

N00A01
Administration
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$93,640	\$94,172	\$98,556	\$4,384	4.7%
Deficiencies and Reductions	0	0	-141	-141	
Adjusted General Fund	\$93,640	\$94,172	\$98,415	\$4,243	4.5%
Special Fund	4,057	4,007	4,126	119	3.0%
Deficiencies and Reductions	0	0	-2	-2	
Adjusted Special Fund	\$4,057	\$4,007	\$4,124	\$116	2.9%
Federal Fund	78,958	75,986	73,496	-2,490	-3.3%
Deficiencies and Reductions	0	0	-87	-87	
Adjusted Federal Fund	\$78,958	\$75,986	\$73,409	-\$2,577	-3.4%
Reimbursable Fund	95	569	0	-569	-100.0%
Adjusted Reimbursable Fund	\$95	\$569	\$0	-\$569	-100.0%
Adjusted Grand Total	\$176,750	\$174,734	\$175,947	\$1,213	0.7%

- The fiscal 2017 allowance of the Department of Human Resources (DHR) Administration increases by \$1.2 million, or 0.7%, compared to the fiscal 2016 working appropriation. Increases of \$4.2 million in general funds and \$116,445 in special funds were partially offset by a decrease of \$2.6 million in federal funds and \$569,486 in reimbursable funds.
- A large increase (\$1.5 million) in general funds in the Office of Technology for Human Services (OTHS) is due to a contract for operations and maintenance of the Enterprise Content Management System.

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

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Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	861.00	846.00	831.00	-15.00
Contractual FTEs	<u>28.61</u>	<u>2.90</u>	<u>2.90</u>	<u>0.00</u>
Total Personnel	889.61	848.90	833.90	-15.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	58.09	6.99%
Positions and Percentage Vacant as of 12/31/15	70.00	8.27%

- The fiscal 2017 allowance abolishes 15.0 vacant regular positions in DHR Administration. The large majority (13.0) of the positions are located in OTHS. Of the remaining 2.0 abolished positions, 1.0 is located in the Division of Budget Finance and Personnel and 1.0 is located in the Carroll County Department of Social Services.
- Turnover expectancy in DHR Administration decreases from 8.02% to 6.99% in fiscal 2017.
- As of December 31, 2015, DHR Administration has a vacancy rate of 8.27%, or 70.0 positions. After accounting for the 15.0 abolished positions, the vacancy rate would be 6.6%. To meet the turnover expectancy of 6.99%, DHR Administration needs to maintain 58.09 vacant positions, which is 3.09 positions more than the current vacancies after adjusting for the abolitions.

Analysis in Brief

Major Trends

DHR Continues to Struggle with Procurement Goals: DHR failed to meet goals related to the percent of procurement contract dollars with minority business enterprises and the percent of contracts for which the date received by the Procurement Division is within the established guidelines for the number of days required to process the contract.

Out-of-home Placement Reviews Increase: Out-of-home placement case reviews increased in fiscal 2015.

DHR Fails to Meet Goals in Two of Three Areas of Services Provided to Children in Out-of-home Placement Reviews: In its Managing for Results (MFR) submission for the Citizen’s Review Board for Children (CRBC), DHR reports on several measures of outcomes that are captured in the out-of-home placement reviews. While these measures do not reflect the work of CRBC, the measures reflect the services provided by the local departments of social services. In fiscal 2015, the department did not meet its goals for the percent of children receiving appropriate physical and mental health services and the percent of children with a permanent connection identified.

DHR Fails to Include Earned Income Tax Credit Performance Measures in Managing for Results Submission: Narrative in the 2015 *Joint Chairmen’s Report* requested DHR to include goals, objectives, and performance measures related to the State Earned Income Tax Credit (EITC) in its fiscal 2017 MFR. The fiscal 2017 MFR submissions do not include measures related to EITC.

Recommended Actions

1. Add budget language restricting general funds until corrective actions related to repeat audit findings are completed.
2. Add budget bill language restricting general funds in the Maryland Legal Services Program to that purpose.

Updates

Status of Corrective Actions for Audit Findings: In June 2014, the Office of Legislative Audits (OLA) released a fiscal compliance audit for the Office of the Secretary in DHR covering most of the administrative operations of the agency. The audit covered the period from November 17, 2009, to August 12, 2012. Of the nine findings contained in the audit, four were repeated from the previous audit. As of this writing, OLA has not submitted certification regarding the Office of the Secretary’s

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correction of its repeat audit findings in response to this language. As a result, the funds continue to be withheld.

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Administration
Department of Human Resources

Operating Budget Analysis

Program Description

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

- Office of the Secretary;
- Operations Office;
- Office of Technology for Human Services (OTHS); and
- Local General Administration.

The key goal of DHR Administration is to be recognized as a national leader among human service agencies.

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 offices of the Attorney General, chief of staff, and deputy secretaries; communications; employment and program equity; inspector general; planning and performance; and government, corporate, and community affairs. Other programs contained within the Office of the Secretary are:

- the Citizen's Review Board for Children (CRBC);
- the Maryland Commission for Women; and
- the Maryland Legal Services Program.

Operations Office

The Operations Office consists of two divisions. The Division of Budget, Finance, and Personnel (DBFP) supports the programs of other units in the department through the management and control of fiscal and personnel systems. The Division of Administrative Services provides key administrative services including fleet management, records management, and risk management to DHR, as well as disaster relief and emergency response throughout the State.

Office of Technology and Human Services

OTHS is responsible for the overall management and direction of DHR information systems. This includes responsibility for computer applications and systems; computer and communication equipment; computer peripheral equipment; ancillary facility and support equipment; and consumables and supplies. OTHS is responsible for the development and administration of DHR information technology (IT) systems including:

- the Child Support Enforcement System;
- the Client Automated Resource and Eligibility System (CARES);
- the Maryland Children’s Electronic Social Services Information Exchange (known as MD CHESSIE);
- the Office of Home Energy Programs data system; and
- WORKS, the computer system for the Work Opportunities Program.

Local General Administration

Local departments of social services (LDSS) are situated in each county and Baltimore City; the administrative budgets of each LDSS are combined into the Local General Administrative (LGA) unit for the purposes of the State budget. LGA 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.

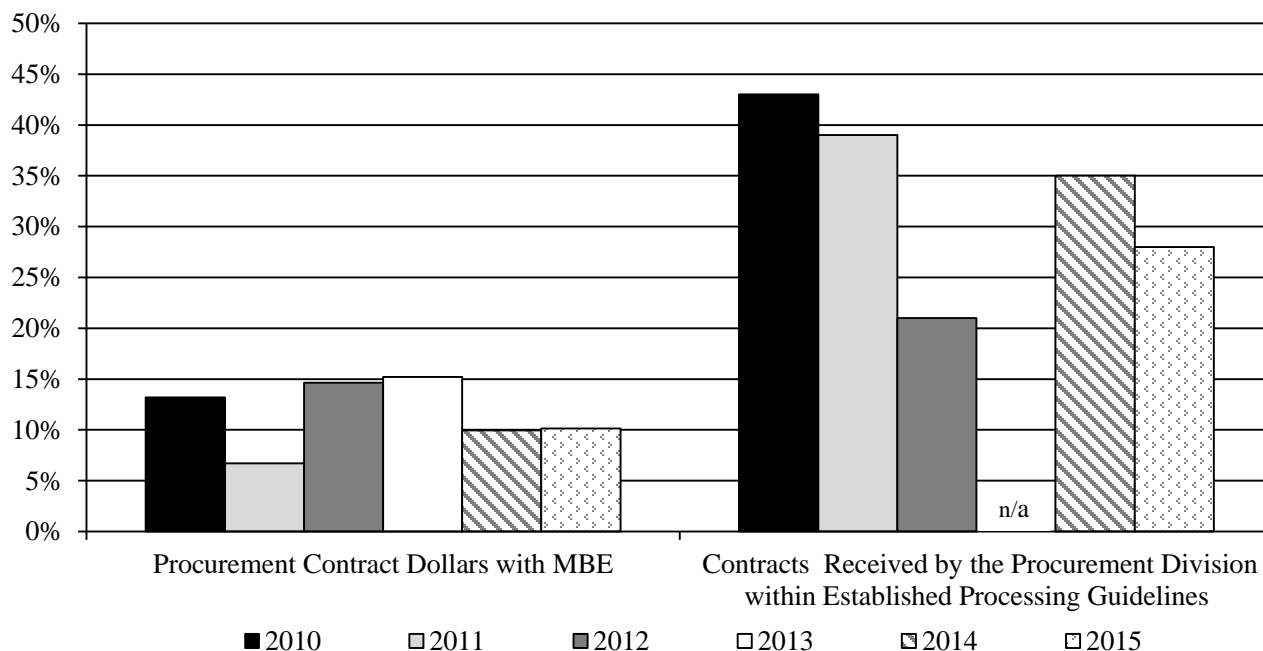
Performance Analysis: Managing for Results

1. DHR Continues to Struggle with Procurement Goals

The DHR goal for the Office of the Secretary is to comply with statewide requirements for agency performance. One of the measures for this goal is the percentage of procurement dollars with Minority Business Enterprises (MBE). Chapter 154 of 2012 eliminated the statewide 25% MBE goal instead requiring the Special Secretary of Minority Affairs, in consultation with the Office of the Attorney General and the Secretary of Transportation, to establish a percentage goal on a biennial basis and apply the previous year’s goal for any year that a percentage goal is not established. The 25% goal remained in effect through fiscal 2013. The goal in fiscal 2014 and 2015, however, is 29%.

As shown in **Exhibit 1**, DHR failed to meet either the new 29.0% goal or the old 25.0% MBE goal in all recent years. After performance improved slightly in fiscal 2013 (increasing from 14.7% to 15.2%), the percentage of procurement dollars with MBEs decreased to 10.0% in fiscal 2014 and increased slightly in fiscal 2015 to 10.15%. In an effort to increase the percentage of procurement contract dollars awarded to MBEs, the DHR Office of Performance Management held a strategic planning session focused on better planning for MBE subcontracting opportunities; coordinating resources, training, and information; and filling a key position that will build stronger relationships with MBEs and the small business community.

**Exhibit 1
Procurement – Various Data
Fiscal 2010-2015**



MBE: Minority Business Enterprise

n/a: not applicable

Note: The Department of Human Resources did not include the percent of contracts received within established guidelines in the 2014 Managing for Results submissions.

Source: Department of Human Resources; Governor’s Budget Books

DHR has set a goal of having 50% of contracts received by the Procurement Division from other divisions of DHR within established processing guidelines, which is a key step in the achievement of a timely contract award. DHR performance for this measure increased significantly in fiscal 2014.

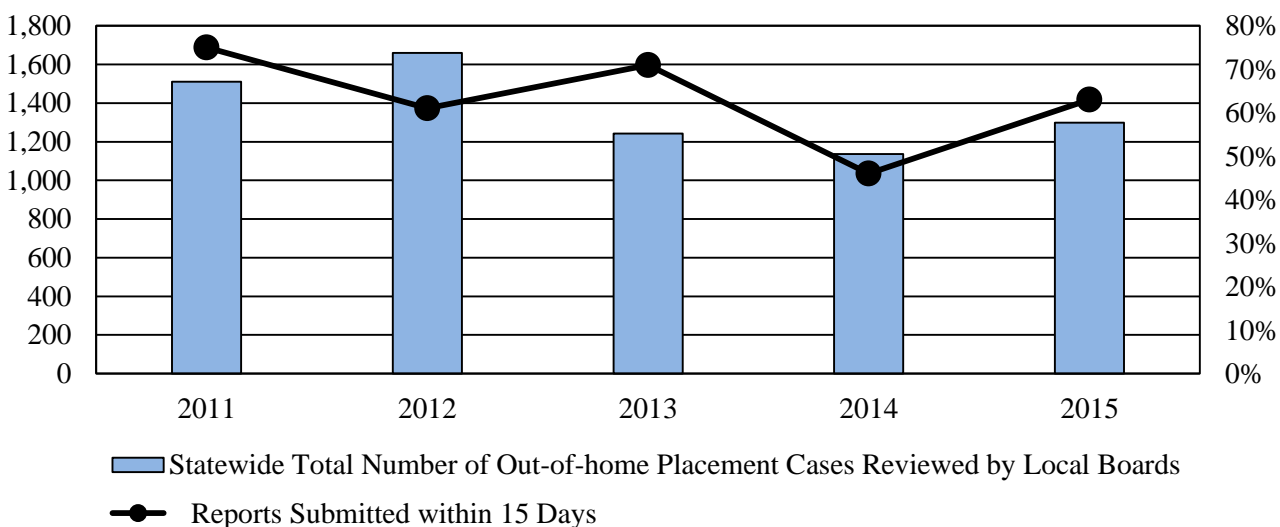
However, as shown in Exhibit 1, in fiscal 2015, performance for this measure decreased from 35% to 28%.

2. Out-of-home Placement Reviews Increase

CRBC trains local volunteer boards to aid in child protection efforts. The local boards have a goal to submit 75% of reports on case reviews within 15 days of the review. In fiscal 2015, the number of out-of-home placement review cases reviewed by local boards increased after large decreases in the previous two years. The percent of reports on case reviews submitted within 15 days of the review rose substantially, but still fell short of the 75% goal.

Exhibit 2 presents data on the number of out-of-home placement cases reviewed by local boards. The number of out-of-home placement cases reviewed increased by 14.3% in fiscal 2015 after large decreases in the two previous years. The decreases in previous years were largely due to staff vacancies in positions that impact the scheduling of reviews and other functions, and a decrease in volunteers. In the previous year, DHR indicated that CRBC planned to hire a volunteer recruitment coordinator to increase volunteers statewide. The volunteer recruitment coordinator position was posted and a suitable candidate was not found. **DHR should comment on its progress in filling the volunteer recruitment coordinator position and on the number of volunteers necessary.**

Exhibit 2
Citizen’s Review Board for Children
Out-of-home Placement Reviews
Fiscal 2011-2015



Source: Department of Human Resources; Governor’s Budget Books

CRBC has a goal of submitting 75% of reports on the out-of-home placement case reviews within 15 days of the review. As also shown in Exhibit 2, after meeting the goal in fiscal 2011, the CRBC performance has been below the goal in each subsequent year. In fiscal 2015, performance in this measure rose from 46% to 63% of reports submitted within 15 days of the review, which is still below the 75% goal. DHR indicates that the substantial increase over the previous year was due to training and communication regarding the *Code of Maryland Regulations*. DHR intends to improve performance in this measure by tracking, monitoring, and reviewing processes that may impede performance.

3. DHR Fails to Meet Goals in Two of Three Areas of Services Provided to Children in Out-of-home Placement Reviews

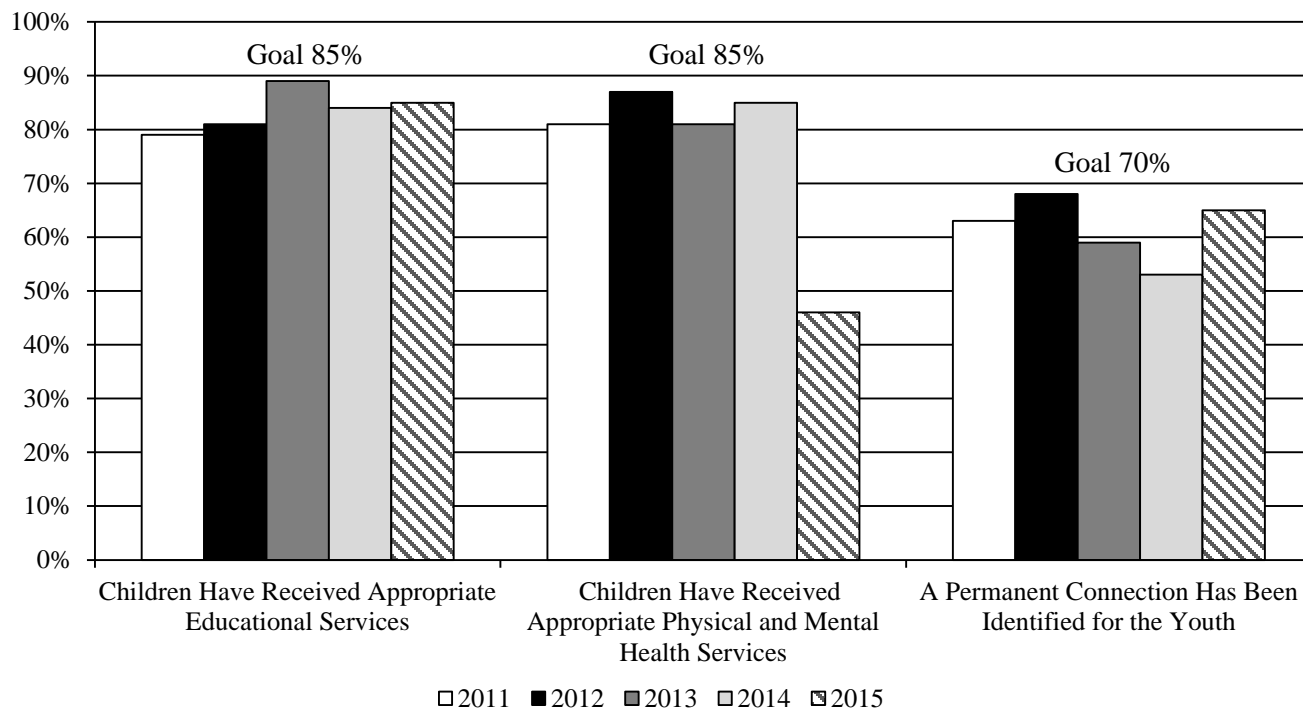
Exhibit 3 contains information on three outcome measures as determined by CRBC. While these outcome measures are not directly impacted by activities of CRBC, the measures provide a means of evaluating LDSS child welfare activities. Based on cases reviewed by CRBC, in fiscal 2015, the percent of children receiving appropriate educational services increased from 84% to 85%, meeting the performance goal. However, LDSS failed to meet the goal of 85% of children receiving appropriate physical and mental health services. The performance declined substantially from hitting the goal of 85% in fiscal 2014 to 46% in fiscal 2015. **The Secretary should comment on the decrease in children receiving appropriate physical and mental health services.**

Based on cases reviewed by CRBC, the percent of cases in which a permanent connection had been identified for the youth increased. In fiscal 2014, 53% of cases had a permanent connection identified. In fiscal 2015, 65% of cases had a permanent connection identified, 5 percentage points from the goal.

4. DHR Fails to Include Earned Income Tax Credit Performance Measures in Managing for Results Submission

Narrative in the 2015 *Joint Chairmen's Report* requested DHR to include goals, objectives, and performance measures related to the State Earned Income Tax Credit (EITC) in its fiscal 2017 Managing for Results (MFR) submission. In its budget response, DHR indicated that it would work with the Department of Budget and Management to integrate goals, objectives, and performance measures related to the program into its performance measures and would submit it with its fiscal 2017 MFR submissions. The fiscal 2017 MFR submissions did not include measures related to EITC. **The Secretary should comment on the absence of EITC goals, objectives, and performance measures in its MFR submission.**

**Exhibit 3
Citizen’s Review Board for Children
Outcomes of Reviews
Fiscal 2011-2015**



Source: Department of Human Resources; Governor’s Budget Books

Fiscal 2016 Actions

Cost Containment

DHR Administration’s general fund was reduced by \$1,392,698 with an additional reduction of \$1,165,563 in federal funds, totaling \$2,558,261. DHR realized \$839,003 of the reduction by abolishing 12 vacant positions (\$496,197 in general funds and \$342,806 in federal funds). Reductions in operating expenditures amounted to \$352,280 (\$172,809 in general funds and \$179,471 in federal funds). Reductions in the Technical Operations Support Services (TOSS) contract and the Enterprise Project Management Office contract amounted to \$1,343,291 (\$708,494 in general funds and \$634,797 in federal funds). A reduction in the Montgomery County grant amounted to \$23,683 (\$15,198 in general funds and \$8,485 in federal funds).

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2017 allowance of DHR Administration increases by \$1.2 million, or 0.7% compared to the fiscal 2016 working appropriation. An increase in general funds (\$4.2 million) and special funds (\$116,445) is partially offset by a decrease in federal funds (\$2.6 million).

Exhibit 4
Proposed Budget
DHR – Administration
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015 Actual	\$93,640	\$4,057	\$78,958	\$95	\$176,750
Fiscal 2016 Working Appropriation	94,172	4,007	75,986	569	174,734
Fiscal 2017 Allowance	<u>98,415</u>	<u>4,124</u>	<u>73,409</u>	<u>0</u>	<u>175,947</u>
Fiscal 2016-2017 Amout Change	\$4,243	\$116	-\$2,577	-\$569	\$1,213
Fiscal 2016-2017 Percent Change	4.5%	2.9%	-3.4%	-100.0%	0.7%

Where It Goes:

Personnel Expenses

Employee retirement.....	\$1,152
Employee and retiree health insurance	992
Turnover adjustment.....	704
Accrued leave payout.....	271
Other fringe benefit adjustments.....	9
Workers' compensation	-95
Social Security contributions	-150
Salaries.....	-289
Abolition of 15 positions	-1,301

Information Technology

Contract for Enterprise Content Management System Operations and Maintenance.....	1,469
Software licenses	712
Automated Financial System Major Information Technology Development Project Fund ...	337
Microsoft Office Professional software.....	315
Enterprise Project Management.....	-279
Electronic Benefits Transfers due to implementation of a new methodology for the cost per case	-284

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Where It Goes:

Laptop and computer replacement.....	-612
Decrease in Technical Operations Support Services	-1,334

Cost Allocation

Statewide Personnel System allocation	280
Department of Information Technology services allocation.....	143
Insurance coverage	143
Statewide Budget System allocation.....	136
Office of Attorney General administrative fees and Retirement administrative fees	74
Department of Budget and Management paid telecommunications	-184

Administrative Expenses

Contractual employment not related to Medicaid Rehabilitation Unit abatement.....	152
Family Food Day Care Program.....	51
Attorney fees.....	37
Motor vehicle purchase.....	-59
Baltimore County office supplies	-147
Local office rent.....	-237
Decrease in contractual employee expenses because DHR is no longer allowed to bill Medicaid for Medicaid Rehabilitative Services.....	-783
Other	-10

Total **\$1,213**

DHR: Department of Human Resources

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

Personnel

Personnel costs in DHR Administration’s allowance increase by \$1,292,459. This increase is primarily driven by employee retirement and health insurance costs. This increase is despite a decrease of \$1,301,105 due to the elimination of 15 vacant positions. Most are IT positions that were abolished following recommendation by the Department of Information Technology (DoIT). One position was transferred to another agency. However, after accounting for the abolished positions, the vacancy rate decreases from 8.27% to 6.60%. While the fiscal 2017 allowance offers some turnover relief (\$704,000), the new vacancy rate is still below budgeted turnover expectancy (6.99%) **The Secretary should comment on how DHR Administration intends to meet budgeted turnover expectancy.**

Office of Technology for Human Services

Enterprise Content Management System

The Enterprise Content Management System (ECMS) will be in the third year of operations and maintenance in fiscal 2017. ECMS is a web-based Enterprise Content Management Solution application that is used statewide to capture content of documents used to determine benefits for DHR customers. The fiscal 2017 allowance increases by \$1,469,480 for the operations and maintenance contract. DHR indicates that the increase in the contract costs is largely due to an increase in the scope of work. The new contract includes updates to software and technology, as well as the ability to integrate future ECMS expansion features. **The Secretary should explain the need to increase the scope of the contract.**

Technical Operations Support Services

Contract costs for TOSS decrease by \$1.3 million in the fiscal 2017 allowance. The contract provides staff that support DHR-wide systems. The contract began in June 2015 and ends in May 2018 with two one-year renewal options. Decreases in the contract cost in the allowance are due to structural reductions in fiscal 2016 to reflect actual costs that were carried over into fiscal 2017.

Major IT Development Projects

The Automated Financial System Replacement project will create a system used in LDSS to maintain the financial transaction history and generate checks for vendor payments, including child care and foster care providers. The existing system is written in an outdated language and, as a result, DHR indicates that it is difficult to find maintenance and support for the application. Additional information on the project goals and schedule is shown in **Appendix 2**.

In the 2015 legislative session, DHR indicated that it would complete the planning phase in November 2015. DHR completed the planning phase in mid-December 2015. The implementation phase is set to begin in March 2016, as planned in the fiscal 2017 Information Technology Project Request (ITPR).

The total estimated project cost is \$5.5 million. The ITPR submitted for fiscal 2016 calculated the total estimated project cost as \$2.2 million. DHR indicates that the \$3.3 million increase is due to now having an accurate estimate of the implementation phase costs. The fiscal 2017 allowance includes \$2.49 million for the project (half from the Major Information Technology Development Project Fund (MITDF) and half in federal funds in DHR Administration). The fiscal 2016 appropriation was \$676,500 (\$338,250 in both the MITDF and in federal funds in DHR Administration). Despite an appropriation of \$338,250 in the MITDF, DoIT transferred DHR \$569,496 in reimbursable funds for the project in fiscal 2016. The two departments state that the additional reimbursable funds are due to funds from fiscal 2014 and 2015 appropriations which were unspent. DHR indicates that it intends to increase the fiscal 2016 federal fund appropriation through a closeout amendment to uphold a 50/50 general fund and federal fund match.

Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that since the Department of Human Resources (DHR) Local Department Operations Unit has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$100,000 of this agency’s administrative appropriation may not be expended unless:

- (1) DHR has reported the corrective action taken with respect to all repeat findings on or before January 1, 2017; and
- (2) a report is submitted to the budget committees by OLA listing each repeat finding along with an assessment of the corrective action taken by DHR for each repeat finding. The budget committees shall have 45 days to review and comment to allow funds to be released prior to the end of fiscal 2017.

Explanation: The Joint Audit Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. Due to the nature of the Local Department Operation Unit audit and the volume of findings to be corrected by the Local Departments of Social Services, an alteration to the standard language is prudent. This language requires DHR to report on corrective actions and have OLA assess the corrective actions taken by DHR rather than having the actions resolved.

Information Request	Author	Due Date
Assessment of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

2. Add the following language to the general fund appropriation:

Provided that \$12,170,861 of this appropriation made for the purpose of the Maryland Legal Services Program may be expended only for that purpose. Funds not used for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

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Explanation: The language restricts the general fund appropriation of the Maryland Legal Services Program (MSLP) to that purpose and if it is not needed for that purpose requires that the funds revert to the general fund. During the fiscal 2013 closeout process, the Department of Human Resources recorded an unprovided-for payable in the MSLP. This was the second consecutive year an unprovided-for payable was recorded and the fourth since fiscal 2007. Given the important function of the MSLP, it remains necessary to ensure the program is adequately funded. Similar language has been adopted in the last three fiscal years.

Updates

1. Status of Corrective Actions for Audit Findings

In June 2014, the Office of Legislative Audits (OLA) released a fiscal compliance audit for the Office of the Secretary in DHR covering most of the administrative operations of the agency. The audit covered the period from November 17, 2009, to August 12, 2012. Of the nine findings contained in the audit, four were repeated from the previous audit. The repeated audit findings were:

- DHR did not ensure the propriety of the payments to certain legal firms;
- DHR lacked sufficient procedures and accountability over certain grants;
- DHR had not established sufficient monitoring controls over certain users' access; and
- certain DHR networks were not adequately secured.

The General Assembly adopted language withholding \$100,000 of DHR Administration's fiscal 2016 appropriation pending the correction of the repeat audit findings. To have the funds released, OLA must certify that the repeat audit findings have been corrected. OLA has until May 15, 2016, to certify the corrective actions. As of this writing, OLA has not submitted certification regarding the Office of the Secretary's correction of its repeat audit findings in response to this language. As a result, the funds continue to be withheld.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$86,522	\$4,025	\$82,174	\$0	\$172,721
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-2,200	0	0	0	-2,200
Budget Amendments	9,388	541	3,496	1,320	14,745
Reversions and Cancellations	-70	-509	-6,713	-1,225	-8,517
Actual Expenditures	\$93,640	\$4,057	\$78,958	\$95	\$176,750
Fiscal 2016					
Legislative Appropriation	\$93,171	\$3,997	\$76,664	\$0	\$173,832
Budget Amendments	1,001	10	-679	569	902
Working Appropriation	\$94,172	\$4,007	\$75,986	\$569	\$174,734

Note: The fiscal 2016 working appropriation does not include deficiencies or reversion. Numbers may not sum to total due to rounding.

Fiscal 2015

The fiscal 2015 legislative appropriation for DHR Administration increased by \$3.029 million. The appropriation decreased by \$2.2 million in general funds through two Board of Public Works cost containment actions. DHR achieved the July 2014 cost containment reduction of \$472,600 by holding positions vacant. The second cost containment action was achieved by holding positions vacant, reducing service contracts for copier equipment, reductions in OTHS contracts, and a reduction to the LDSS equipment replacement budget.

The budget increased by \$14.75 million through budget amendments. An employee cost-of-living (COLA) increase added \$574,031 (\$305,266 in general funds, \$4,922 in special funds, and \$263,843 in federal funds). The budget was decreased by \$202,222 in general funds to account for savings from the State Employee Voluntary Separation Program. An additional decrease of \$125,631 in general funds resulted from the realignment of telecommunication expenditures across State agencies.

There were also a number of amendments that added appropriations in reimbursable funds:

- \$360,000 for improvements to the automated financial system;
- \$23,111 for the purchase of radios for disaster preparedness; and
- \$937,188 for improvements to ECMS.

Two closeout amendments added funds throughout the DHR budget. These amendments increased the DHR Administration budget by just under \$13.2 million including:

- an increase of \$1,916,881 in general funds and \$29,043 in special funds in the Office of the Secretary for salaries, wages, and fringe benefits; as well as technical and special fees for contractual support staff;
- a reduction of \$45,765 in general funds in the CRBC for salaries, wages, and fringe benefits;
- a reduction of \$11,495 in general funds in the Commission for Women for salaries, wages, and fringe benefits;
- an increase of \$226,790 in general funds and \$148,482 in federal funds for critical contractual support staff in DBFP;
- an additional increase in DBFP of \$387,067 in general funds for contractual staff support and \$58,842 in special funds was for salaries, wages, and fringe benefits;

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- an increase of \$1,552,249 in federal funds and \$17,200 in special funds in the Division of Administrative Services for salaries, wages, and fringe benefits; contractual staff support; communications materials; and office improvements;
- an increase of \$3,469,134 in general funds and \$1,531,307 in federal funds in OTHS for contractual services due to increased enhancements to meet regulatory requirements; and
- an increase of \$3,444,450 in general funds and \$430,969 in special funds in LGA for salaries, wages, and fringe benefits.

DHR Administration reverted \$69,947 to the general fund, originally intended for a contract to evaluate rate-setting methodology. DHR Administration canceled \$6.71 million in federal funds: \$5.41 million due to less than anticipated expenditures on salaries and wages for various programs; \$1.2 million due to less than anticipated expenditures for the Automated Financial System and the ECMS; and \$104,324 due to less than anticipated expenditures on the Medicaid Rehabilitation Program. A \$509,000 special fund cancellation resulted from less than anticipated task order deliverables for the Electric Universal Service Program. DHR Administration also canceled \$1.225 million in reimbursable funds that were intended for a Major IT Development Project due to less than anticipated expenditures.

Fiscal 2016

To date, DHR Administration's fiscal 2016 budget has increased by \$901,545. This includes an increase of \$1,081,164 (\$584,429 in general funds, \$9,925 in special funds, and \$486,810 in federal funds) through an amendment which restored a fiscal 2016 2% cut to employee salaries. The realignment of the 2% across-the-board cost containment across all DHR programs, reduced the DHR Administration appropriation by \$749,105 (a \$416,454 increase in general funds and \$1,165,559 decrease in federal funds). DHR Administration established a reimbursable fund appropriation of \$569,486 through an amendment for the Automated Financial System Major IT project.

Major Information Technology Projects

DHR-Administration Automated Financial System

Project Status¹	Planning completed on December 17, 2015. Implementation expected to begin on March 1, 2016.	New/Ongoing Project:	Ongoing.
Project Description:	Replace the Department of Human Resources' (DHR) existing Automated Financial System (AFS), which is used by the local departments of social services (LDSS) to record financial transactions of LDSS; set up, print, and track vendor payments (including those for child care and foster care providers); and generate various financial reports. The project will lower costs of system support and maintenance because the existing system uses an outdated language. The project will also improve security and performance, as well as improve ease of use.		
Project Business Goals:	The new AFS is expected to improve ease of use, eliminate workarounds necessitated by the difficulty of updating the current system, and reduce the cost of maintenance and support of the system. The new system is also expected to consolidate financial information and reduce the time it takes to generate vendor payments. DHR indicates the new system will also allow for the system to be easier to modify and enhance as State and federal requirements change. This project also supports the goal of the agency to standardize the development environment and allow the agency to centralize hardware, functionality, and data.		
Estimated Total Project Cost¹:	\$5,474,646	Estimated Planning Project Cost¹:	\$527,819
Project Start Date:	November 3, 2014.	Projected Completion Date:	June 30, 2019 (contingent on planned implementation start date).
Schedule Status:	DHR completed the planning phase of the project on December 17, 2015. Implementation is expected to begin on March 1, 2016.		
Cost Status:	Project costs have increased from the previous year estimates to better account for the addition of estimates for the implementation phase.		
Scope Status:	The Office of Technology for Human Services has requested that the project team add to its existing scope the consolidation of legacy data systems/data repositories. The executive team is aware that consolidation of systems beyond the migration of the current AFS application may significantly increase the project's scope, cost, and time for implementation.		
Project Management Oversight Status:	The fiscal 2017 allowance includes \$117,468 for project oversight.		
Identifiable Risks:	The only high risk identified by DHR was implementation, which results from data conversion and application integration concerns. Medium risks identified by DHR were technical, organizational culture, supportability, and that consolidating existing legacy applications may introduce additional complications. If the scope increases as DHR intends in the Information Technology Project Request, this can also pose a significant risk.		

Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	1,052.7	2,490.0	1,273.7	658.3	0.0	0.0	0.0	0.0
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$1,052.7	\$2,490.0	\$1,273.7	\$658.3	\$0.0	\$0.0	\$0.0	\$5,474.6

¹ Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

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

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	861.00	846.00	831.00	-15.00	-1.8%
02 Contractual	28.61	2.90	2.90	0.00	0%
Total Positions	889.61	848.90	833.90	-15.00	-1.8%
Objects					
01 Salaries and Wages	\$ 71,464,433	\$ 70,724,692	\$ 72,247,860	\$ 1,523,168	2.2%
02 Technical and Spec. Fees	1,352,219	617,870	369,679	-248,191	-40.2%
03 Communication	8,066,186	7,782,527	7,570,267	-212,260	-2.7%
04 Travel	294,654	221,835	230,321	8,486	3.8%
06 Fuel and Utilities	455,105	528,271	474,493	-53,778	-10.2%
07 Motor Vehicles	335,088	572,139	476,564	-95,575	-16.7%
08 Contractual Services	81,911,419	78,528,542	79,643,837	1,115,295	1.4%
09 Supplies and Materials	896,236	1,325,713	1,079,756	-245,957	-18.6%
10 Equipment – Replacement	528,079	2,220,649	1,520,238	-700,411	-31.5%
11 Equipment – Additional	637,279	225,337	534,341	309,004	137.1%
12 Grants, Subsidies, and Contributions	443,774	2,065,864	2,269,649	203,785	9.9%
13 Fixed Charges	10,365,039	9,920,463	9,760,791	-159,672	-1.6%
Total Objects	\$ 176,749,511	\$ 174,733,902	\$ 176,177,796	\$ 1,443,894	0.8%
Funds					
01 General Fund	\$ 93,640,353	\$ 94,171,570	\$ 98,555,601	\$ 4,384,031	4.7%
03 Special Fund	4,056,681	4,007,334	4,126,270	118,936	3.0%
05 Federal Fund	78,957,548	75,985,502	73,495,925	-2,489,577	-3.3%
09 Reimbursable Fund	94,929	569,496	0	-569,496	-100.0%
Total Funds	\$ 176,749,511	\$ 174,733,902	\$ 176,177,796	\$ 1,443,894	0.8%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Fiscal Summary
DHR – Administration**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 Office of the Secretary	\$ 13,624,922	\$ 14,187,407	\$ 14,394,934	\$ 207,527	1.5%
02 Citizen's Review Board for Children	795,856	898,902	846,695	-52,207	-5.8%
03 Commissions	186,136	138,744	134,361	-4,383	-3.2%
04 Legal Services Program Management	13,143,596	14,067,028	14,093,626	26,598	0.2%
01 Division of Budget, Finance and Personnel	21,862,853	20,420,909	20,001,176	-419,733	-2.1%
02 Division of Administrative Services	12,122,675	10,436,367	10,656,439	220,072	2.1%
02 Major Information Technology Development Projects	148,165	907,746	1,245,000	337,254	37.2%
04 General Administration	71,970,879	70,412,546	69,546,546	-866,000	-1.2%
05 General Administration	42,894,429	43,264,253	45,259,019	1,994,766	4.6%
Total Expenditures	\$ 176,749,511	\$ 174,733,902	\$ 176,177,796	\$ 1,443,894	0.8%
General Fund	\$ 93,640,353	\$ 94,171,570	\$ 98,555,601	\$ 4,384,031	4.7%
Special Fund	4,056,681	4,007,334	4,126,270	118,936	3.0%
Federal Fund	78,957,548	75,985,502	73,495,925	-2,489,577	-3.3%
Total Appropriations	\$ 176,654,582	\$ 174,164,406	\$ 176,177,796	\$ 2,013,390	1.2%
Reimbursable Fund	\$ 94,929	\$ 569,496	\$ 0	-\$ 569,496	-100.0%
Total Funds	\$ 176,749,511	\$ 174,733,902	\$ 176,177,796	\$ 1,443,894	0.8%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.