



MDCEP

MARYLAND CENTER
ON ECONOMIC POLICY

MARCH 9, 2023

Overhauling the State's Accounting System is Critical to a Well-Functioning State Government

Position Statement in Support of Senate Bill 659

Given before the Senate Budget and Taxation Committee

Kali Schmitz

Maryland's accounting system sits at the heart of state government operations, ensuring that employees, vendors, nonprofits that partner with the state, and others receive payments in a timely fashion. And, the system must also be able to respond to the government's unique needs for transparency and complying with public accounting best practices so that policymakers and the public can understand how the state is using our shared resources. **The Maryland Center on Economic Policy supports Senate Bill 659** because it would begin the process to replace the state's outdated accounting and payments system as soon as possible.

Maryland has one of the oldest accounting and payment processes in the country, relying on outdated mainframe technology rather than using modern cloud-based systems that most other states now use. Relying on outdated technology makes it harder for state agencies to perform basic functions of government and to comply with evolving transparency and reporting standards. It also creates a significant risk of delayed payments to vendors and nonprofits. This can have broader implications, as the state government is one of the largest employers in the state and its purchases of products and services help support other local businesses.

While state policymakers should address this need with urgency, replacing such a critical piece of technology must be done thoughtfully and with sufficient resources. SB 659 sets up a process to ensure all stakeholders are included in this planning process and that the state can plan to allocate appropriate funds and staff to oversee and execute this vital project.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make a favorable report on Senate Bill 659.

Equity Impact Analysis: Senate Bill 659

Bill summary

This bill directs the Comptroller's Office to lead a multi-agency effort between the State Treasurer's Office, the Secretary of the Department of Budget and Management, the Secretary of the Department of Information Technology, and the Secretary of the Department of General Services to prepare for the timely replacement of the existing accounting and payments system, determine the needs of the partner agencies involved, and finally,

develop the RFP and oversee implementation. The bill also directs the Comptroller to produce regular reports to the Legislature on the status of this effort.

Background

Maryland has one of the oldest accounting and payment processes in the country, relying on outdated mainframe technology rather than using modern cloud-based systems that most other states now use. This has the potential to affect state employees, vendors, nonprofit organizations, and other stakeholders.

Equity Implications

The investments and services provided by our state government are critical to opening doors to opportunity and undoing past harms. None of this is possible without well-maintained technological and financial infrastructure. To the extent that the current outdated system results in delayed payments to small businesses and nonprofit organizations that are responsible for providing services to Marylanders, having outdated financial systems can affect the well-being of Maryland families. While a different set of computer systems was involved, the state's mishandling of unemployment insurance claims during the COVID-19 pandemic illustrates how relying on outdated technology can harm Marylanders, especially workers of color. Effective financial systems are also necessary for the state to comply with tracking and transparency best practices, including tracking needed to comply with the state's goals for contracting with small, women-owned, and minority-owned businesses.

Impact

Senate Bill 659 would potentially **improve racial and economic equity** in Maryland.



March 9, 2023

The Honorable Guy Guzzone
Budget and Taxation Committee
Miller Senate Office Building
Annapolis, MD 21401

RE: SB 659, "21st Century Financial Systems Council - Establishment" FAVORABLE

Dear Chair Guzzone and members of the Committee:

The Maryland Association of CPAs (MACPA) is a professional organization representing the CPA profession in Maryland, with more than 8,000 members statewide, and a history of serving the public interest since 1901. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as Maryland's largest businesses.

MACPA is in favor of all efforts to improve the operations and efficiency of the state's financial systems. We support the Comptroller's initiative to establish the 21st Century Financial Systems Council. Modernization of the state's financial management information systems (FMIS) infrastructure is incredibly important to the continuity of operations for the state. Having the right FMIS in place will result in simplifying many of the overly complex and outdated accounting, purchasing, inventorying, and reporting processes currently in place. A modern FMIS provides access to data to evaluate spending, allows for more informed budget decisions and helps to clearly articulate future funding needs to lawmakers.

With guidance from the 21st Century Financial Systems Council, Maryland can procure a properly designed FMIS that will enhance financial policy compliance, transparency, management, execution, and long-term sustainment.

MACPA appreciates the opportunity to offer these comments, and we respectfully request a favorable report for SB 659.

Sincerely,

Rebekah J. Brown, CPA
Chief Executive Officer, MACPA

MACPA | 901 Dulaney Valley Road | Suite 800 | Towson, MD 21204



**SB 659 - 21st Century Financial Systems Council - Establishment
Senate Budget and Taxation Committee**

March 9th, 2023

SUPPORT

Robin McKinney

Chair Guzzone, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 659. This bill would create a council to oversee upgrading Maryland's financial management system.

CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost half of CASH's tax preparation clients earn less than \$20,000.**

One of the challenges identified by the Comptroller's Transition Committee is that Maryland is using an outdated financial management system. To address this concern, the workgroup recommended for the Comptroller's Office to, "collaborate with the Treasurer and Secretary of the Department of Budget and Management to implement a new accounting system for the State to replace the current accounting system (FMIS)." The full transition committee report can be found here: [Transition Report Comptroller of Maryland 2023](#).

CASH receives multiple grants paid by state agencies, several of which are reimbursement grants. There have been several instances of data not being updated properly by agencies that led to the Comptroller holding back our payments. In one case, CASH had over \$200,000 in funding held up by a \$15 flag from Department of Labor, which they had never billed and immediately put into flag status.

HB 659 creates a 21st Century Financial Systems Council will ensure that the Comptroller's Office, and other relevant agencies and stakeholders will work together to investigate the best practices in implementing a better financial management system. Modernizing infrastructure will make the process more efficient and transparent for state agencies, businesses, and nonprofits across the state. Upgrading the system will be a prolonged process and require input from many different sources. SB 659 will create the 21st Century Financial Systems Director position to facilitate and coordinate the process of upgrading Maryland's financial management systems and oversee the implementation.

SB 659 will start the process of converting Maryland to a new financial management system that will be safe, effective, and the needs and priorities for all users will be considered.

We encourage you to return a favorable report for SB 659.

Creating Assets, Savings and Hope



Tuesday March 7, 2023

Maryland Minority Contractors Association, Inc. Testimony.

Senate Bill 659

Good afternoon, Chair Guzzone and Vice Chair Rosapepe

I am here to express the support of Maryland Minority Contractors Association, Inc. for SB 659 introduced at the request of Comptroller Brooke Lierman. Madame Comptroller has stated that Maryland's accounting and bill payment system is one of the oldest in the country. I have no doubt that the state's vintage system has caused many issues and until updated will continue to cause considerable delays in the processing of vendor invoices. Along with achievement of the level of participation mandated under law on state contracts, prompt payment is a priority concern for MMCA, Inc. members. We, therefore, wholeheartedly and unconditionally applaud the creation of the 21st Century Financial System Executive Council to investigate and provide guidance for the replacement of the existing legacy system, develop a request for proposal or other procurement mechanism for selection of one or more vendors to offer a modern system that affords both accountability and transparency and to oversee implementation of the new system.

Maryland Minority Contractors Association, Inc. urges a favorable report of Senate Bill

Thank you,
Pless Jones Sr.



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Giavante' Hawkins
Executive Director

To: Budget and Tax Committee

From: The Maryland Society of Accounting and Tax Professionals, Inc.

Re: SB0659 By: The President (By Request - Office of the Comptroller)

Contact Person: **Giavante Hawkins**, Executive Director

Position: SUPPORT

21st Century Financial Systems Council - Establishment

The MD Society of Accounting and Tax Professionals (MSATP) has 2,000 CPAs and Professional Tax members, representing over 700,000 Maryland residents. The MD Society of Accounting and Tax Professionals supports bill HB709.

As the Executive Director of MSATP, I have been in constant communication with the Comptroller's office on issues that members or clients of members face. It has been brought to my attention on numerous occasions by staff and Directors at the Comptroller's office that the systems are outdated, and they cannot complete their duties within the office efficiently due to the old financial systems. It creates frustration in the state's accounting industry and clients.

Modernizing the Comptroller's financial system, and all state financial systems, should be a top priority to increase efficiency throughout the state of Maryland. Still, it is understood that an executive council is required to manage the project and oversee implementation, as it will be a large overhaul with a tremendous amount of data with high importance to making sure the system integrates and works well.

Therefore, we urge a FAVORABLE report on SB0659.



BILL NO: SB659

TITLE: 21st Century Financial Systems Council - Establishment

COMMITTEE: Budget and Taxation

HEARING DATE: March 9th, 2023

POSITION: FAVORABLE

ABOUT: TurnAround, Inc. was founded in 1978 and serves as the designated rape crisis center for Baltimore City and Baltimore County. TurnAround offers comprehensive services, including legal support, counseling, case management, and emergency shelter to those who have endured intimate partner violence, sexual violence, and human trafficking in Baltimore City, Baltimore County, and Howard County.

The pandemic was one of the most challenging periods for TurnAround – but also for a lot of other victim service providers and non-profits around the state. We saw dramatic increases in not just instances of violence, but also startling increases in level of violence – increases strangulations and near homicides. We also saw an increase in teen and adolescent sexual assault survivors seeking help – they were trapped in the house with their abuser with nowhere to turn. Some of our data points, showed an increased need of over 300%. As an example, our average numbers of calls for service pre-pandemic was around 2,500 to 3,000 this last year the number was over 10,000. We are not seeing these numbers decrease now – instead they’ve plateaued to what is now our new normal.

The other significant challenge we faced was financial – agencies around us were folding because of the economic downturn – and I remember telling one of my staff as we walked from the building in March of 2020 – no layoffs that’s the goal. We relied on our funders to help us get through a very tough period were we as the service provider was living invoice to invoice.

What a lot of our community does not realize that non-profits like TurnAround are mainly funded through reimbursable grants, which means every month we expend hundreds of thousands of dollars in payroll, bednights for fleeing survivors of violence, direct assistance for survivors who are literally starting their lives over after abuse and then wait sometimes for more than 60 days to get reimbursed by the state. We are required to have a cushion of cash at all times and don’t have the resources to have large reserves and banks rarely offer significant lines of credit to non-profits. Ultimately, one late payment leads to serious ramifications for non-profits and, in turn, that means services may be delayed or even denied to some of our most vulnerable community members.

As early as December of this last year, we were owed nearly half a million by state and local funders in delayed payments. Non-profits were drafting furlough policies while we were reading news stories about billions of dollars in surplus.

The system used by the Comptroller currently shows us what has been paid and what is in their system is unpaid but invoiced. That is all we know – so we wait and hope that our payments come on time. Utilizing technology to ensure the sustainability of our state service providers is



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necessary for the safety of those who are impacted by intimate partner violence, sexual violence and human trafficking.

We request a favorable report for SB659. Thank you.