

N00A01
Administration
Department of Human Services

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$102,767	\$94,142	\$91,103	-\$3,039	-3.2%
Adjustments	0	-615	317	932	
Adjusted General Fund	\$102,767	\$93,527	\$91,420	-\$2,107	-2.3%
Special Fund	3,378	4,421	3,924	-497	-11.2%
Adjustments	0	-10	6	16	
Adjusted Special Fund	\$3,378	\$4,411	\$3,929	-\$482	-10.9%
Federal Fund	78,548	138,668	132,443	-6,226	-4.5%
Adjustments	0	-422	216	638	
Adjusted Federal Fund	\$78,548	\$138,247	\$132,659	-\$5,588	-4.0%
Reimbursable Fund	2,110	11,384	0	-11,384	-100.0%
Adjustments	0	0	0	0	
Adjusted Reimbursable Fund	\$2,110	\$11,384	\$0	-\$11,384	-100.0%
Adjusted Grand Total	\$186,803	\$247,569	\$228,008	-\$19,561	-7.9%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The fiscal 2019 adjusted allowance of the Department of Human Services (DHS) Administration decreases by approximately \$19.56 million, or 7.9%, compared to the fiscal 2018 working appropriation.
- Large decreases of \$3.08 million in federal funds and \$11.38 million in reimbursable funds in the fiscal 2019 allowance are due to the Maryland Total Human-services Information Network (MD THINK) major information technology (IT) project and \$5.5 million are due to savings in development and maintenance of legacy IT systems due to replacement by MD THINK.

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

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Personnel Data

	<u>FY 17 Actual</u>	<u>FY 18 Working</u>	<u>FY 19 Allowance</u>	<u>FY 18-19 Change</u>
Regular Positions	823.35	817.73	799.23	-18.50
Contractual FTEs	<u>33.79</u>	<u>3.40</u>	<u>3.40</u>	<u>0.00</u>
Total Personnel	857.14	821.13	802.63	-18.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	56.43	7.07%
Positions and Percentage Vacant as of 12/31/17	73.00	8.93%

- The fiscal 2019 allowance abolishes 19.5 vacant regular positions in DHS Administration. The majority (10.5) of the positions are located in the Local General Administration (Anne Arundel, Frederick, Prince George's, and Wicomico counties, and Baltimore City). Of the remaining 9.0 abolished positions, 2.0 are located in the Office of the Secretary, 1.0 is located in the Maryland Legal Services Program, 2.0 are located in the Operations Office, and 4.0 are located in the Office of Technology for Human Services.
- The Maryland Legal Services Program gained 1.0 position that was transferred from the Office of Grants Management within DHS.
- As of December 31, 2017, DHS Administration has a vacancy rate of 8.93%, or 73.0 positions. To meet the turnover expectancy of 7.07%, DHS Administration needs to maintain 56.43 vacant positions.

Analysis in Brief

Major Trends

DHS Continues to Struggle with Procurement Goals: DHS failed to meet goals related to the percentage of procurement contract dollars with minority business enterprises. However, DHS did meet its goal that 50% of contracts are received by the Procurement Division within the established guidelines for the number of days required to process the contract.

DHS Continues to Meet Goal on Timeliness of Out-of-home Placement Reviews: The Citizen's Review Board for Children (CRBC) trains local volunteer boards to aid in child protection efforts. The local boards have a goal to submit 80% of reports on case reviews within 15 days of the review. DHS increased the goal from 75% in fiscal 2016 and met the increased goal in fiscal 2017.

DHS Fails to Meet Goal in One of Three Areas of Services Provided to Children in Out-of-home Placement Reviews: In its Managing for Results (MFR) submission for CRBC, DHS 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 2017, the department did not meet its goal for the percentage of children receiving appropriate physical and mental health services.

Performance Measures for the State Earned Income Tax Credit: DHS has included two performance measures for the State Earned Income Tax Credit in its MFR submissions.

Issues

DHS Office of the Secretary Audit: In September 2017, the Office of Legislative Audits released a fiscal compliance audit for the Office of the Secretary in DHS covering most of the administrative operations of the agency. The audit covered the period of August 13, 2012, to August 30, 2015. The audit contained 13 findings, of which 4 were repeated from the previous audit.

Operating Budget 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.
3. Adopt committee narrative to request quarterly reports on the Maryland Total Human-services Information NetworkK Project.

N00A01 – DHS – Administration

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Administration
Department of Human Services

Operating Budget Analysis

Program Description

The Department of Human Services (DHS) administers programs through a State-supervised and locally administered system. DHS 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 DHS 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 DHS. The Office of the Secretary includes the offices of the Attorney General, the chief of staff and the deputy secretaries; communications; the employment and program equity; the 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 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 DHS, as well as disaster relief and emergency response throughout the State.

Office of Technology for Human Services

OTHS is responsible for the overall management and direction of DHS 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 DHS information technology (IT) systems including:

- the Child Support Enforcement System (CSES);
- the Client Automated Resource and Eligibility System (CARES);
- the Maryland Children’s Electronic Social Services Information Exchange (MD CHESSIE);
- the Maryland Total Human-services Information NetworK (MD THINK);
- 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. The LGA unit 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.

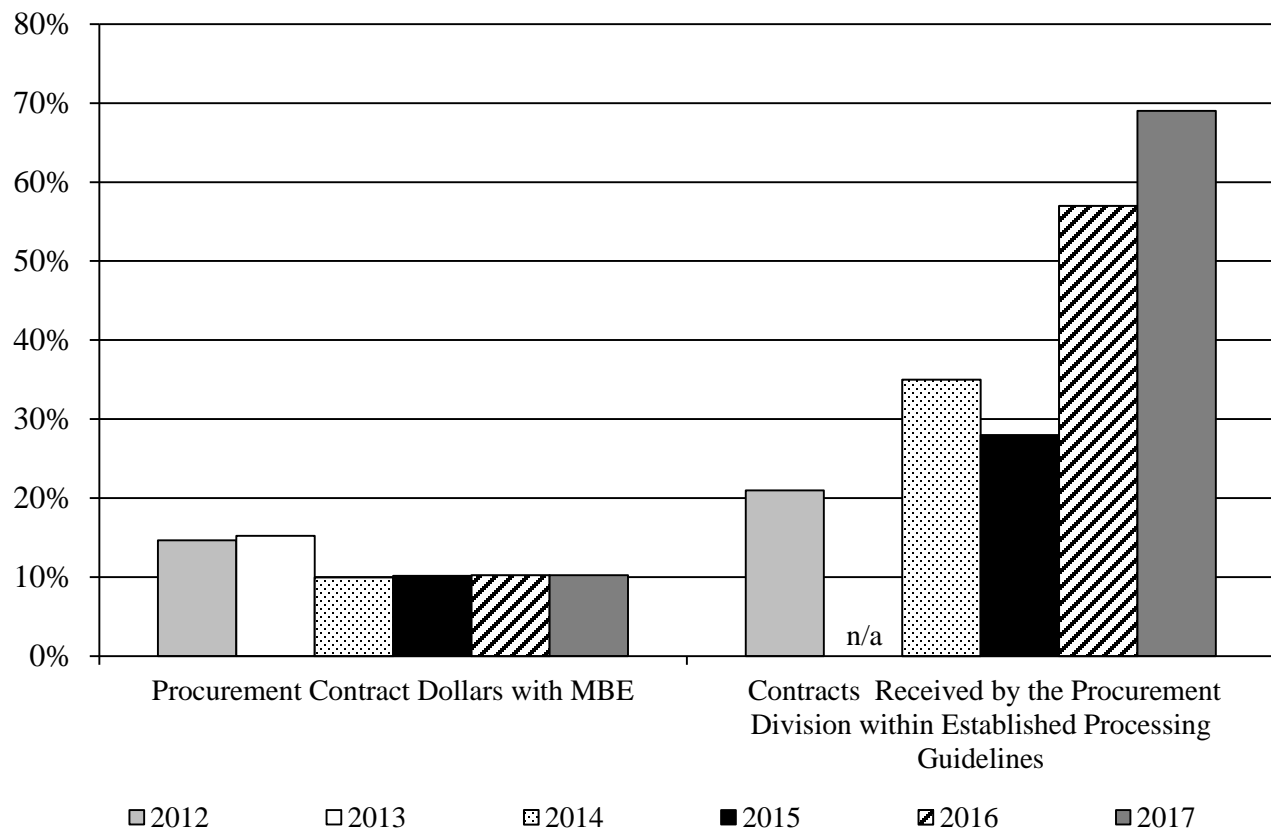
Performance Analysis: Managing for Results

1. DHS Continues to Struggle with Procurement Goals

The DHS Managing for Results (MFR) goal for the Office of the Secretary is to comply with statewide requirements for agency performance. One of the measures 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. DHS increased the goal to 29% in fiscal 2014, and it has remained at that level since then.

As shown in **Exhibit 1**, DHS failed to meet either the new 29% goal or the old 25% 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 MBE decreased to 10.0% in fiscal 2014 and has remained around that level from fiscal 2015 to 2017. Chapter 605 of 2013 changed the definition of MBE to exclude nonprofit organizations. In the 2017 legislative session budget testimony, DHS reported that many of its partners are nonprofit organizations, and this has created an obstacle to meeting the MBE goal. Additionally, DHS indicates that the nature of services and products that the department procures create unique barriers to meeting its MBE goals. To improve MBE participation, DHS is focusing on outreach to the minority business community to encourage registration with the State MBE program. **The Secretary should comment on any internal goals that DHS uses to approach the ultimate goal of 29% MBE procurement.**

Exhibit 1
Procurement – Various Data
Fiscal 2012-2017



MBE: Minority Business Enterprises

Source: Department of Human Services

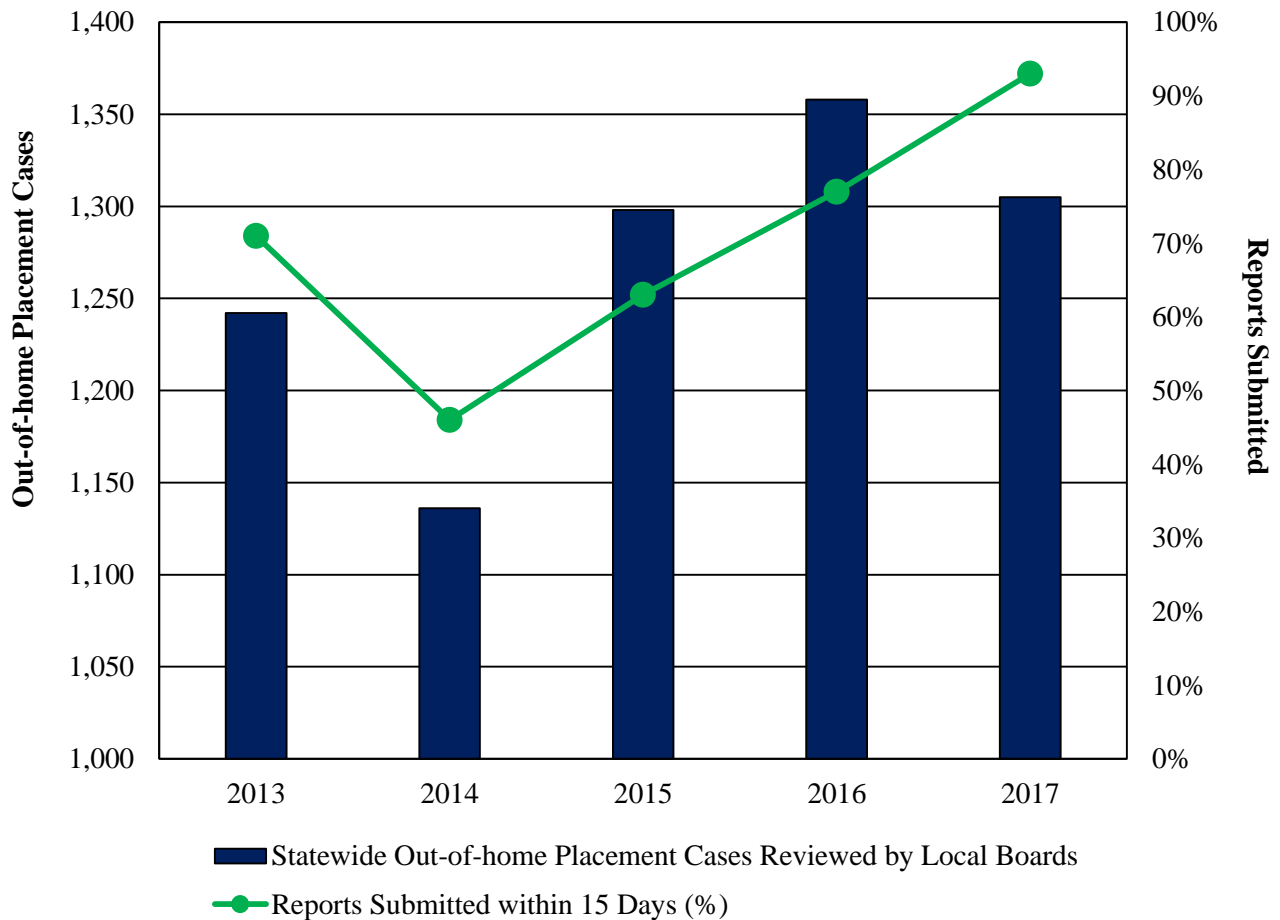
DHS has set a goal of having 50% of contracts received by the Procurement Division from other divisions of DHS within established processing guidelines, which is a key step in the achievement of a timely contract award. DHS performance for this measure increased significantly in fiscal 2016 from 28% to 57%. DHS created a procurement coordination unit that works directly with all administrations and procurement, which helped meet this goal. In fiscal 2017, DHS performance increased to 69% and met this goal for the second year.

2. DHS Continues to Meet Goal on Timeliness of Out-of-home Placement Reviews

CRBC trains local volunteer boards to aid in child protection efforts. The local boards have a goal to submit 80% of reports on case reviews within 15 days of the review. In fiscal 2016, the goal was to submit 75% of reports within 15 days of review, and DHS rose past this to 77%. For fiscal 2017, DHS increased the goal to 80% and again met it with 93%. DHS indicates that improved response times are due to staff training, the use of system-generated report templates, and improved monitoring and tracking of the post review process.

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 decreased by 3.9% in fiscal 2017. **The Secretary should explain why the number of out-of-home placement cases reviewed by local boards decreased between fiscal 2016 and 2017.**

Exhibit 2
Citizen’s Review Board for Children
Out-of-home Placement Reviews
Fiscal 2013-2017



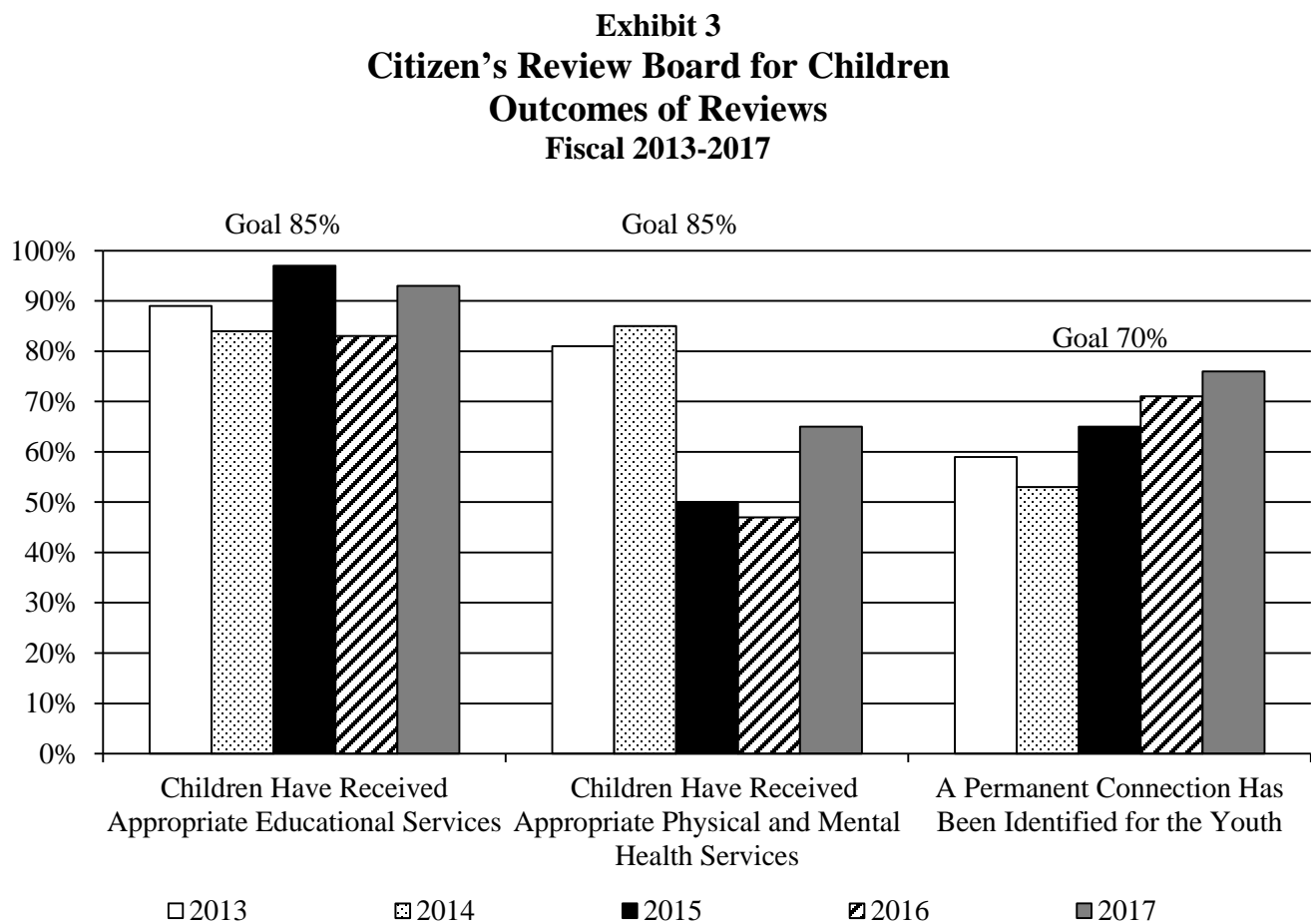
Source: Department of Human Services

In the 2017 legislative session budget testimony, DHS reported that local review boards were combined in Baltimore City, Montgomery County, and Prince George’s County. This change took effect on January 1, 2017, and reduced the number of local review boards to 35. The State board reduced the number of members required on boards in areas with a critical need for members from seven to five, with two alternates. Currently, 10 boards have critical need, and to fill all 35 local review boards, CRBC should have a minimum of 225 volunteers and a maximum of 245 volunteers. DHS reports that there are currently 150 Governor-appointed volunteer members. **The Secretary should comment on what is considered critical need, what DHS is doing to fill all 35 boards, and whether the State board plans to combine more local review boards.**

3. DHS Fails to Meet Goal in One 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. In fiscal 2017, based on cases reviewed by CRBC, the percentage of children receiving appropriate educational services increased from 83% to 93%, meeting the performance goal. DHS previously reported 85% of children receiving appropriate educational services in fiscal 2015 but adjusted the value to 97% in the fiscal 2019 MFR submission. **The Secretary should explain why the fiscal 2015 performance measure changed and describe how this measure is calculated.**

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. In fiscal 2017, this measure rose by 18% to 65%, still well below the goal.



Source: Department of Human Services

Based on cases reviewed by CRBC, the percentage of cases in which a permanent connection had been identified for the youth continued to meet the 70% performance goal. In fiscal 2016, 71% of cases had a permanent connection identified. In fiscal 2017, 76% of cases had a permanent connection identified. **The Secretary should explain how the department intends to meet the goal of 85% of children receiving appropriate physical and mental health services and whether there are plans to increase the targets for the other two goals.**

4. Performance Measures for the State Earned Income Tax Credit

Narrative in the 2015 *Joint Chairmen's Report* requested DHS include goals, objectives, and performance measures related to the State Earned Income Tax Credit (EITC) in its fiscal 2017 MFR submission. The department did not submit those goals, objectives, and measures. In fiscal 2017 legislative session budget testimony, DHS indicated that it would work with the Department of Budget and Management (DBM) to integrate goals, objectives, and performance measures related to the program into its performance measures and would submit it with its fiscal 2018 MFR submission. The fiscal 2018 MFR submission also did not include measures related to the EITC. In the fiscal 2018 budget, \$50,000 was withheld from the DHS appropriation pending the inclusion of EITC performance measures in the fiscal 2019 MFR submission.

The fiscal 2019 MFR submission includes the following performance measures related to the EITC: total count of households receiving Family Investment Administration (FIA) benefits that are provided outreach materials on the EITC and estimated count of households receiving FIA benefits that are potentially eligible for the EITC. DHS found that 741,306 households receiving FIA benefits were potentially eligible in fiscal 2017, with an estimate of 700,000 households in fiscal 2018 and 2019. DHS estimated that 440,000 households receiving FIA benefits will be provided outreach materials in fiscal 2018 and 2019. However, no goals or objectives related to the EITC were included in the MFR submission. **The Secretary should comment on the absence of EITC goals and objectives and provide an update on the implementation of its EITC promotion campaign. The Secretary should also discuss whether households receiving outreach materials participate in the EITC program in the following year.**

Fiscal 2018 Actions

Cost Containment

The DHS Administration budget was reduced by \$2.02 million in general funds in the cost containment actions approved at the September 6, 2017 Board of Public Works (BPW) meeting. Of this, approximately \$1.5 million was originally intended for development and maintenance of legacy IT systems. An additional \$1.99 million in federal funds is also expected to be canceled at the close of the fiscal year, consistent with this action taken by BPW. The DHS Administration budget was reduced by \$523,187 in salary savings related to higher than anticipated vacancy rates.

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency's share of this reduction is \$615,251 in general funds, \$10,218 in special funds, and \$421,786 in federal funds.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2019 adjusted allowance of DHS Administration decreases by approximately \$19.56 million, or 7.9%, compared to the fiscal 2018 working appropriation. This change is driven by decreases of \$14.5 million related to MD THINK and \$5.5 million due to savings in development and maintenance of legacy IT systems due to replacement by MD THINK.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2017 Actual	\$102,767	\$3,378	\$78,548	\$2,110	\$186,803
Fiscal 2018 Working Appropriation	93,527	4,411	138,247	11,384	247,569
Fiscal 2019 Allowance	<u>91,420</u>	<u>3,929</u>	<u>132,659</u>	<u>0</u>	<u>228,008</u>
Fiscal 2018-2019 Amount Change	-\$2,107	-\$482	-\$5,588	-\$11,384	-\$19,561
Fiscal 2018-2019 Percent Change	-2.3%	-10.9%	-4.0%	-100.0%	-7.9%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance, primarily the impact of fiscal 2018 health deduction holidays	\$1,390
Turnover adjustments and funds to offset fiscal 2018 salary savings	730
General salary increase	538
New position, 1.0 FTE in the Maryland Legal Services Program	67
Accrued leave payout	62
Other fringe benefit adjustments	-13
Employee retirement	-152
Salaries, including savings from budgeting vacant positions at base salaries	-669
Abolished positions, 19.5 FTE	-1,319

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Where It Goes:

Information Technology

Statewide Voice Over Internet Protocol migration MITDP	1,597
Automated Financial System MITDP	163
Savings primarily related to development and maintenance of IT legacy systems primarily due to MD THINK replacement	-5,460
MD THINK MITDP	-14,465

Cost Allocation

Rent paid to Department of General Services for Saratoga State Center	247
Retirement administrative fee.....	154
Insurance coverage	83
Department of Information Technology services allocation	-71
Annapolis Data Center charges	-216
State Personnel System.....	-395

Administrative Expenses

Telephone to align with recent experience	-244
Purchase of care services, mainly in Frederick and Cecil County Department of Social Services.....	-254
Postage and printing to align with recent experience	-454
Software licenses, mainly due to IRS audit requirements and Microsoft Office updates.....	-764
Other	-116

Total	-\$19,561
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DHS: Department of Human Services

FTE: full-time equivalent

IRS: Internal Revenue Service

IT: information technology

MD THINK: Maryland Total Human-services Information NetworkK

MITDP: Major Information Technology Development Project

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

Personnel

Personnel expenditures in DHS Administration have a net increase of \$647,656 from the fiscal 2018 working appropriation. The most significant changes are to employee and retiree health insurance costs, which increase by \$1.4 million, primarily due to the impact of the fiscal 2018 health insurance payroll holidays. There is also a \$1.32 million reduction related to abolishing 19.5 vacant positions. All of the abolished positions have been vacant for a minimum of six months.

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in DBM's statewide program and will be distributed to agencies during the fiscal year. This agency's share of the general salary increase is \$316,822 in general funds, \$5,509 in special funds, and \$215,890 in federal funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

Major IT Development Projects

Maryland Total Human-services Information Network

DHS is seeking to create a shared human services platform called MD THINK. MD THINK will replace all of DHS's legacy IT systems and integrate them with the human services systems at the Department of Juvenile Services, the Maryland Health Benefit Exchange, and the Maryland Department of Health. This is a shift from program-centric systems to a client-centric platform.

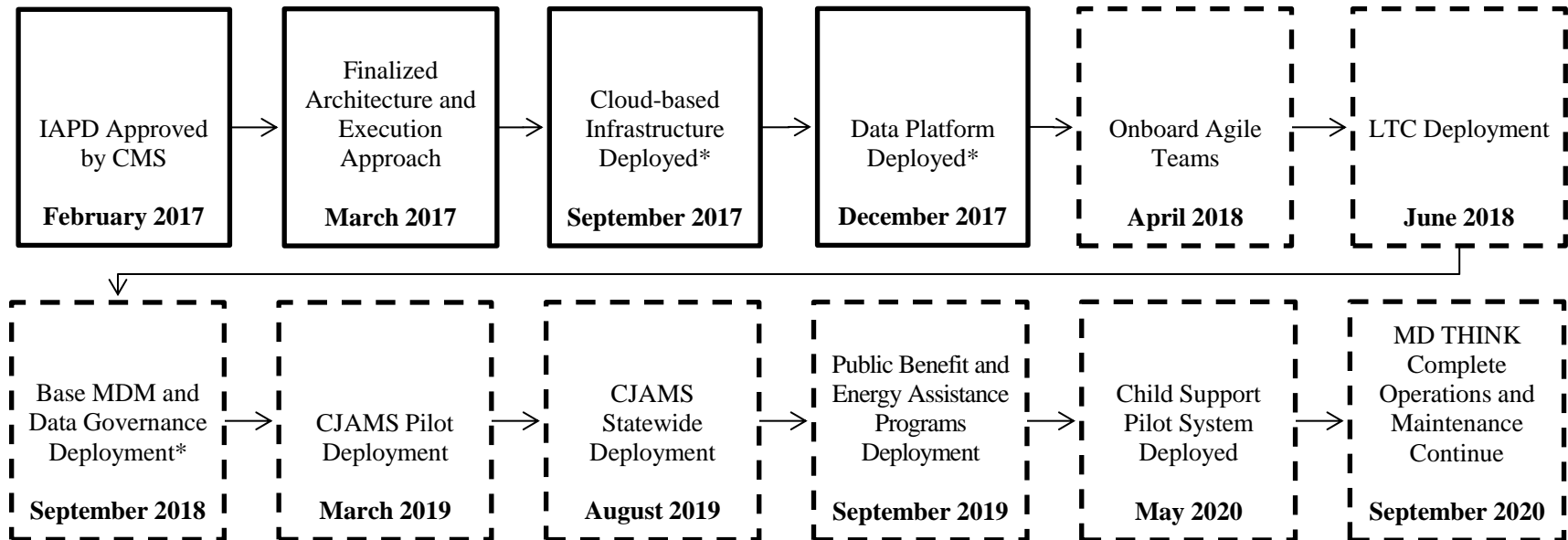
MD THINK will include a cloud-based shared infrastructure, provided by Amazon Web Services, and a data repository. This allows for a modular approach to systems in which an agency can develop an application that is much more adaptable to changing requirements.

According to the fiscal 2019 budget books, the total estimated project cost is \$258.51 million. The estimated project cost increased from fiscal 2018 by \$5.25 million, or 2.07%. The fiscal 2019 allowance includes \$80.37 million for the project (\$18.2 million in general funds in the Major Information Technology Development Project Fund (MITDPF) and \$62.1 million in federal funds in DHS Administration), an increase of \$3.13 million (or 4.1%) compared to the fiscal 2018 working appropriation. It should be noted that the current fiscal 2018 working appropriation (\$76.7 million) is lower than the amount DHS projects to spend in fiscal 2018. DHS projects fiscal 2018 spending will total \$82.8 million. The remaining funding is available from general funds appropriated into the MITDPF in fiscal 2017 but not needed at that time and additional federal funds.

The total estimated cost to build the platform infrastructure and data repository is \$195.3 million with a federal/general fund split of 90%/10%. MD THINK receives federal funding participation for development and design from the Centers for Medicare and Medicaid Services through an A-87 Cost Allocation Waiver that expires in December 2018. This project receives a 75% reimbursement in federal funds for maintenance and ongoing operations.

The project was set to begin in fiscal 2017 with the inclusion of approximately \$13.78 million in general funds in the Department of Information Technology (DoIT) budget. After a slight delay, DHS received an approved federal Implementation Advanced Planning Document in February 2017, and the project began in April 2017. DHS indicates that the MD THINK platform is still expected to be implemented in December 2018. DHS also reports that the overall completion of replacing and integrating the human services systems is slated for December 2020. A detailed timeline of completed and projected events can be found in **Exhibit 5**.

Exhibit 5 MD THINK Major Events Calendar 2017-2020



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IAPD: Implementation Advanced Planning Document

LTC: Long Term Care system

CJAMS: Child, Juvenile, and Adult Management System, replacement for Children Electronic Social Services Information Exchange (CHESSIE)

CMS: Centers for Medicare and Medicaid Services

MDM: Master Data Management

MD THINK: Maryland Total Human-services Information Network

Note: Dashed line denotes projected events. Starred item denotes event that utilizes funding impacted by the A-87 waiver.

Source: Department of Human Services

Issues and Risks: Exhibit 6 presents information on the goals, cost, and status of MD THINK. In the fiscal 2019 Information Technology Project Report, DHS identifies medium- and low-level risks and does not identify any high-level risks. The following areas could reasonably be considered high-level risks:

- **Funding** – is a high-level risk due to the cost of the project and the expiration date for development costs. This is estimated to be one of the most costly major IT projects in Maryland’s history. DHS secured a large portion of the federal funds through the federal A-87 waiver program, which requires that all development costs for the platform must be expended by December 2018. MD THINK uses a new agile methodology for completing the project, but historically the State’s procurement and development process has not typically lent itself to rapid implementation of major IT projects of this magnitude.
- **Interdependencies** – are a high-level risk due to the scope of the project. MD THINK involves multiple agencies replacing their own legacy IT systems to be integrated into a central platform and data repository. A goal of the program is to keep an updated record of constituents’ information, and technical or reporting accuracy issues in one program would then be consolidated with other systems.
- **Data Security** – and governance also pose a high-level risk. DHS legacy systems have faced security issues in the past with the most recent fiscal compliance audit for the Office of the Secretary reporting that monitoring controls over the CARES, CSES, and MD CHESSIE databases were not sufficient to properly protect these databases. While DHS reported already correcting this issue, consolidating human services systems and data across multiple agencies could intensify any data security issues.

Due to the risks inherent in a project of this magnitude, the Department of Legislative Services (DLS) recommends committee narrative requesting that DHS, in partnership with DoIT, submit quarterly reports that provide an update on the project’s status that includes the award of any federal grants, the development of the data repository, each application, adherence to timelines, performance benchmarks, and a description of defects and solutions to defects.

Automated Financial System

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, DHS 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**.

The total estimated project cost is \$13.3 million. The estimated project cost increased from fiscal 2018 by \$7.1 million, or 115%. DHS reports that the increase in cost is for data conversion, testing, and training that will occur within the first six months of fiscal 2019. The fiscal 2019 allowance includes \$2.17 million for the project (\$1.43 million in general funds in the MITDPF and \$736,615 in federal funds in DHS Administration).

Exhibit 6
Major Information Technology Project
Department of Human Services
Maryland Total Human-services Information NetworkK

Project Status	Implementation.	New/Ongoing Project:	Ongoing.
Project Description:	Maryland Total Human-services Information NetworkK (MD THINK) is an integrated shared human services platform. The Department of Human Services (DHS) legacy systems will be replaced and integrated with the human services systems of the Department of Juvenile Services, the Maryland Health Benefit Exchange, and the Maryland Department of Health to eliminate the siloed program-centric environments of the current legacy systems. This modern “client-centric” integrated platform will provide employees, partner providers, and constituents of Maryland’s social services agencies an efficient and effective platform for delivering collaborative services. A web and mobile front end will provide a central place to access any service from any participating agency. This is designed to replace legacy systems across State agencies.		
Project Business Goals:	DHS hopes to accomplish three goals with this project: <ul style="list-style-type: none"> • applications will be optimized to allow case workers to more efficiently and effectively serve the people of Maryland and allow constituents a single point of entry for a streamlined application and eligibility determination process; • DHS and other collaborative agencies will effectively share data, reducing redundant caseworker actions, and enable comprehensive analytics to help guide future strategies to more effectively serve the people of Maryland; and • systems will be much more adaptable to continually changing requirements, as per statutory, programs, user, and constituent needs. 		
Estimated Total Project Cost:	\$258,507,424	Estimated Planning Project Cost:	n/a
Project Start Date:	June 15, 2015.	Projected Completion Date:	December 31, 2020.
Schedule Status:	Due to delays in the federal approval process, the MD THINK project began in April 2017. The platform is still expected to be implemented by the A-87 waiver deadline in December 2018, with replacement and integration of human services systems completing in December 2020.		
Cost Status:	The fiscal 2019 estimated total project cost increased \$5.25 million, or 2.07%, more than the fiscal 2018 estimated total project cost.		
Scope Status:	The scope has not changed.		
Project Management Oversight Status:	The fiscal 2019 allowance includes \$900,000 for project oversight.		
Identifiable Risks:	DHS identified no high risks. Medium risks identified by DHS were objectives, funding, resource availability, interdependencies, technical, organizational culture, and implementation. Interdependencies may be high risk because the project relies on buy-in from federal and State partners. Funding and resource availability are also potential high risks because federal funds from the A-87 cost allocation waiver expire in December 2018. Additionally, this project uses the Scaled Agile Framework, a different IT development approach, which is a potential high risk.		

Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	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	97,272.7	80,367.6	42,870.0	21,562.1	16,435.0	0.0	97,014.2	258,507.4
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$97,272.7	\$80,367.6	\$42,870.0	\$21,562.1	\$16,435.0	\$0	\$97,014.2	\$258,507.4

IT: information technology

Source: Governor’s Budget Books; Department of Human Services; Department of Legislative Services

DHS completed the planning phase in mid-December 2015. The implementation phase began in March 2016. The original solicitation for proposals closed on August, 31, 2016, but there was insufficient participation, and DHS was not able to choose a vendor. Vendors indicated that the reason for low participation was restrictive contracting terms. DHS released a new Request for Proposal (RFP) in December 2016 that made the following changes: removing the minimum requirements for prior experience, including Custom Off the Shelf deployment; and considering past performance of both prime and subcontractors to count toward evaluation. The new RFP closed on March 29, 2017, and DHS is currently evaluating vendor proposals, with an anticipated award date of March 1, 2018. DHS indicates the project is expected to be completed in spring 2023, but a more accurate schedule will be finalized after a vendor is chosen. **The Secretary should explain the delay in choosing a vendor and comment on what is driving the overall increase in the estimated project cost.**

Statewide Voice Over Internet Protocol Migration

The fiscal 2019 allowance includes approximately \$1.6 million in federal funds in DHS Administration for costs related to the Statewide Voice over Internet Protocol (VOIP) migration. DoIT oversees the VOIP project, and a detailed discussion can be found in the budget analysis for DoIT.

Issues

1. DHS Office of the Secretary Audit

In September 2017, the Office of Legislative Audits (OLA) released a fiscal compliance audit for the Office of the Secretary in DHS covering most of the administrative operations of the agency. The audit covered the period of August 13, 2012, to August 30, 2015. The audit included 13 findings, of which 4 were repeated from the previous audit, as shown in **Exhibit 7**.

Exhibit 7 Audit Findings

Audit Period for Last Audit:	August 13, 2012 – August 30, 2015
Issue Date:	September 2017
Number of Findings:	13
Number of Repeat Findings:	4
% of Repeat Findings:	31%
Rating: (if applicable)	n/a

- Finding 1:** The Department of Human Services (DHS) did not effectively administer contract terms and task order activity to ensure the reasonableness of vendor proposed services and costs. Task orders totaling \$8.4 million were issued in excess of the amount authorized, without a contract modification, resulting in unfunded liabilities.
- Finding 2:** DHS canceled an information system modernization project after paying approximately \$10.1 million, including approximately \$4.8 million that was paid unnecessarily.
- Finding 3:** DHS guaranteed a minimum compensation to two of the eight legal firms awarded emergency contracts, resulting in payments of approximately \$616,000 more than if the firms were paid a per case fee.
- Finding 4:** **DHS did not have adequate procedures to ensure that payments to a legal services firm were proper and did not follow up on deficiencies with the services provided that were noted during annual site visits.**
- Finding 5:** **DHS lacked sufficient procedures and accountability over certain grants.**
- Finding 6:** DHS did not adequately monitor departmentwide user access to critical functions on the State's Financial Management Information System and did not establish adequate online controls over purchase orders.
- Finding 7:** DHS paid \$300,000 to a State university for services that were not provided.
- Finding 8:** DHS did not modify its payment rates for residential rehabilitation services, resulting in the use of State funds to cover the cost of services that are potentially eligible for federal reimbursement.

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- Finding 9:** Sensitive personally identifiable information was not properly protected by DHS.
- Finding 10:** **Monitoring controls over critical databases were not sufficient to properly protect these databases.**
- Finding 11:** Malware protection for DHS computers and Intrusion Detection Prevention System coverage for the DHS network was not sufficient to properly protect DHS computers and network.
- Finding 12:** **DHS lacked assurance that the Electronic Benefit Transfer System service provider was properly secured against operational and security risks.**
- Finding 13:** DHS did not adequately investigate payments to employees on multiple State payrolls.

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

Source: Office of Legislative Audits

The Joint Audit Committee (JAC) continues to be concerned with the number and frequency of repeat audit findings across State agencies as cited by OLA. In an effort to satisfactorily resolve these findings, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. As noted, this audit contained four repeat audit findings. **Therefore, DLS recommends withholding a portion of the department's appropriation until OLA has determined that the repeat findings have been corrected.**

Operating Budget Recommended Actions

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

, provided that since the Department of Human Services (DHS) Office of the Secretary has had four or more repeat 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) DHS has taken corrective action with respect to all repeat audit findings on or before November 1, 2018; and
- (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2019.

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 actions by the agency and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	Author	Due Date
Status 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 \$13,169,898 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.

Explanation: The language restricts the general fund appropriation of the Maryland Legal Services Program (MLSP) 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 Services recorded an unprovided-for payable in MLSP. That was the second consecutive year an unprovided-for payable was recorded and the fourth since fiscal 2007. Given the important function of MLSP, it remains necessary to ensure the program is adequately funded. Similar language has been adopted in each of the last four fiscal years.

3. Adopt the following narrative:

MD THINK Quarterly Progress Report: The Department of Human Services (DHS) is undertaking one of the largest Information Technology Projects in the history of the State, the Maryland Total Human-services Information NetworK (MD THINK). DHS should work with the Department of Information Technology (DoIT) to submit quarterly progress reports for the project. The reports should include federal fund awards that were received for the project, the status of all applications completed or in progress of being completed, an updated timeline, an updated estimate of total project costs, performance benchmarks, descriptions of any defects and solutions to defects, and a list of all partner agencies with a description of their role in the project.

For the period ending June 30, 2018, a report should be submitted by August 15, 2018. For the period ending September 30, 2018, a report should be submitted by November 15, 2018. For the period ending December 30, 2018, a report should be submitted by February 15, 2019. For the period ending March 30, 2019, a report should be submitted by May 15, 2019.

Information Request	Authors	Due Date
MD THINK quarterly progress report	DHS DoIT	August 15, 2018 November 15, 2018 February 15, 2019 May 15, 2019

Appendix 1
Current and Prior Year Budgets
Department of Human Services – Administration
(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$97,924	\$4,124	\$73,408	\$0	\$175,455
Deficiency Appropriation	1,400	0	0	0	1,400
Cost Containment	0	0	0	0	0
Budget Amendments	3,443	90	11,270	2,110	16,913
Reversions and Cancellations	0	-836	-6,129	0	-6,965
Actual Expenditures	\$102,767	\$3,378	\$78,548	\$2,110	\$186,803
Fiscal 2018					
Legislative Appropriation	\$96,293	\$4,421	\$138,668	\$0	\$239,382
Cost Containment	-2,023	0	0	0	-2,023
Budget Amendments	-127	0	0	11,384	11,257
Working Appropriation	\$94,142	\$4,421	\$138,668	\$11,384	\$248,616

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

Actual expenditures for fiscal 2017 were \$186.8 million, a net increase of \$11.3 million from the legislative appropriation.

A deficiency allocation for legal fees related to a longstanding foster care consent decree added \$1.4 million in general funds.

Budget amendments led to a net increase of \$3,443,326 in general funds, \$89,922 in special funds, \$11,269,673 in federal funds, and \$2,110,133 in reimbursable funds. An amendment added \$633,176 in general funds, \$10,831 in special funds, and \$426,060 in federal funds for centrally budgeted salary increments. The budget increased by \$3,068 (\$2,052 in general funds and \$1,016 in federal funds) through an amendment that allocates funds for the annual salary review. Two amendments established a \$689,496 reimbursable fund appropriation for the Automated Financial System Major Information Technology (IT) Project and a \$1.4 million reimbursable fund appropriation for the Maryland Total Human-services Information Network (MD THINK).

Two closeout amendments included a net increase of \$13,729,786 (\$2,808,098 in general funds, \$79,091 in special funds, and \$10,842,597 in federal funds). The amendments included the following:

- an increase of \$4,031,303 in general funds and \$24,500 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 \$227,571 in general funds, partially offset by an increase of \$56,498 in federal funds in the Citizen's Review Board for Children from salaries, wages, and fringe benefits;
- an increase of \$84,585 in general funds in the Commission for Women for salaries, wages, and fringe benefits;
- an increase of \$1,844,603 in general funds in the Legal Services Program for contractual services due to unattained Title IV-E funds for cases related to Child in Need of Assistance (CINA);
- an increase of \$628,833 in general funds and \$44,507 in special funds, and \$348,745 in federal funds in the Division of Budget, Finance, and Personnel (DBFP) for salaries, wages, and fringe benefits as well as technical and special fees for contractual support staff;
- an increase of \$913,776 in general funds and \$10,084 in special funds in the Division of Administrative Services for salaries, wages, and fringe benefits as well as technical and special fees for contractual support staff and Model Office improvements and furniture in the local departments of social services;

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- an increase of \$10,437,354 in federal funds in the Office of Technology for Human Services (OTHS) for contractual services for the Safe Governance and Cloud Storage Services contract as well as furniture for the MD THINK development center and software and hardware for the MD THINK system;
- a reduction of \$1,360,550 in general funds in OTHS from salaries, wages, and fringe benefits as well as contractual services for the Application and Maintenance contract with Xerox as a result of reduced activities in planned task orders; and
- a reduction of \$1,405,264 in general funds in Local General Administration for salaries, wages, and fringe benefits.

The Department of Human Services (DHS) Administration canceled \$836,181 in special funds: \$588,336 due to less than anticipated task order deliverables for the Office of Home Energy Program system and \$247,836 due to less than anticipated Local Government Payments. Cancellations in federal funds totaled \$6,129,160: \$1,017,937 due to less than anticipated State Administrative Matching Grants for the Supplemental Nutrition Assistance Program; \$1,922,765 due to unattainable Title IV-E funds for cases related to CINA; and \$3,188,450 due to less than anticipated attainment in the Medical Assistance Program.

Fiscal 2018

To date, three actions caused the fiscal 2018 appropriation to increase by \$9,234,013. A budget amendment provided \$11,384,449 in reimbursable funds from the Major IT Project Development Fund for MD THINK. This was partially offset by a budget amendment that transfers supportive services within the DHS-DBFP to the Department of Housing and Community Development. A cost containment action reduced the appropriation by \$2,023,149.

Appendix 2
Major Information Technology Project
Department of Human Services
Automated Financial System

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Project Status	Implementation.			New/Ongoing Project:		Ongoing.		
Project Description:	This project will replace the Department of Human Services’ (DHS) 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 also lower costs of system support and maintenance because the existing system uses an outdated language. The project will 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 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. DHS 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 Cost:	\$13,316,584			Estimated Development Cost:		\$13,316,584		
Project Start Date:	November 3, 2014.			Projected Completion Date:		Spring 2023.		
Schedule Status:	The closing date for the updated Request for Proposal was March 29, 2017, after there was insufficient participation in the first solicitation period. DHS received more bids and is currently evaluating vendor proposals. The projected award date is March 1, 2018.							
Cost Status:	Project costs increased from the previous year estimate by \$7,114,430.							
Scope Status:	The scope of the project has remained the same since the last reporting period.							
Project Management Oversight Status:	The fiscal 2019 allowance includes \$83,328 for oversight.							
Identifiable Risks:	The only high risk identified by DHS was implementation, which results from data conversion and application integration concerns. Medium risks identified by DHS were technical, organizational culture, and supportability. Additionally, DHS reports that consolidating existing legacy applications may introduce complications.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	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	3,557.1	2,166.5	2,302.5	2,302.5	2,302.5	0.0	9073.9	13,316.6
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$3,557.1	\$2,166.5	\$2,302.5	\$2,302.5	\$2,302.5	\$0.0	\$9,073.9	\$13,316.6

Appendix 3
Object/Fund Difference Report
DHS – Administration

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	823.35	817.73	799.23	-18.50	-2.3%
02 Contractual	33.79	3.40	3.40	0.00	0%
Total Positions	857.14	821.13	802.63	-18.50	-2.3%
Objects					
01 Salaries and Wages	\$ 75,023,749	\$ 71,060,861	\$ 70,109,478	-\$ 951,383	-1.3%
02 Technical and Spec. Fees	1,660,561	567,575	550,998	-16,577	-2.9%
03 Communication	7,039,739	7,642,078	7,978,907	336,829	4.4%
04 Travel	352,468	276,504	270,881	-5,623	-2.0%
06 Fuel and Utilities	480,744	484,976	455,731	-29,245	-6.0%
07 Motor Vehicles	337,239	400,211	371,624	-28,587	-7.1%
08 Contractual Services	86,913,563	143,019,148	117,270,569	-25,748,579	-18.0%
09 Supplies and Materials	952,883	965,471	987,977	22,506	2.3%
10 Equipment – Replacement	1,389,490	1,609,600	1,700,595	90,995	5.7%
11 Equipment – Additional	2,900,103	8,452,713	10,613,820	2,161,107	25.6%
12 Grants, Subsidies, and Contributions	64,931	3,967,157	6,416,274	2,449,117	61.7%
13 Fixed Charges	9,687,504	10,169,754	10,742,801	573,047	5.6%
Total Objects	\$ 186,802,974	\$ 248,616,048	\$ 227,469,655	-\$ 21,146,393	-8.5%
Funds					
01 General Fund	\$ 102,767,288	\$ 94,142,215	\$ 91,103,063	-\$ 3,039,152	-3.2%
03 Special Fund	3,377,523	4,420,927	3,923,656	-497,271	-11.2%
05 Federal Fund	78,548,031	138,668,457	132,442,936	-6,225,521	-4.5%
09 Reimbursable Fund	2,110,132	11,384,449	0	-11,384,449	-100.0%
Total Funds	\$ 186,802,974	\$ 248,616,048	\$ 227,469,655	-\$ 21,146,393	-8.5%

DHS: Department of Human Services

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

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**Appendix 4
Fiscal Summary
DHS – Administration**

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
01 Office of the Secretary	\$ 17,755,785	\$ 14,894,508	\$ 14,710,429	-\$ 184,079	-1.2%
02 Citizen’s Review Board for Children	676,875	817,461	816,394	-1,067	-0.1%
03 Commissions	217,559	135,584	135,843	259	0.2%
04 Legal Services Program Management	14,017,393	13,035,860	13,169,898	134,038	1.0%
01 Division of Budget, Finance, and Personnel	21,091,056	19,603,404	19,476,738	-126,666	-0.6%
02 Division of Administrative Services	10,746,925	10,395,954	9,714,464	-681,490	-6.6%
02 Major Information Technology Development	13,792,484	77,311,692	64,471,395	-12,840,297	-16.6%
04 General Administration	65,343,259	68,121,297	62,454,188	-5,667,109	-8.3%
05 General Administration	43,161,638	44,300,288	42,520,306	-1,779,982	-4.0%
Total Expenditures	\$ 186,802,974	\$ 248,616,048	\$ 227,469,655	-\$ 21,146,393	-8.5%
General Fund	\$ 102,767,288	\$ 94,142,215	\$ 91,103,063	-\$ 3,039,152	-3.2%
Special Fund	3,377,523	4,420,927	3,923,656	-497,271	-11.2%
Federal Fund	78,548,031	138,668,457	132,442,936	-6,225,521	-4.5%
Total Appropriations	\$ 184,692,842	\$ 237,231,599	\$ 227,469,655	-\$ 9,761,944	-4.1%
Reimbursable Fund	\$ 2,110,132	\$ 11,384,449	\$ 0	-\$ 11,384,449	-100.0%
Total Funds	\$ 186,802,974	\$ 248,616,048	\$ 227,469,655	-\$ 21,146,393	-8.5%

DHS: Department of Human Services

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.