2009 allowance provides additional funds for MD CHESSIE modifications and enhancements. While several modifications and enhancements are identified for this funding, these modifications are still under review. As a result, no timeline for these modifications and enhancements is known. Before funding becomes available, information on how the identified modifications and enhancements will improve performance, priority, and timeline for completion should be provided.

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<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
A report on the identified modifications and enhancements planned for MD CHESSIE	DHR	45 days prior to the release of funds
<b>Total Reductions</b>		<b>\$ 301,925</b>
<b>Total General Fund Reductions</b>		<b>\$ 169,078</b>
<b>Total Federal Fund Reductions</b>		<b>\$ 132,847</b>

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets**

(\$ in Thousands)

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$71,353	\$4,088	\$70,854	\$0	\$146,294
Deficiency Appropriation	0	0	1,421	0	1,421
Budget Amendments	4,456	580	1,970	3,900	10,905
Reversions and Cancellations	0	-428	-7,623	0	-8,052
<b>Actual Expenditures</b>	<b>\$75,808</b>	<b>\$4,239</b>	<b>\$66,621</b>	<b>\$3,900</b>	<b>\$150,569</b>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$75,273	\$3,004	\$70,735	\$0	\$149,012
Cost Containment	-1,799	0	-1,152	0	-2,951
Budget Amendments	648	15	0	0	662
<b>Working Appropriation</b>	<b>\$74,122</b>	<b>\$3,018</b>	<b>\$69,583</b>	<b>\$0</b>	<b>\$146,724</b>

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

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## **Fiscal 2007**

Overall, the general fund appropriation increased by \$4.5 million for DHR Administration from the fiscal 2007 legislative appropriation. There were several major increases:

- \$6.4 million was for expenses related to the Affiliated Computer Services Contract;
- \$1.2 million was for expenses related to office improvements, office relocations, and office renovations;
- \$1.1 million was for changes in salary funding;
- \$672,440 was for employee cost-of-living adjustments (COLA); and
- \$166,896 was for security costs.

The remaining increases were due to salary adjustments based on the salary study, other salary and wage changes, travel, supplies, and contractual services. These increases were partially offset by several major decreases:

- \$3.6 million was due to cost containment measures; and
- \$1.3 million was for higher than expected vacancy and turnover.

Other decreases were for a salary study, unspent funds for vehicle replacements, travel, and contractual services.

Overall, the special funds appropriation increased by \$580,086 from the fiscal 2007 legislative appropriation. The majority of this increase (\$470,787) was related to the Major Information Technology Development Project funds to pay for costs related to MD CHESSIE. The remaining increases were due to hosting contracts for the CSES, COLA, indirect costs of the Electric Universal Services Program, and salary adjustments based on a salary study. DHR Administration cancelled \$428,291. The majority of this cancellation was for lower than anticipated spending in programs funded locally. The remaining cancellation was for unspent funds related to employee and retiree health benefits.

Overall, the federal funds appropriations increased by \$3.4 million from the legislative appropriation in fiscal 2007. There was a deficiency appropriation of \$1.4 million to complete the development of the CCATS. The remaining increase resulted from \$993,590 for security costs, \$513,351 for changes in salary funding, \$296,663 for MD CHESSIE, and \$165,960 for costs associated with the renovation and relocation of local department offices. DHR Administration cancelled approximately \$7.6 million in federal funds. The majority of this cancellation resulted from unclaimable or unattainable Temporary Assistance for Needy Families funds. The remaining

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cancellation was for related to IV-E attainment that was lower than expected and unspent funds related to employee and retiree health benefits.

The reimbursable fund appropriations increased by \$3.9 million. This increase was used for Major Information Development Project expenditures related to MD CHESSIE.

**Fiscal 2008**

The general fund appropriation has decreased by \$1.2 million over the fiscal 2008 appropriation. This change was the result of an increase of \$647,843 related to the COLA. This increase was more than offset by a decrease of \$1.8 million for cost containment measures including reductions in salaries and wages, technical and special fees, communications, travel, contractual services, supplies and materials, grants, subsidies, and contracts, and fixed charges. The largest reductions in units within DHR Administration occurred in fixed charges in the local general administration and contractual services in OTHS.

The special fund appropriation has increased by \$14,530 over the fiscal 2008 appropriation as a result of the COLA. The federal fund appropriation has decreased by \$1.2 million over the fiscal 2008 legislative appropriation as a result of cost containment measures similar to those occurring in general funds. The largest federal fund reductions in individual units occurred in contractual services for OTHS and grants, subsidies, and contributions in the local general administration.

## ***Audit Findings***

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Audit Period for Last Audit:	July 1, 2003 – February 28, 2007
Issue Date:	November 2007
Number of Findings:	14
Number of Repeat Findings:	8
% of Repeat Findings:	57%
Rating: (if applicable)	n/a

- Finding 1:** Bundling of computer hosting and maintenance contracts appeared to contribute to a lack of competition.
- Finding 2:** DHR did not ensure that the lowest possible contractor rates were obtained under a contract modification.
- Finding 3:** Delays in initiating procurement of a new contract resulted in a temporary, higher priced contract extension
- Finding 4:** Documentation for certain aspects of the procurement was incomplete.
- Finding 5:** Potential federal funding totaling \$3.5 million was lost due to a delay in seeking federal approval for a contract amendment.
- Finding 6:** **Federal fund revenues recorded at fiscal year-end totaling approximately \$32.2 million could not be substantiated.**
- Finding 7:** **Access to critical production data files, databases, and program files was not properly restricted.**
- Finding 8:** **DHR had not established effective menu screen access controls over electronic benefits and payments.**
- Finding 9:** **Reporting, reviewing, and monitoring of mainframe security events were inadequate.**
- Finding 10:** **DHR’s internal network was not properly protected from security risks.**
- Finding 11:** **DHR’s firewalls were not adequately configured to secure the internal network.**
- Finding 12:** **There was not a departmentwide IT disaster recovery plan.**

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**Finding 13:** A questionable retroactive salary adjustment of \$31,300 was paid to a former senior management employee.

**Finding 14:** **Adequate accountability and control was not established over equipment.**

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

**Object/Fund Difference Report  
DHR Administration**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1034.00	1039.00	1007.00	-32.00	-3.1%
02 Contractual	12.95	3.67	2.90	-0.77	-21.0%
<b>Total Positions</b>	<b>1046.95</b>	<b>1042.67</b>	<b>1009.90</b>	<b>-32.77</b>	<b>-3.1%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 67,083,319	\$ 65,403,635	\$ 70,775,962	\$ 5,372,327	8.2%
02 Technical and Spec. Fees	1,069,364	673,146	343,526	-329,620	-49.0%
03 Communication	8,368,355	7,824,123	10,922,938	3,098,815	39.6%
04 Travel	557,610	545,102	398,286	-146,816	-26.9%
06 Fuel and Utilities	465,962	449,121	557,913	108,792	24.2%
07 Motor Vehicles	620,528	704,613	657,045	-47,568	-6.8%
08 Contractual Services	59,191,978	54,928,070	60,406,219	5,478,149	10.0%
09 Supplies and Materials	1,402,240	1,342,168	1,303,525	-38,643	-2.9%
10 Equip. – Replacement	316,693	264,104	245,372	-18,732	-7.1%
11 Equip. – Additional	2,519,899	3,928,631	4,304,896	376,265	9.6%
12 Grants, Subsidies, and Contributions	635,962	1,976,999	2,530,335	553,336	28.0%
13 Fixed Charges	8,337,135	8,684,007	8,438,156	-245,851	-2.8%
<b>Total Objects</b>	<b>\$ 150,569,045</b>	<b>\$ 146,723,719</b>	<b>\$ 160,884,173</b>	<b>\$ 14,160,454</b>	<b>9.7%</b>
<b>Funds</b>					
01 General Fund	\$ 75,808,192	\$ 74,121,834	\$ 79,017,271	\$ 4,895,437	6.6%
03 Special Fund	4,239,487	3,018,482	3,971,570	953,088	31.6%
05 Federal Fund	66,621,366	69,583,403	77,895,332	8,311,929	11.9%
09 Reimbursable Fund	3,900,000	0	0	0	0.0%
<b>Total Funds</b>	<b>\$ 150,569,045</b>	<b>\$ 146,723,719</b>	<b>\$ 160,884,173</b>	<b>\$ 14,160,454</b>	<b>9.7%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary  
DHR Administration**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 Office of the Secretary	\$ 11,252,674	\$ 10,385,912	\$ 11,147,862	\$ 761,950	7.3%
02 Citizen's Review Board for Children	1,573,005	1,692,120	1,766,770	74,650	4.4%
03 Maryland Commission for Women	834,036	914,715	565,043	-349,672	-38.2%
01 Division of Budget, Finance, and Personnel	16,007,839	15,770,358	15,818,927	48,569	0.3%
02 Division of Administrative Services	9,123,264	8,600,959	8,641,011	40,052	0.5%
02 Major Information Technology Development	8,567,450	1,700,000	3,632,565	1,932,565	113.7%
04 General Administration	60,391,565	63,925,795	73,278,309	9,352,514	14.6%
05 General Administration	42,819,212	43,733,860	46,033,686	2,299,826	5.3%
<b>Total Expenditures</b>	<b>\$ 150,569,045</b>	<b>\$ 146,723,719</b>	<b>\$ 160,884,173</b>	<b>\$ 14,160,454</b>	<b>9.7%</b>
General Fund	\$ 75,808,192	\$ 74,121,834	\$ 79,017,271	\$ 4,895,437	6.6%
Special Fund	4,239,487	3,018,482	3,971,570	953,088	31.6%
Federal Fund	66,621,366	69,583,403	77,895,332	8,311,929	11.9%
<b>Total Appropriations</b>	<b>\$ 146,669,045</b>	<b>\$ 146,723,719</b>	<b>\$ 160,884,173</b>	<b>\$ 14,160,454</b>	<b>9.7%</b>
Reimbursable Fund	\$ 3,900,000	\$ 0	\$ 0	\$ 0	0.0%
<b>Total Funds</b>	<b>\$ 150,569,045</b>	<b>\$ 146,723,719</b>	<b>\$ 160,884,173</b>	<b>\$ 14,160,454</b>	<b>9.7%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.