

F50
Department of Information Technology

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$20,524	\$20,915	\$34,142	\$13,227	63.2%
Contingent & Back of Bill Reductions	0	0	-5,222	-5,222	
Adjusted General Fund	\$20,524	\$20,915	\$28,920	\$8,005	38.3%
Special Fund	6,699	18,224	9,696	-8,528	-46.8%
Contingent & Back of Bill Reductions	0	0	4,988	4,988	
Adjusted Special Fund	\$6,699	\$18,224	\$14,684	-\$3,540	-19.4%
Reimbursable Fund	15,431	19,455	22,578	3,123	16.1%
Contingent & Back of Bill Reductions	0	0	-94	-94	
Adjusted Reimbursable Fund	\$15,431	\$19,455	\$22,484	\$3,029	15.6%
Adjusted Grand Total	\$42,654	\$58,594	\$66,089	\$7,495	12.8%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The fiscal 2010 budget of the Department of Information Technology (DoIT) has experienced \$4.6 million in cost containment reductions.
- The fiscal 2011 allowance (after adjusting for contingent and across-the-board reductions) increases by \$7.5 million.
- Funding for DoIT oversight and operations increases by approximately \$461,000 (1.4%) over fiscal 2010.

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

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Personnel Data

	<u>FY 09 Actual</u>	<u>FY 10 Working</u>	<u>FY 11 Allowance</u>	<u>FY 10-11 Change</u>
Regular Positions	123.00	119.00	120.00	1.00
Contractual FTEs	<u>3.53</u>	<u>7.00</u>	<u>5.00</u>	<u>-2.00</u>
Total Personnel	126.53	126.00	125.00	-1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	8.10	6.75%
Positions and Percentage Vacant as of 12/31/09	17.50	14.71%

- DoIT’s regular positions increase by 1 due to the transfer of a position from the Department of Natural Resources to implement the Maryland Integrated Map program.
- Vacancy rates are high in fiscal 2010 and budget constraints are likely to keep turnover high in fiscal 2011.

Analysis in Brief

Major Trends

Oversight of Major Information Technology (IT) Projects: Measures established to judge project success identify issues with project documentation.

Maryland Portal: Data concerning the utilization of the Maryland Portal continues to be positive. Indicators showing usefulness are up slightly while indicators showing ease of use are down slightly.

Issues

The Major IT Development Project Fund and Major IT Expenditures: Detail on proposed and prior funding of major IT projects is provided. **The department should brief the committees on potential major IT projects that may be added to the program.**

New Statewide Personnel System Is Once-in-a-generation Opportunity: How Will the Administration Improve the Personnel System? The current personnel system is suboptimal. It does not include personnel data for all personnel systems and is inflexible. **The Administration should brief the committees on how the proposed personnel system will address the current data deficiencies attributable to the various personnel systems and how the system will have the necessary flexibility to handle different policies.**

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Telecommunications Access of Maryland: The Administration recommends transferring \$1 million from the Universal Service Trust Fund (USTF) to support the Maryland School for the Deaf (MSD). **The Department of Legislative Services recommends that another \$1 million be transferred from the USTF to support MSD, through a provision in budget reconciliation legislation.**

Recommended Actions

	<u>Funds</u>
1. Delete funds for Children’s Electronic Social Services Information Exchange (CHESSIE) IV.	\$ 739,037
Total Reductions	\$ 739,037

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Operating Budget Analysis

Program Description

Chapter 9 of 2008 created the Department of Information Technology (DoIT). The organization of the department remains unchanged from its prior incarnation, the Office of Information Technology (OIT) that was part of the Department of Budget and Management (DBM):

- **Executive Direction.**
- **Enterprise Information Systems** including the development of infrastructure and security standards as well as the Help Desk.
- **Applications Systems Management** including the operation of the Financial Management Information System, the system created to improve financial and human resources accountability including agency-based accounting, purchasing, budgeting, personnel, and asset management.
- **Networks** including the operation of networkMaryland and the State's wireless system.
- **Strategic Planning** responsible for the oversight of information technology (IT) procurement, project management, and policies and planning.
- **Web Systems** including the operation of the State web portal.
- **Telecommunications Access of Maryland (TAM)** provides telecommunications relay service for Maryland's hearing and speech disabled citizens.

The mission of DoIT is to provide information technology leadership to the Executive Branch in order to effectively oversee and manage State IT resources. Key goals are centered on the effective utilization of resources.

Performance Analysis: Managing for Results

DoIT's Managing for Results (MFR) data reflect the mission of the office, providing statewide IT oversight as well as operating/overseeing the operation of statewide information systems and networks. In terms of oversight of major IT development projects, DoIT still aims to see that 100% of projects completed in any given year are successful. However, as discussed in previous years, its MFR do not provide the detail necessary to effectively judge how DoIT is contributing to

the successful completion of projects, especially to projects which experienced significant problems in terms of project delays, cost overruns, and functionality.

In its fiscal 2010 MFR, DoIT added a series of measures that are intended to add a better sense of whether projects are actually doing what is expected of them and also DoIT's role in overseeing project development. One of the innovations of the current Secretary is to add an Executive Post-implementation Review Board that will identify quantifiable business goals for each project and measure the extent to which projects have met those goals. These boards were established with fiscal 2009 projects. **The department should brief the committees on the status of the Executive Post-implementation Review Board. This should address to what extent the projects have met the quantifiable business goals established for each project.**

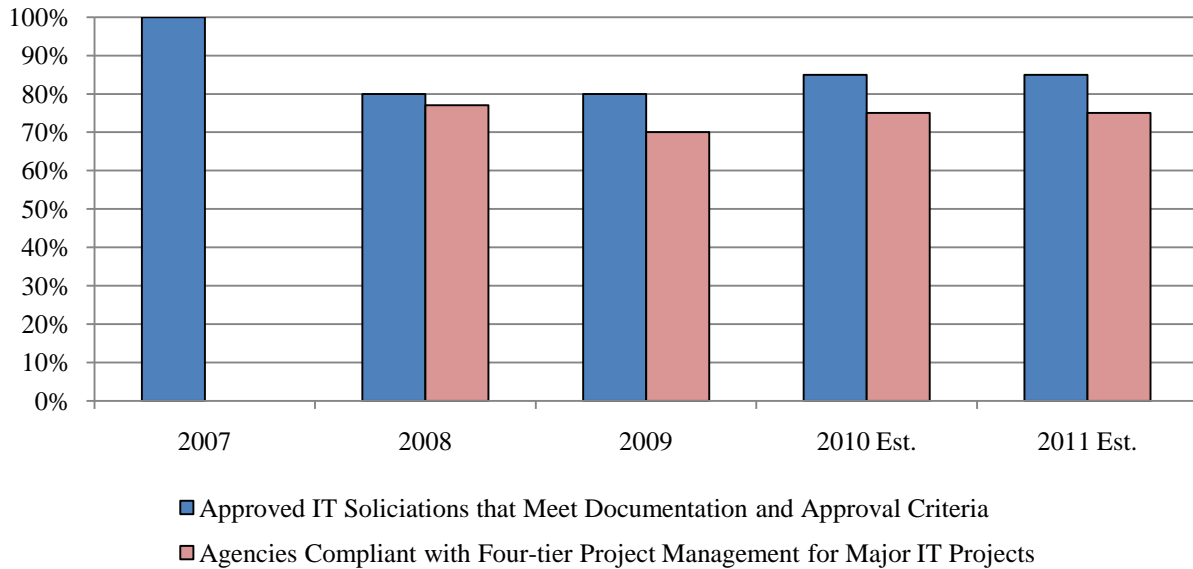
The department also added a series of measures around the notion adhering to industry best practices in the area of project control, and in particular, a process to manage change in scope, schedule, and budget. This requires the development of a Change Management Plan and the application of that plan to the control of the project. The issue here is not change per se, which is almost inevitable in any project, but rather that when change occurs, the response is planned for, rather than simply occurring in such a way that can have unintended consequences to the project or parts of the project.

The change management plan is only one part of the documentation and oversight that DoIT considers must be adhered to in a project solicitation. Other elements include a valid requisition, clearly defined scope of work, appropriate use of functional areas and terms, clearly defined milestones and deliverables with corresponding acceptance criteria, application of State and agency IT standards, realistic timeframes for performance, clearly defined award criteria, and a signed task order approval checklist.

Exhibit 1 shows that fewer IT project solicitations met these documentation and approval criteria in fiscal 2008 compared to fiscal 2007. This reduction reflected identification by DoIT of systemic deficiencies in IT procurements. Remedial actions resulted in contract modifications. DoIT had hoped to be able to get additional assistance to improve application of these documentation and approval criteria by individual agencies, but cost containment actions precluded the procurement of that assistance. Fiscal 2009 remained even with fiscal 2008.

One of the key areas of concern that is apparent when reviewing State IT projects that are experiencing issues is inadequate project management. DoIT utilizes a four-tier oversight methodology that relies on professional and dedicated project management resources being available for a project, periodic portfolio review, Independent Verification and Validations (IV&V), and peer review. Data in Exhibit 1 details State agency utilization of this four-tier oversight methodology. The number of compliant agencies declined from 77% in fiscal 2008 to 70% in fiscal 2009. DoIT advises this was because a number of projects failed to submit timely quarterly report. DoIT has addressed this by periodically reviewing project management artifacts, such as schedules, internal status reports, and change logs. DoIT is also reviewing portfolios more frequently. In the past, portfolios were reviewed once a year.

Exhibit 1
Major Information Technology Project Planning Performance Measures
Fiscal 2007 to 2011



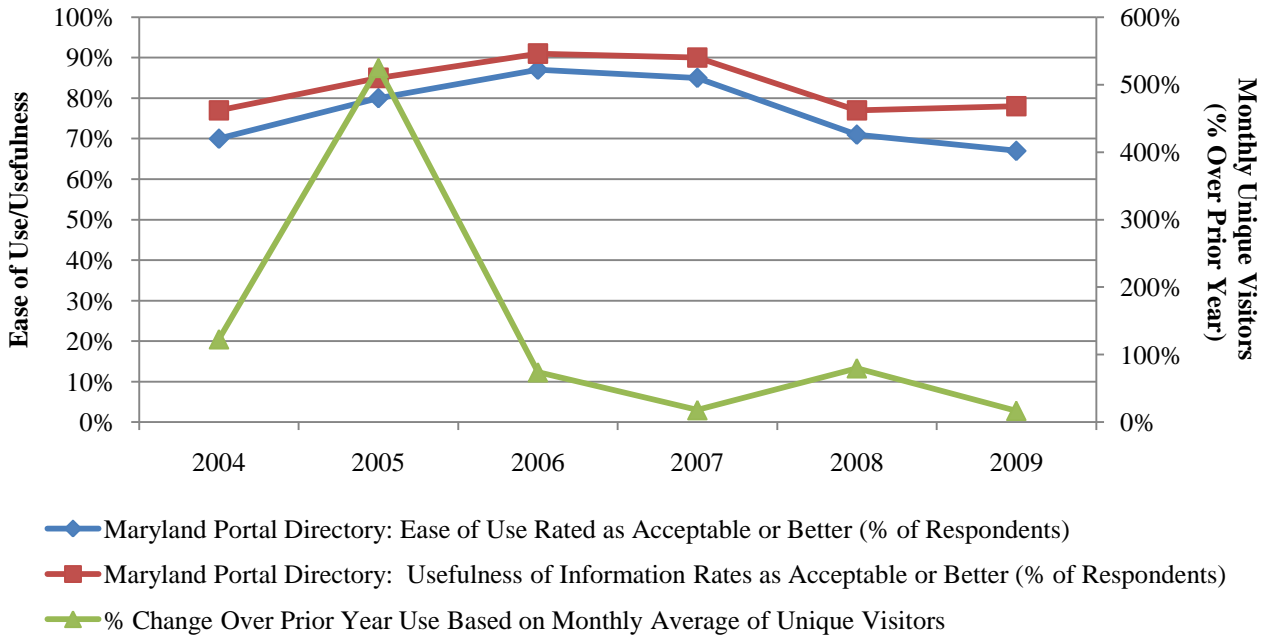
IT: information technology

Source: Department of Information Technology

Exhibit 2 provides information on the Maryland Portal, including satisfaction data gathered from surveys. As might be expected, the rapid percentage growth over the prior year in terms of unique visitors has slowed markedly from fiscal 2005 but is still growing. According to DoIT, the portal had 2.2 million unique visitors per month in the first five months of fiscal 2010.

Survey data on portal directory ease of use and usefulness of data indicate that the improvements shown in prior years have actually reversed in recent years. While the usefulness indicator has stabilized, the ease of use indicator continues to decline. DoIT attributes this decline to increased expectations that information and services will be available via the web and dissatisfaction when they are not. Additionally, it may simply reflect dissatisfaction with the economic climate and government generally.

**Exhibit 2
Maryland Portal Directory Performance Indicators
Fiscal 2004 to 2009**



Source: Department of Information Technology

Fiscal 2010 Actions

Impact of Cost Containment

The three fiscal 2010 cost containment actions reduced DoIT’s general fund spending by \$4.6 million. Just under \$3.4 million of this was reductions to major IT projects funded in the Major Information Technology Development Project Fund (MITDPF). Personnel costs were also reduced by approximately \$524,000, including \$212,000 in furlough savings and \$312,000 in delayed hiring and reductions. The remaining savings were achieved through reduced telecommunications equipment leasing (approximately \$245,000), deferred telecommunications audit (\$200,000), and reduced contractual costs (\$114,000) and software purchases (\$40,000).

The August cost containment action also reduced special funds. The furlough generated almost \$10,000 in savings.

Proposed Budget

Exhibit 3 shows that DoIT’s fiscal 2011 allowance is almost \$7.5 million (12.8%) more than the fiscal 2010 working appropriation. This assumes approximately \$327,000 in across-the-board reductions relating to furloughs (\$286,000), health insurance (\$39,000), and Injured Workers’ Insurance Fund (IWIF) (\$2,400) reductions. The budget bill also includes language that reduces the general fund appropriation to the MITPDF by \$5.0 million contingent on the enactment of legislation transferring an equivalent amount of special funds from the 9-1-1 Fund to support the Department of State Police’s Computer Aided Design/Records Management System (CAD/RMS).

**Exhibit 3
Proposed Budget
Department of Information Technology
(\$ in Thousands)**

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
2010 Working Appropriation	\$20,915	\$18,224	\$19,455	\$58,594
2011 Allowance	<u>34,142</u>	<u>9,696</u>	<u>22,578</u>	<u>66,416</u>
Amount Change	\$13,227	-\$8,528	\$3,123	\$7,822
Percent Change	63.2%	-46.8%	16.1%	13.4%
Contingent Reductions	-\$5,222	\$4,988	-\$94	-\$327
Adjusted Change	\$8,005	-\$3,540	\$3,029	\$7,495
Adjusted Percent Change	38.3%	-19.4%	15.6%	12.8%

Where It Goes:

Personnel Expenses (Net of Contingent Reductions and November Cost Containment)

New positions.....	\$185
Abolished positions.....	-229
Position transferred from Department of Natural Resources.....	128
Reduction in salary base	-106
Retirement contributions.....	107
Employee and retiree health insurance	50
Workers’ compensation premium assessment	7
Other fringe benefit adjustments.....	8
Increase turnover expectancy on existing positions to 6.75%	-254

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Where It Goes:

Administration

Additional Independent Verification and Validation expenses for major IT projects	2,100
Litigation contract	300
Procure services to audit TAM	150
Department of Budget and Management telephone costs	78
In-state conference and all out-of-state travel	-85
Contractual employment	-126
TAM advertising	-197
Project manager for Statewide Personnel System	-210
PBX capital lease costs	-284
Annapolis Data Center charges	-632
Statewide telecommunications reimbursable fund costs	-819
TAM speech-to-speech service contracts	-3,008

DoIT Major IT Projects

Statewide Personnel System	1,161
Central Collection Unit system modernization	1,009

Major Information Technology Development Project Fund

Major IT projects (see Issue 1 for more detail)	8,147
Other Changes	16

Total **\$7,495**

DoIT: Department of Information Technology
 IT: information technology
 TAM: Telecommunications Access of Maryland

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

Other areas of change include:

- **Personnel Expenditures:** After adjusting for contingent reductions and November’s cost containment, personnel costs are expected to decline by approximately \$105,000 in fiscal 2011. New positions, retirement, and health insurance cost increases are offset by abolishing positions, increasing the turnover expectancy, and reducing salary funding for ongoing positions.

There is a net gain of 1 position in fiscal 2011. This is attributable to the transfer of a position from the Department of Natural Resources into DoIT. The position was transferred to support the requirements of Executive Order 01.01.2009.20, issued in December 2009, establishing the Maryland Integrated Map (MD iMap) program. The budget also deletes 3 positions in the chief’s office, Enterprise Information Systems, and Strategic Planning and adds 3 positions to support the new Statewide Public Safety Communications system in the Networks Division.

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The department's budgeted turnover expectancy continues to be relatively high, at 6.75%. In addition, it appears that salary costs for ongoing employees decline by approximately \$106,000. This amount is derived by adjusting salary and Social Security expenses by furlough, position changes, and reclassifications. This places additional pressures on DoIT's personnel budget, which could result in the department needing to increase vacancies beyond the budgeted turnover expectancy.

- **Administration:** These are the nonpersonnel costs that support DoIT's operations, including TAM. These costs are generally declining in fiscal 2011. Increases in contracts supporting IV&V (\$2.1 million), litigation contract (\$300,000), and TAM audits (\$150,000) are offset by TAM speech-to-speech service contracts (\$3.0 million) and other reductions. The reduction relating to the Statewide Personnel System project manager (\$210,000) represents a transfer of these costs to the MITPDF.
- **DoIT Major IT Projects:** DoIT manages DBM's IT projects: Central Collection Unit (CCU) Systems Modernization and Statewide Personnel System. The CCU system is the primary IT system supporting the CCU's management of funds owed to the State by delinquent debtors. Design is expected to begin in fiscal 2011 and costs are projected to increase by \$1.0 million. The Statewide Personnel System project is to replace the State's legacy personnel systems that were implemented in 1976. Design is expected to begin in fiscal 2011 and costs are projected to increase by \$1.2 million. **Appendix 3** provides additional detail on the project.
- **Major Information Technology Development Projects:** Funding for major IT projects increases by \$8.1 million. This fund is discussed in Issue 1.

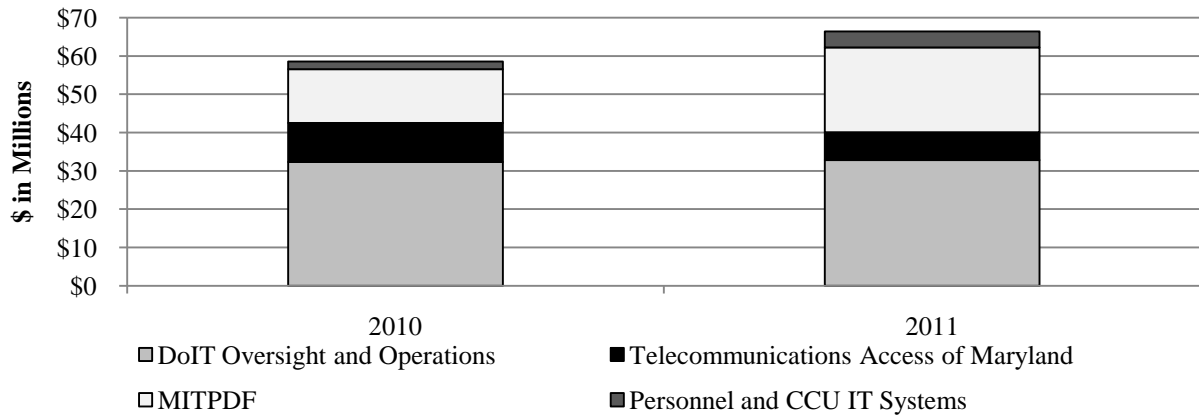
Impact of Cost Containment

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, DLS has estimated the distribution of selected actions relating to employee furloughs, health insurance, and IWIF cost savings.

Operations and Project Spending in Fiscal 2010 to 2011

Exhibit 4 provides an alternative view of growth in the DoIT budget. DoIT's core oversight and operations budget, \$32.8 million in fiscal 2011, is approximately \$461,000, or 1.4%, above fiscal 2010. Much of this growth relates to IV&V costs.

Exhibit 4
Operations and Project Spending
Fiscal 2010 and 2011



CCU: Central Collections Unit
DoIT: Department of Information Technology
IT: information technology
MITDPF: Major Information Technology Development Fund

Source: The Governor's Budget Books, Fiscal 2011

Issues

1. The Major IT Development Project Fund and Major IT Expenditures

Chapters 467 and 468 of 2002 created the MITDPF. The fund replaced the Information Technology Investment Fund (ITIF), preserved the various telecommunications revenue streams that were dedicated to the ITIF for major IT projects, limited the use of the fund for other smaller IT projects, and enhanced the oversight role of DoIT (then OIT) in approving projects from the fund. Further, in addition to preserving the existing revenue streams, the legislation required all general funds appropriated for major IT projects to be held in the fund.

MITDPF Funded Projects

Exhibit 5 shows fund transactions for the MITDPF for fiscal 2008 through the proposed budget in fiscal 2011. A number of points may be made from the exhibit:

Exhibit 5 MITDPF Fund Data Fiscal 2008-2011

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Opening Fund Balance	\$43,159,364	\$33,463,333	\$20,645,009	\$3,948,698
<u>Revenues</u>				
General Fund		\$14,313,407	\$11,561,613	\$22,161,244
Special Fund	\$2,267,493	1,551,789	475,000	325,000
Cost Containment		-6,270,000	-3,378,178	
Total Available Revenues	\$45,426,857	\$43,058,529	\$29,303,444	\$26,434,942
<u>Expenditures</u>				
Agency Pay Phone Commission Disbursements	-\$7,193		-\$27,144	
Transferred/Expected to be transferred to agencies	-11,956,331	-\$22,413,520	-25,327,602	
<i>Prior and Current Year Commitments</i>				
Fiscal 2007 Obligations				-\$137,301
Fiscal 2008 Obligations				-1,246,914
Fiscal 2009 Obligations				-250,000
Fiscal 2010 Obligations				-2,620,802
Requested Expenditures				-22,161,244
Closing Fund Balance	\$33,463,333	\$20,645,009	\$3,948,698	\$18,681

MITDPF: Major Information Technology Development Project Fund

Note: Based on actual expenditures, approved commitments, proposed expenditures, and other adjustments.

Source: Department of Legislative Services; Department of Information Technology; Department of Budget and Management

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- The allowance includes \$22.2 million in general funds for projects and another \$325,000 in special funds generated from investment interest.
- There is just over \$4.2 million of prior year project commitments into fiscal 2011, slightly less than half of the carryover levels anticipated last year.

Fiscal 2011 spending is detailed in **Exhibit 6**. Over \$20.2 million, (91%) is for ongoing project oversight for seven projects for which funding has previously been approved by the General Assembly. The remaining \$2.0 million (9%) is for two new projects. This funding allocation is perhaps not surprising given the State's fiscal situation and also given the level of funding required for two projects: the Comptroller's Modernized Integrated Tax System (MITS) and the State Police's CAD/RMS system.

Exhibit 6
Major Information Technology Development Project Fund
Projects Receiving New Fiscal 2011 Funding (Excluding Carryover Project Funding)

<u>Agency</u>	<u>Project Name</u>	<u>Project Description</u>	<u>MITDPF Funding</u>	<u>Comment</u>
Ongoing Projects				
Comptroller	Modernized Integrated Tax System	Replace legacy (1986) Computer Assisted Collections System establish a platform for data warehousing.	\$10,068,174	Contract awarded December 2008. Total implementation contract award (including five option years for operations and maintenance) is \$87 million, with total general fund need of \$48 million. Design is nearing completion. Early Benefit program has been implemented. Fiscal 2011 provides funding to continue implementation. DLS recommends approval.
SDAT	Assessment Administration and Valuation System	Establish a single real property database with statewide access.	\$885,749	Contract awarded in 2006. Design, development, and integration and testing phases are complete. Implementation has begun. Fiscal 2011 provides final appropriation for implementation. Major risk factor is that the project manager has recently left SDAT. DLS recommends approval.
DHMH	Electronic Vital Records System	Replacement of existing vital records system with integrated, web-enabled system.	\$1,184,629	A Board of Public Works contract for this previously approved system was awarded October 2007. The project has experienced delays, and issues were found during systems acceptance testing with the birth records component. Minor features not ready when implemented will be implemented prior to final sign-off. Funding is still a risk; current federal funding only supports two of the three components (fetal death, marriage and divorce component is not funded). DLS recommends approval.

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DPSCS	Offender Case Management System	Plan, develop, and implement a comprehensive offender case management system to manage an individual for pretrial to release.	\$1,585,000	Contract was awarded in December 2008 at an estimated cost of \$15.6 million. After fiscal 2011 funding, only \$1.25 million in project funding remains. Major risks remain the complexity of the project, including the numerous data interfaces, and the complicated nature of the oversight. DoIT's strict oversight is still necessary. DLS recommends approval.
MHEC	Maryland College Aid Processing System (formerly Student Financial Aid System)	Replace legacy (1991) student financial aid system.	\$198,655	Project is currently being implemented. The project is five months behind schedule; reasons include complexity, personnel changes, and defects found when testing. MHEC is working with the contractor to mitigate delays by phasing development and implementation. Fiscal 2011 appropriations are projected to be the final appropriations for this project. DLS recommends approval.
DSP	Computer Aided Dispatch/Records Management System	Establish a system to coordinate statewide public safety information sharing.	\$6,250,000 ¹	CAD/RMS informs part of the State's interoperability efforts and involves multiple agencies including the State Police. Project is in the System Concept Development phase. Fiscal 2011 represents the first substantial appropriation, which includes funding for Development, and Integration and Testing. Major risks include resource availability and supportability, which are linked. DoIT projects that existing staffing is inadequate and a successful new system will require a new business process, not just new software and hardware. DLS recommends approval.
Subtotal			\$20,172,207	

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New Projects

DHMH	Medicaid Management Information System	Replace legacy Medicaid information system and align to federally-mandated Medicaid Information Technology Architecture requirements.	\$1,250,000	Fiscal 2011 funding supporting planning and systems requirements vendor contracts. The project's goal is to develop a web-based information system that addresses short-term federal requirements and long-term needs (by replacing legacy systems). Major risks relate to funding (total project cost is \$113.8 million), interoperability (integrate with federal and DHR systems), and implementation (large project with tight deadlines). DLS recommends approval.
DHR	CHESSIE IV	CHESSIE is DHR's child welfare information system. This enhancement includes creating an interface between CHESSIE and a national database, providing additional auditing capabilities, and automating in-home responses.	\$739,037	Fiscal 2011 funding funds entire phase IV. Risks include undefined scope and requirements, as well as the possibility that new policies will be required. Funding includes \$1.7 million in federal funds; concerns have been expressed over whether all federal funds will materialize. Four other projects receive funding in fiscal 2011. Concerns have also been raised about how well DHR can manage the five major IT projects in fiscal 2011. DLS recommends deleting the funds.
Subtotal			\$1,989,037	
Total Fiscal 2011 Allowance			\$22,161,244	

CHESSIE: Children’s Electronic Social Services Information Exchange
DHMH: Department of Health and Mental Hygiene
DHR: Department of Human Resources
DLS: Department of Legislative Services
DPSCS: Department of Public Safety and Correctional Services
DSP: Department of State Police
IT: information technology
MHEC: Maryland Higher Education Commission
MITDPF: Major Information Technology Development Fund
SDAT: State Department of Assessments and Taxation

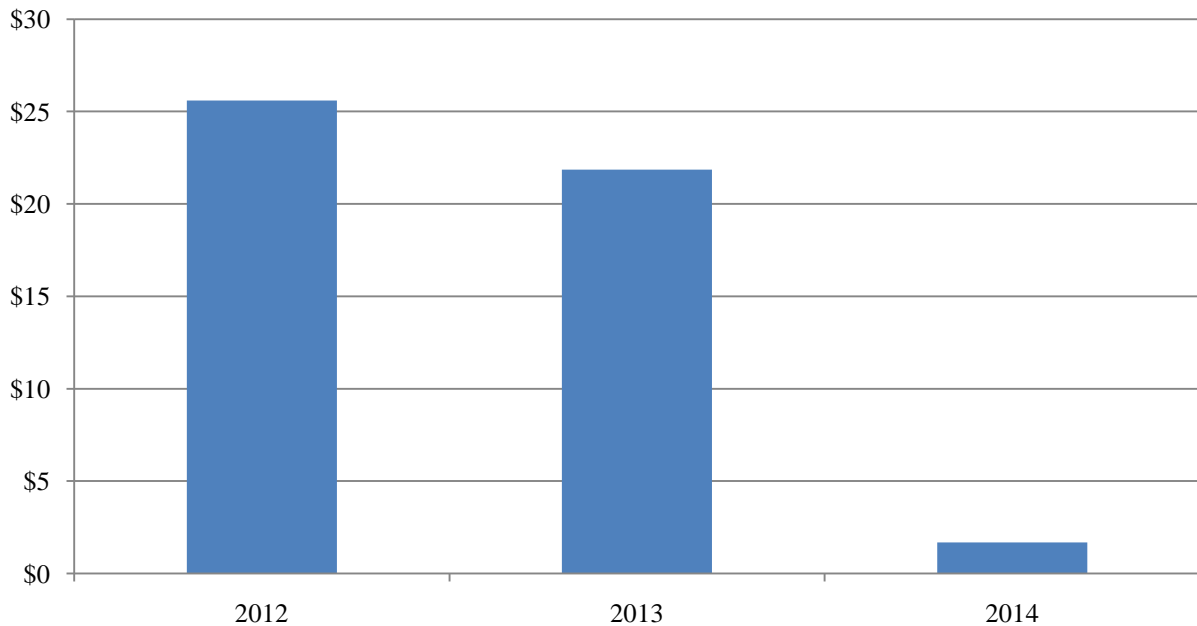
¹ 2010 BRFA includes contingent reduction of \$5 million to be replaced with special funds from 9-1-1.

Source: Department of Legislative Services; Department of Information Technology; Department of Budget and Management

MITDPF Out-year Commitments

Based on the current pipeline of projects, general fund spending for IT projects is expected to peak in fiscal 2012 and then decline. **Exhibit 7** shows that spending increases to \$25.6 million in fiscal 2012 and then decreases to \$21.9 million in fiscal 2013. Over 80% of this funding is from two projects: the Comptroller’s MITS requires an additional \$19.3 million in fiscal 2012 and 2013; and the Department of Health and Mental Hygiene’s (DHMH) Medicaid Management Information System (MMIS) requires an additional \$20.1 million in fiscal 2012 and 2013. In fiscal 2014, payments decline to \$1.7 million; these payments reflect final project costs for the DHMH Electronic Vital Record System, MMIS systems, and the State Police CAD/RMS system.

Exhibit 7
Major Information Technology Development Project Fund
Out-year Funding Commitments
Fiscal 2012-2014
(\$ in Millions)



Source: Department of Legislative Services; Department of Budget and Management

The out-year projections assume that no new major IT projects will be added. This is a reflection of current fiscal conditions. Nonetheless, there are presumably some potential major IT project needs. **The department should brief the committees on potential major IT projects that might be added to the program.**

Status of Prior Year MITDPF Projects

Exhibit 8 details the status of ongoing projects previously funded through the MITDPF but for which no funds were provided in fiscal 2011.

Exhibit 8 Ongoing Projects Not Funded in Fiscal 2011

<u>Agency</u>	<u>Project Name</u>	<u>Project Description</u>	<u>Fiscal Year</u>	<u>Remaining MITDPF Funding</u>	<u>Comment</u>
DoIT	IV&Vs and IV&V Manager	Project oversight	2007, 2009	\$266,180	
DPSCS	MAFIS	Maryland Automated Fingerprint Identification System	2007	614,872	Projected has been completed and is operational.
DJS	SET	Statewide Education Technology	2007	11,998	Projected has been completed and is operational.
SBE	OSCV	Optical Scan Voting System	2009	10,000	DoIT notes that the project is paused.
DHR	CHESSIE III	Child welfare case management system	2009	1,600,340	A one-year contract extension was approved in May 2009. The scope of the project was reduced and funding was reduced \$100,000 in November 2009 cost containment. The deferred items will be completed in another initiative. The reduced project should be ready by the end of fiscal 2010.
DJS	TAPTS	Treatment, Assessment, Planning and Tracking System	2009	481,099	Project schedule was extended. This was necessary to incorporate changes to Title IV-E mandates. Project should be completed in fiscal 2010 with funds from fiscal 2009.
Total				\$2,984,489	
CHESSIE: Children’s Electronic Social Services Information Exchange				DPSCS: Department of Public Safety and Correctional Services	
DHR: Department of Human Resources				IV&V: independent verification and validation	
DJS: Department of Juvenile Services				MITDPF: Major Information Technology Development Fund	
DoIT: Department of Information Technology				SBE: State Board of Elections	

Source: Department of Legislative Services; Department of Information Technology

2. New Statewide Personnel System Is Once-in-a-generation Opportunity: How Will the Administration Improve the Personnel System?

The fiscal 2011 allowance includes \$2.1 million to develop a new Statewide Personnel System. This replaces a system that was developed in 1975. This represents a once-in-a-generation opportunity to improve personnel administration and the analysis of personnel costs. The approach is to obtain a commercial-off-the-shelf solution to replace the State's legacy personnel systems.

The personnel system supports policy decisions made by Executive and Legislative branches. The current system has shortcomings. One concern is the lack of a centralized repository for personnel data. The Executive Branch has various nonintegrated personnel systems. DBM manages the State Personnel Management System, while the Maryland Department of Transportation, higher education, and nonbudgeted agencies have their own systems. The current personnel data system does not maintain the data from all these system that is necessary to analyze the budget. For example, because of a lack of higher education data, the Department of Legislative Services was unable to estimate or verify the higher education furlough.

Another concern is a lack of flexibility in the system that limits policy options. For example, during the personnel reform debate of the 1996 session, pay options were not considered because the Administration asserted that they could not be implemented with the personnel system. The issue is that data systems should be flexible enough so that do not be limit policy considerations.

The Administration should brief the committees on how the proposed personnel system will address the current data deficiencies attributable to the various personnel systems and how the system will have the necessary flexibility to handle different policies.

3. Telecommunications Access of Maryland

The TAM program provides telephone access and other services for persons with certain disabilities. Proposed TAM expenditures are flat from fiscal 2009 to 2010. The TAM program is supported by the Universal Service Trust Fund (USTF). USTF revenues are derived from a \$0.18 landline monthly surcharge. The Budget Reconciliation and Financing Act (BRFA) of 2010 proposes a transfer of \$1 million from the USTF to support operations at the Maryland School for the Deaf (MSD) in fiscal 2011. The BRFA of 2009 transferred \$5 million from the USTF to MSD in fiscal 2010 and another \$5 million from the USTF to the general fund in fiscal 2009.

The fiscal 2009 end-of-year fund balance is \$12.0 million. In the most recent fiscal year, the fund received \$5.9 million in revenues, which is approximately \$600,000 less than fiscal 2008 revenues. The drop in revenue is attributable to declining landline telephone customers; a trend which is expected to continue. Expenditures, which totaled \$6.2 million in fiscal 2009, exceed revenues and are expected to continue to increase. If these trends continue, DLS projects the USTF fund to be approximately \$3.0 million at the end of fiscal 2011.

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The TAM program has cautioned that the USTF fund balance acts as a temporary hedge against potential changes in the funding of Video Relay and Internet Protocol Relay Services. These services are currently provided and funded by the federal government, although it has been reported for some years that the federal government is looking for ways to recover some of the costs of these services from the states. The TAM program indicates that the Federal Communications Commission is moving one step closer to doing this with recent actions taken around the identification of Internet-based relay customers. The TAM program acknowledges that the fund balance will only offset the cost for an initial period, and after that time, it would need to reassess the surcharge level or find a new revenue source.

In conclusion, TAM expenditures exceeded revenues in fiscal 2009. DoIT advises that revenues are expected to continue declining while expenditures are expected to continue increasing. Changes in federal regulations could add to this imbalance. Eventually, fees will need to be increased. By reducing the fund balance, the Administration is moving forward the day that fees will need to be increased. **DLS recommends that another \$1 million be transferred from the USTF to support MSD, through a provision in budget reconciliation legislation.**

Recommended Actions

	<u>Amount Reduction</u>
1. Delete funding for enhancements to the Maryland Children’s Electronic Social Services Information Exchange. The fiscal 2011 allowance includes funding for five major information technology projects including two projects involving modifications to the WORKS system, one project for modifications to the Client Automated Resource and Eligibility System, and an enterprise content management system. Concerns have been raised about the Department of Human Resources’ ability to manage all these projects in fiscal 2011. This project should be deferred to enable the Department of Human Resources to focus its resources on properly completing the remaining projects.	\$ 739,037 GF
Total General Fund Reductions	\$ 739,037

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Information Technology (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2009					
Legislative Appropriation	\$28,509	\$37,482	\$0	\$19,733	\$85,723
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	120	147	0	1,501	1,768
Cost Containment	-7,517	-8	0	-1,120	-8,644
Reversions and Cancellations	-589	-30,922	0	-4,683	-36,193
Actual Expenditures	\$20,524	\$6,699	\$0	\$15,431	\$42,654
Fiscal 2010					
Legislative Appropriation	\$25,034	\$16,403	\$0	\$19,735	\$61,171
Cost Containment	-4,279	-10	0	-280	-4,569
Budget Amendments	160	1,831	0	0	1,991
Working Appropriation	\$20,915	\$18,224	\$0	\$19,455	\$58,594

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

Fiscal 2009

The fiscal 2009 legislative appropriation for DoIT was reduced by almost \$43.1 million. This reduction was derived as follows:

- Budget amendments added just under \$1.8 million to the appropriation. Specifically:
 - General fund amendments added \$120,000, representing DoIT's share of the fiscal 2009 cost-of-living adjustment (COLA).
 - Special fund budget amendments added over \$147,000, predominantly for IV&V costs as well as a small amount (less than \$7,000) representing DoIT's special fund share of the fiscal 2009 COLA.
 - Reimbursable fund budget amendments added a further \$1.5 million.
- Fiscal 2009 cost containment actions taken by the Board of Public Works (BPW) reduced the DoIT budget by over \$8.6 million.
- The most significant reduction to the legislative appropriation resulted from almost \$36.2 million in reversions and cancellations. Specifically:
 - General fund reversions of \$589,000.
 - Special fund cancellations amounted to over \$30.9 million. The major special fund cancellations were three-fold: in MITDPF (just over \$23.3 million) because projects did not proceed as anticipated; the TAM program (just over \$4 million) because expenditures were not as high as anticipated; and expenditures related to the replacement of the CCU Columbia Ultimate Business Systems (CUBS), the primary system supporting the CCU's management of funds owed to the State by delinquent debtors (just over \$3.5 million). Again, for this project, the project schedule was not as anticipated.
 - Reimbursable fund cancellations of almost \$4.7 million were spread throughout OIT.

Fiscal 2010

To date, the fiscal 2010 legislative appropriation for DoIT has been reduced by nearly \$2.6 million. This reflects:

- \$4.569 million (\$4.279 million general funds, \$10,000 special funds, \$280,000 reimbursable funds) in cost containment actions taken by the BPW in July, August, and November 2009;

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- An increase of over \$1.8 million in special fund budget amendments increasing funding for the CCU CUBS project (\$922,000) and the proposed DBM personnel system (\$909,000); and
- An increase of approximately \$160,000 in general funds to support MMIS, as authorized by budget bill language in M00Q01.02 of the fiscal 2010 budget bill.

Audit Findings

Audit Period for Last Audit:	September 1, 2005 – February 8, 2009
Issue Date:	November 2009
Number of Findings:	3
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	

Finding 1: DoIT manages firewalls to secure DoIT, DBM, Governor’s Office, and networkMaryland networks. The firewalls that were installed had deficiencies in the configurations that allowed unnecessary and insecure connections to network devices in the internal network. Also, firewall rules were not adequately configured to secure connections against the Internet or other untrusted sources. This left these networks susceptible to attack. Intrusion detection and prevention systems were not properly utilized to protect the network. DoIT agrees with the finding and has updated the firewalls and the configuration of the Governor’s Office intrusion detection and prevention systems.

Finding 2: DoIT began the audit period as a unit of DBM and was established as a separate department during the audit period. After DoIT was established, DoIT and DBM systems were not adequately segmented on the local area network. Each department’s systems were accessible to users in the other department. DoIT agrees and will split the two departmental networks. Due to budget constraints, DoIT will not be able to purchase additional equipment in fiscal 2011.

Finding 3: This relates to DoIT’s role in overseeing major IT projects. It is DoIT’s policy to conduct quarterly reviews of major IT projects. The auditor was not able to find the documentation related to these reviews. DoIT agrees and has begun to more formally document these reviews and other related activities. DoIT also requires agencies to submit systems development life cycle documents to DoIT as projects are reviewed. The auditor recommended that DoIT obtain and review documentation. DoIT does not agree with this recommendation. The department asserts that documents change frequently and “[n]o value would be garnered in DoIT becoming a repository for these documents.” DoIT also requires an IV&V for all projects. The auditor was not able to find an IV&V for all projects. DoIT agrees and now requests IV&V funding for each MITDP.

Major Information Technology Projects

Department of Information Technology Statewide Personnel System (SPS)

Project Description:	The purpose of the SPS is to obtain a commercial-off-the-shelf solution to replace the State's legacy personnel systems. The project will include such modules as benefits administration, timekeeping, recruiting, performance management, and employee self service. This replaces a system that was developed in 1975.							
Project Business Goals:	The system should modernize an antiquated legacy system, enable automated personnel-related reporting and business analysis, provide centralized data management, reduce administrative redundancies, and provide web-based employee self-service. A successful system will provide faster processing times, increased efficiencies, and improved reporting capabilities.							
Estimated Total Project Cost:	\$10,500,000				New/Ongoing Project:	Ongoing		
Project Start Date:	January 2008, initial project start date was identified as April 2006.			Projected Completion Date:	December 2013. The initial project completion date was identified as December 2008.			
Schedule Status:	The project planning, including risk management and project plans, has been completed. To reduce the risks associated with the project, the Department of Information Technology (DoIT) has separated the procurement of software from the procurement of the software integrator. Software is expected to be approved by the Board of Public Works in March 2010. The integrator should be procured in December 2011. The software will be purchased when the design is under way in fiscal 2012. The system should be implemented in fiscal 2014.							
Cost Status:	The original cost estimate, which was prepared by a contractor a few years ago, projected a \$10.5 million cost. As the project moved through system development and planning, DoIT determined that the project cost is likely to total \$20.0 to \$30.0 million. This change does not reflect a change in scope, it is attributable to a more detailed planning.							
Project Management Oversight Status:	Because DoIT is the implementing and oversight agency, this project poses some unique challenges. To allow project management and oversight, the department will have project managers that are contractors assigned to the project and funded by the Major Information Technology Development Project Fund. DoIT will assign oversight project managers that are not stakeholders or project team managers.							
Identifiable Risks:	The major risk is the availability of funding. Other high risk concerns include the organizational culture (the current system has been in place for more than 30 years) and the availability of staff with the skills necessary to manage the system when it is implemented.							
Fiscal Year Funding (000)	Prior Years	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Balance to Complete	Total
Personnel Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Professional and Outside Services	1,142	2,069	6,905	339	45	0.0	0.0	10,500
Other Expenditures	0	0	0	0	0	0	0	0
Total Funding	\$1,142	\$2,069	\$6,905	\$339	\$45	\$0.0	\$0.0	\$10,500

Major Information Technology Projects

Department of Information Technology Central Collection Unit (CCU) Systems Modernization

Project Description:	Replace legacy Columbia Ultimate Business System (CUBS) which is the system used to support the Central Collection Unit's activities. The project's scope has been expanded to be a single project with multiple phases. Previously, the system's modernization was to be multiple projects. This integrated approach is expected to reduce complexity, risks, and costs.							
Project Business Goals:	Provide direct support for collection activities to maximize debt collections. The CCU expects to achieve the following quantifiable goals one year after implementation: a 15-20% increase in net profits on debt accounts; a 15-20% increase of debt accounts collected; and 5-10% decrease in the cost of paper, printing and mailing.							
Estimated Total Project Cost:	\$17,487,982				New/Ongoing Project:	Ongoing		
Project Start Date:	August 2008			Projected Completion Date:	October 2012			
Schedule Status:	Project manager began in April 2009 and has developed a project plan, integrated master schedule, and financial estimates. The design and implementation task order is expected to be released in April 2010.							
Cost Status:	Costs have increased from \$4.6 million to \$17.5 million. The increase is attributable to a change in the scope of the project.							
Scope Status:	The project scope has been expanded from replacement of CUBS to a full information technology modernization of CCU operations. The effort includes a consolidation of applications, re-engineering business processes, integrating disparate systems, and implementing new technology. The project should result in the interoperability of the core application and over 20 peripheral systems. Critical success factors include increased revenues, improved operations, resolved security risks, and mitigated audit exposure.							
Project Management Oversight Status:	Because the Department of Information Technology (DoIT) is the implementing and oversight agency, this project poses some unique challenges. To allow project management and oversight, the department will have project managers that are contractors assigned to the project and funded by the Major Information Technology Development Project Fund. DoIT will assign oversight project managers that are not stakeholders or project team managers.							
Identifiable Risks:	The major risk factor is organizational culture since the current system has been in place for over 20 years.							
Additional Comments:	none							
Fiscal Year Funding (000)	Prior Years	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Balance to Complete	Total
Personnel Services	\$0	\$0	\$0	\$0	\$1,248	\$0	\$0	\$1,248
Professional and Outside Services	1,162	2,132	6,288	3,090	1,248	0	0	11,952
Other Expenditures	0	0	2,319	0	0	0	0	2,319
Total Funding	\$1,162	\$2,132	\$8,607	\$3,090	\$2,496	0	\$0	\$17,488

**Object/Fund Difference Report
Department of Information Technology**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	123.00	119.00	120.00	1.00	0.8%
02 Contractual	3.53	7.00	5.00	-2.00	-28.6%
Total Positions	126.53	126.00	125.00	-1.00	-0.8%
Objects					
01 Salaries and Wages	\$ 9,766,122	\$ 9,825,483	\$ 10,568,342	\$ 742,859	7.6%
02 Technical and Spec. Fees	147,837	412,322	286,808	-125,514	-30.4%
03 Communication	6,606,586	9,068,189	9,272,924	204,735	2.3%
04 Travel	94,800	108,300	30,784	-77,516	-71.6%
06 Fuel and Utilities	26,653	81,800	36,500	-45,300	-55.4%
07 Motor Vehicles	13,723	2,663	3,808	1,145	43.0%
08 Contractual Services	25,296,740	37,347,674	44,429,238	7,081,564	19.0%
09 Supplies and Materials	47,382	63,300	54,550	-8,750	-13.8%
10 Equipment – Replacement	460,133	307,370	141,493	-165,877	-54.0%
11 Equipment – Additional	0	1,150,000	1,386,500	236,500	20.6%
13 Fixed Charges	194,042	226,519	204,955	-21,564	-9.5%
Total Objects	\$ 42,654,018	\$ 58,593,620	\$ 66,415,902	\$ 7,822,282	13.4%
Funds					
01 General Fund	\$ 20,524,021	\$ 20,914,908	\$ 34,142,356	\$ 13,227,448	63.2%
03 Special Fund	6,698,964	18,224,136	9,695,992	-8,528,144	-46.8%
09 Reimbursable Fund	15,431,033	19,454,576	22,577,554	3,122,978	16.1%
Total Funds	\$ 42,654,018	\$ 58,593,620	\$ 66,415,902	\$ 7,822,282	13.4%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
Department of Information Technology**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
0A Major IT Development Project Fund	\$ 8,043,407	\$ 14,014,725	\$ 22,161,244	\$ 8,146,519	58.1%
0B Office of Information Technology	34,610,611	44,578,895	44,254,658	-324,237	-0.7%
Total Expenditures	\$ 42,654,018	\$ 58,593,620	\$ 66,415,902	\$ 7,822,282	13.4%
General Fund	\$ 20,524,021	\$ 20,914,908	\$ 34,142,356	\$ 13,227,448	63.2%
Special Fund	6,698,964	18,224,136	9,695,992	-8,528,144	-46.8%
Total Appropriations	\$ 27,222,985	\$ 39,139,044	\$ 43,838,348	\$ 4,699,304	12.0%
Reimbursable Fund	\$ 15,431,033	\$ 19,454,576	\$ 22,577,554	\$ 3,122,978	16.1%
Total Funds	\$ 42,654,018	\$ 58,593,620	\$ 66,415,902	\$ 7,822,282	13.4%

Note: The fiscal 2010 appropriation does not include deficiencies.