



Legislative Fiscal Bureau

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Joint Committee on Finance

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Information Technology Initiatives (R&L)

[LFB 2001-03 Budget Summary: Page 579, # 2 b, c, d, e & f]

CURRENT LAW

The Department of Regulation and Licensing (R&L) has an information technology section under its Division of Management Services. Currently, 7.75 PR positions are authorized under this unit. Base funding for salary and fringe benefits for the 7.75 positions is \$443,600 PR annually. In addition, the agency's base level supplies and services budget it \$2,087,200 PR annually.

GOVERNOR

Provide \$452,300 PR in 2001-02 and \$389,100 PR in 2002-03 and 2.0 PR positions annually for the following information technology (IT) initiatives: (1) increased in-house technical staff to support the agency's IT hardware, software, applications and infrastructure development (\$96,900 PR in 2001-02 and \$121,700 PR in 2002-03 and 1.0 PR IT specialist and 1.0 PR IT analyst annually); (2) one-time funding for a consultant to complete documentation of the agency's data standards (\$20,000 PR in 2001-02); (3) a study of the distribution and answering of telephone inquiries through the agency's existing interactive voice response system and the possible implementation of the findings of the study (\$33,800 PR in 2001-02 and \$43,800 PR in 2002-03); (4) consultant services to upgrade the agency's ability to deliver services through the Internet ("e-commerce") (\$145,600 PR annually); and (5) one-time funding for nine months of fulltime consultant services to assess the types of agency services that should be moved to an e-commerce environment (\$156,000 PR in 2000-01 and \$78,000 PR in 2002-03).

DISCUSSION POINTS

1. R&L has been implementing a variety of information technology initiatives in recent

years to manage the growth in the number of professions required to be regulated and the number of individuals subject to credentialing. IT initiatives funded in the last two biennial budgets have included: (a) converting from a non-Y2K compliant system to a compliant network system; (b) installing an automated voice response system to assist in answering inquiries from the public and from credential holders; (c) introducing imaging capabilities to store applicant information electronically; (d) developing appropriate data management systems; (e) implementing a credential holder query function to permit the verification of the status of professional credentials; (f) adding the capability to make an Internet inquiry concerning the status of initial and renewal credential applications; and (g) undertaking a pilot project to enable real estate agents to renew their credentials via the Internet. The Department intends to use the additional staffing and funding recommended by the Governor for IT initiatives to build upon these previous IT enhancements.

2. The additional IT resources being recommended for R&L fall into two major categories: (a) additional staffing for the agency's IT function (\$96,900 PR in 2001-02 and \$121,700 PR in 2002-03 and 2.0 PR permanent IT positions); and (b) additional funding for a variety of IT consulting services (\$351,800 PR in 2001-02 and \$253,600 PR in 2002-03). A small residual balance of \$3,600 PR in 2001-02 and \$13,800 PR is recommended for miscellaneous items such as software maintenance agreements.

3. A recent study by DOA's Performance Evaluation Office (PEO) in consultation with the DOA's Division of Technology Management and its Division of Information Technology Services has reviewed R&L's IT staffing levels and management structure and the extent to which the agency has the current capacity to successfully implement a variety of e-commerce business applications. The report's findings may be relevant as the Committee reviews the staffing and consultant funding levels recommended for R&L's IT initiatives during the 2001-03 biennium.

4. *Additional Staffing for the Agency's IT Functions.* The PEO evaluation of R&L's IT staffing resources determined that the IT unit has been "under stress" due to the combined impact of staff turnover, a substantial number of vacancies and increasing technological demands. The evaluation further noted that staff turnover in the unit has had a number of adverse effects on the overall effectiveness of the agency's IT operations. The evaluation identified a number of functions that lacked appropriate documentation, including IT data standards, program changes and contingency planning. Accurate documentation was described as critical in small agency IT units to ensure that there continues to be a transfer of knowledge when staff turnover occurs. The Department was urged to give priority to developing and standardizing IT documentation.

5. R&L has requested the additional in-house technical staff to address staffing shortfalls that have led to longer implementation times for new IT projects, insufficient support for existing programs and limited customer service. Specifically, the additional staff would be used to: (a) handle an identified backlog of requested programming services for existing applications that current IT staff is unable to meet; (b) improve the turn-around time for IT project deliverables; (c) allocate staffing resources to the documentation and data standards development priorities cited in the PEO evaluation; (d) continue the development of an on-line credential renewal system, also cited as a critical customer enhancement by the PEO evaluation; and (e) develop additional

customer service applications for the agency's existing interactive voice response system.

6. In the past, the agency has also argued that hiring permanent staff to address the agency's on-going and demonstrated IT staffing needs is significantly less costly than contract programming.

7. The recommended staffing and associated funding for R&L's IT unit appear reasonable and justified. The Committee may wish to approve the additional staffing resources for the agency.

8. *Additional IT Consulting Services.* A total of \$605,400 PR (\$351,800 PR in 2001-02 and \$253,600 PR in 2002-03) has been recommended for IT-related consulting services for R&L during the next biennium. The requested funding would be used to support four different IT initiatives, all of which require the utilization of significant consulting services.

9. The first consultant initiative recommended by the Governor would provide one-time funding of \$20,000 PR in 2001-02 to hire a consultant to undertake the documentation of the agency's databases. As noted earlier, this lack of documentation was noted as a deficiency in the PEO evaluation of the agency. The lack of adequate documentation and standardization has impeded the ability of new IT staff to quickly master the agency's existing IT applications.

10. The second consultant initiative would use \$30,200 PR in 2001-02 and \$30,000 PR in 2002-03 for a study of additional enhancements to the agency's existing interactive voice response system, the subsequent testing of the new components and implementation of these new processes. Additional, nonconsultant costs of \$3,600 PR in 2001-02 and \$13,800 PR in 2002-03 are also recommended as part of this initiative for maintenance and other unbudgeted costs of the system enhancements. The agency believes that the potential enhancements would: (a) allow 85% of all inquiries to be answered by the system; (b) allow individuals to query the license status of a credential holder; (c) improve call-routing throughout the agency; and (d) answer frequently asked questions.

11. The third consultant initiative would use \$145,600 PR annually during the next biennium for 2,000 hours of consultant services each year for a variety of projects. These projects would include: (a) installing a capability for on-line credential renewals for the 15 largest occupational groups subject to R&L regulation; (b) maintaining and updating criminal background check files of individuals seeking licensure who work in child care, long-term care or health care facilities; (c) maintaining an electronic cash register system, which provides information to WISMART for credential and examination fees paid to the agency, including the calculation of GPR-Earned amounts; (d) creating a database of regulatory board decisions, orders and hearing notices; and (e) providing the capability for credential holders to update personal information on-line and for members of the public to comment on proposed administrative rule changes.

12. The final consultant initiative would use one-time funding of \$156,000 PR in 2000-01 and \$78,000 PR in 2002-03 for nine months of full-time consultant services to assess the types of

agency services that should be moved to an e-commerce environment.

13. In reviewing these various IT consultant funding proposals, there are several questions that the Committee may wish to consider. First, does the agency have the ability to simultaneously undertake and effectively oversee this level of consultant services? Second, are the cost projections associated with each of the initiatives well documented and justified? Third, are there other staffing or funding options that the Department could pursue in order to address these IT enhancements?

14. *Ability of the Department to Undertake These Projects Simultaneously.* In June of 2000, when DOA's performance evaluation unit examined R&L's recent IT enhancement activities, the evaluation found that while the agency had generally made progress in advancing a number of IT initiatives detailed in its earlier 1995 strategic plan, there was no current plan to guide the Department's future efforts. As a result the agency's IT function had come to operate "in a reactive, crisis mode." In addition, it was noted that a number of individual IT initiatives and enhancements had been subject to "false starts and inadequate resources to fully support and complete the initiatives." Questions were also raised about the agency's IT goals and priorities, as well as the process for setting them. Finally the evaluation unit recommended that the agency "stop work on any new information technology initiatives, modifications to existing systems or contracts with external vendors" until a new strategic planning document was developed and put in place.

15. A similar concern relating to R&L's ability to undertake too many IT initiatives at one time was also raised when this Committee considered the level of consultant services funding that R&L had requested as part of its 1999-01 biennial budget. The Committee ultimately chose to place \$72,000 PR annually for additional consultant services in the Committee's PR supplemental appropriation. These funds were available for possible release to the Department under a 14-day passive review process once the agency had developed and submitted a more detailed expenditure plan and justification for using the additional consultant services funding.

16. R&L has since released an updated strategic IT plan on September 15, 2000. That plan outlines most of the IT enhancements for which the current consultant services funding is requested. While the new strategic plan would appear to address a major concern raised by DOA's evaluation unit, the fact that R&L is proposing to undertake \$605,400 PR of consulting activities almost simultaneously during the next biennium raises questions about whether the agency has fully addressed all the other concerns noted in the recent evaluation. For example, it could be argued that efforts to develop adequate data standards and documentation (cited as a "critical need" by DOA) should be undertaken first before other major enhancements are started. It could also be argued that a review of the types of agency services that ought to be moved to an e-commerce environment should be reviewed before the identified list of actual e-commerce enhancement projects is undertaken so that additional "false starts" do not occur.

17. At the very least, this line of analysis suggests the proposal for \$145,600 PR annually for consultant services to upgrade the agency's ability to deliver services through the Internet (e-commerce) and the \$156,000 PR in 2000-01 and \$78,000 PR in 2002-03 of one-time

funding requested to assess the types of agency services that should be moved to an e-commerce environment should not be undertaken simultaneously but should instead proceed in some kind of sequential order. Logically, the need for the more general analysis would appear to precede the further implementation of specific e-commerce-related enhancements.

18. *Documentation and Justification of Cost Projections.* The Department has not provided detailed information that would permit an analysis of how the total number of required consultant hours for the various IT enhancement projects was determined or what circumstances led to \$70 per hour being budgeted for some projects and \$150 per hour for others.

19. To the extent that any costing analysis was possible, it was determined that the amounts proposed for the study of the distribution and answering of telephone inquiries through the agency's existing interactive voice response system included \$10,000 PR in 2002-03 for which there was no documented need. Further, the computed annual funding needs for the proposed consultant review of an upgrade of the agency's ability to deliver services through the Internet (\$145,600 PR annually) are overstated by \$5,600 PR annually. Thus, if the Committee chooses to provide funding for these activities, as recommended by the Governor, \$5,600 PR in 2001-02 and \$15,600 PR in 2002-03 should be deleted from the recommended amounts.

20. *Other Staffing and Funding Options.* The Legislative Audit Bureau's March, 2001, audit (*State Agency Use of Computer Consultants*) noted that agency IT managers frequently agreed that the use of consultants is economical and efficient for the development of large new information systems, when additional workers are needed for peak-workload periods, or when there is intermittent need for specialized skills. However, many agencies have become reliant on consultants to carry out routine daily work at costs twice to three times that of state workers performing similar work. In several cases the IT contractors have been retained by an agency for several years, performing duties similar to those of the state employees.

21. This LAB audit finding would appear to apply at R&L. It should be noted that the position justifications associated with the 2.0 FTE new IT positions for R&L recommended by the Governor suggest that many of their duties will be similar to the activities that are also being funded under the consultant services proposals. For example, one of the stated duties of the new positions will be to develop adequate data standards and documentation. It is also indicated that the new programming staff will be involved in the development of e-commerce applications for the Department.

22. In discussions with Department of Administration staff regarding the establishment of a separate Department of Electronic Government, R&L was cited as a possible lead agency in advancing the development of on-line credentialing opportunities. In light of DOA's (or the new Department of Electronic Government's) interests in developing such applications, R&L may be able to avail itself of DOA (or Department of Electronic Government) staff support for this and other projects at rates more favorable than would be required for hiring outside consultants.

23. As noted earlier, this Committee placed \$72,000 PR annually for additional

consultant services at R&L during the 1999-01 biennium in the Committee's PR supplemental appropriation for possible release under a 14-day passive review process once the Department had developed and submitted a more detailed expenditure plan and justification for using the additional consultant services funding. Although the Department subsequently sought the release of these funds in both fiscal years of the current biennium, it was determined that in both cases, the agency had engaged the consultant and had spent or committed the requested funding in advance of their release. In each case, the releases were objected to and the Department subsequently withdrew each request. No supplement was provided from the Committee's appropriation in either case.

24. Since the agency was able to incur many of these consultant services expenses using base level resources, it can be argued that up to \$72,000 PR annually of base level funds appears to be available for additional consultant services in the 2001-03 biennium. These funds should be utilized before additional expenditure authority is provided to the agency.

25. As a general alternative to the Governor's recommendation to provide R&L with \$351,800 PR in 2001-02 and \$253,600 in 2002-03 for IT-related consulting services and \$3,600 PR in 2001-02 and \$13,800 PR in 2002-03 for IT maintenance funding, the Committee could delete these amounts from the agency's budget. The following amounts would then be placed in the Committee's supplemental appropriation: (a) \$20,000 PR in 2001-02 for documentation of the R&L's data standards; (b) \$33,800 PR annually for a study of the distribution of telephone inquiries through the agency's existing interactive voice response system; and \$117,000 PR annually for possible consultant services relating to e-commerce activities. (This later funding represents the agency's original request of \$156,000 PR in 2001-02 and \$78,000 PR in 2002-03 for consultant services provided equally in each fiscal year.) The total amounts placed in the Committee's PR supplemental appropriation account would be \$170,800 PR in 2001-02 and \$150,800 PR in 2002-03.

26. These funds could be released in whole or in part to R&L under a 14-day passive review process once the Department has submitted to the Committee a detailed expenditure plan which includes an analysis of: (a) the degree to which the requested IT enhancements can be provided in a more cost-effective manner by existing agency staff; (b) the degree to which the requested IT enhancements can be provided in a more cost-effective manner by DOA (or Department of Electronic Government) staff; (c) the degree to which it would be more cost-effective to use a portion of the reserved funds to support an additional agency IT position rather than engage additional consultant services; and (d) detailed costs projections for each IT enhancement project proposed for funding. Funds could be released upon the Committee's approval of the agency's analysis and detailed project plans.

ALTERNATIVES

A. Additional IT Staffing

1. Approve the Governor's recommendation to provide \$96,900 PR in 2001-02 and \$121,700 PR in 2002-03 and 1.0 PR IT specialist and 1.0 PR IT analyst annually for increased R&L technical staff to support the agency's IT hardware, software, applications and infrastructure development.
2. Delete the Governor's recommendation.

Alternative A2	PR
2001-03 FUNDING (Change to Bill)	- \$218,600
2002-03 POSITIONS (Change to Bill)	- 2.00

B. Additional IT Consulting Services

1. Approve the Governor's recommendation to provide a corrected level of funding of \$349,800 PR in 2001-02 and \$251,800 PR in 2002-03 for the following IT consulting services and maintenance funding needs: (a) one-time funding for a consultant to complete documentation of the agency's data standards (\$20,000 PR in 2001-02); (b) a study of the distribution and answering of telephone inquiries through the agency's existing interactive voice response system and the possible implementation of the findings of the study (\$33,800 PR annually); (c) consultant services to upgrade the agency's ability to deliver services through the Internet ("e-commerce") (\$140,000 PR annually); and (d) one-time funding for nine months of fulltime consultant services to assess the types of agency services that should be moved to an e-commerce environment (\$156,000 PR in 2000-01 and \$78,000 PR in 2002-03). *[The corrected figures reflect the deletion of \$10,000 PR in 2002-03 for the interactive voice response system for which no documented need was provided and the deletion of \$5,600 PR annually to reflect the actual number of consultant hours recommended for upgrading the agency's ability to deliver services through the Internet.]*

Alternative B1	PR
2001-03 FUNDING (Change to Bill)	- \$21,200

2. Modify the Governor's recommendation by deleting \$355,400 PR in 2001-02 and \$267,400 in 2002-03 for R&L's IT-related consulting services and IT maintenance funding. Place the following amounts [\$170,800 PR in 2001-02 and \$150,800 PR in 2002-03] in the Committee's supplemental appropriation: (a) \$20,000 PR in 2001-02 for documentation of the R&L's data standards; (b) \$33,800 PR annually for a study of the distribution of telephone inquiries through the

agency's existing interactive voice response system; and \$117,000 PR annually for possible consultant services relating to e-commerce activities. Include a nonstatutory provision specifying that these funds could be released by the Committee in whole or in part to R&L under a 14-day passive review process once the Department has submitted to the Committee a detailed expenditure plan which includes an analysis of: (a) the degree to which the requested IT enhancements can be provided in a more cost-effective manner by existing agency staff; (b) the degree to which the requested IT enhancements can be provided in a more cost-effective manner by DOA (or Department of Electronic Government) staff; (c) the degree to which it would be more cost-effective to use the reserved funds to support an additional agency position rather than engage additional consultant services; and (d) detailed costs projections for each proposed IT enhancement project for which funding is requested. Provide that the funds would be released upon the Committee's approval of the agency's analysis and detailed project plans.

Alternative B2	PR
2001-03 FUNDING (Change to Bill)	- \$301,200

3. Delete the Governor's recommendation.

Alternative B3	PR
2001-03 FUNDING (Change to Bill)	- \$622,800

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