

INFORMATION TECHNOLOGY UPDATE

A Report Prepared for the
Legislative Finance Committee

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INTRODUCTION

This report contains three parts” 1) overview of the Chief Information Officer (CIO) report; 2) update on the Medicaid Management Information System (MMIS); and 3) a summary of IT projects being completed for the Select committee on Efficiency in Government (SCEG) and the Legislative Finance Committee (LFC).

CIO REPORT ¹

The LFC adopted three changes to the CIO Information Technology (IT) reports delivered regularly to the committee. The changes included:

- Use of narrative to explain IT policy changes, exceptions, and fiscal impact
- Reformat of the IT project portfolio report, including criteria for inclusion on the report
- Development of a post implementation report

In addition, the committee directed fiscal division staff to describe items in front of the Information Technology Board and the Information Technology Manager’s Council that may require future legislative action. This report provides an overview or update to these changes.

Policy Report

The CIO report provides the mechanism to meet the requirements of the Montana Information Technology Act to update the LFC on exceptions or changes made to IT policy, CIO advisories, the biennial report, and the strategic plan. The attached report provides a new format for the information. Instead of relying on policy numbers or codes, the actual impact of the exception or change is in narrative form.

The staff of the LFD reviewed the CIO report in full. Two policies are under development that may have a significant fiscal impact on agencies: 1) the IT Project Management Standard; and 2) the GIS Data Standard. The staff will monitor the development of these policies and raise issues as necessary.

Project Portfolio Report

The project portfolio report underwent a transformation to provide improved clarity and to simplify the cost projections for the IT projects. Funding sources are provided so that the committee is aware of the magnitude of the general fund commitments as well as federal and state special revenue support. In addition, schedule dates have been expanded to allow the LFC to track changes to the timeline of the project development. Project health has been expanded to include:

- Scope of the project
- Schedule
- Budget
- Risk
- Overall project health

The further expansion of the components of project health should allow for increased understanding of the challenges and successes of the projects.

Independent verification has also been included. The mechanism to allow for verification has not yet been identified. The LFC may wish to discuss options for verifying the information provided on the sheet. Options could include:

- Requesting that State Information Technology and Services Division (SITSD) review the information to ensure that reported items are an accurate representation of where the project stands to date
- Requesting that the Office of Budget and Program Planning in the Governor’s Office review the information to ensure that items are accurately reported

¹ Attached to this report

Criteria for the Project Report

The LFC asked the staff to work with SITSD to create criteria for the IT project portfolio to ensure that the report adequately captures IT development within state government. The current CIO project report contains projects that exceed \$400,000 and are funded with capital appropriations. This approach captures the large systems that need flexible appropriations to complete design, development, and implementation. However, the group has identified a number of issues with this approach.

First, the current criteria do not capture sizeable investments being made in IT within base budget appropriations. These investments could include such items as the redesign of components of large systems, changes to systems to provide a different output, and the like. That type of work could have significant impact on the state's citizenry and no legislative oversight exists.

Secondly, the group has discussed the difficulties in defining "impact to the citizenry as criteria" in determining which systems to add to the list when the risk to the public is perceived as greater than the cost to the system. For example, if a low-cost change to an eligibility system such as the SNAP (food stamps) program is not completed correctly, it could impact the ability of the state to issue or re-load electronic benefit cards. This could increase stress on low income families in Montana.

Last, the investment is defined in terms of the cost to design, develop and implement a system; it does not contain any post implementation operational costs. The cost to operate a system is funded within an agency's budget. This leads to a variety of questions that impact agency budgets, such as:

- How much is the incremental change per year to operate a re-designed system?
- How much is the total cost to operate the new system?
- Are there any costs savings associated with the project that can be redirected to support the system?
- What types of costs are being incurred, such as updates, licensing, and work orders?
- How much are the long term operational costs, and what increases should be anticipated?

The staff of the LFD and SITSD will continue to refine the criteria for placement on the CIO report. We anticipate having a proposal for LFC at the March meeting.

Post Implementation Report

In order to review the effectiveness and efficiencies associated with operating the new IT project once it is operating, SITSD has included three reports on projects that have been completed. The format that was developed provides the LFC with the primary project goals, the key project objectives, and the metrics that the agency is using to determine if they were obtained.

As this is the first time the LFC has seen the report, it may wish to comment on the components of the report and suggest modifications for improvement in the usability of the form. For example, the post implementation report submitted by the Department of Justice includes a number of acronyms that make it difficult to understand the metrics used. Acronyms such as UAT, NLETS, etc. are not defined in the report. In addition, the metrics are not well defined and discussed. One of the goals of the project is to provide sub-paragraph level statutes in the Criminal History Records System. The LFC may be interested in knowing if 100% of the sub-paragraph level statutes are included or if a lesser amount such as 75% of the sub-paragraphs were included when the changes made. If less than 100% is attained, then what are the implications to the users?

Activities of the Information Technology Board and the Information Technology Manager's Council

The LFC is responsible for being aware of IT policies and procedures that could have a fiscal impact on state operations or require future legislative attention. The Information Technology Board (ITB) is the advisory board created by the Montana Information Technology Act (MITA) to support the Department of Administration (DOA) in fulfilling requirements of MITA. The members of the ITB are department directors, legislators, and the CIO. The Information Technology Manager's Council (ITMC) was established via the DOA

to create a council for state IT professionals to provide advice on a wide range of technological issues within state government. This council often recommends items for ITB review.

Since the last meeting of the LFC the ITB has discussed the following items:

- The activities of the Select Committee on Efficiency in Government
- Transition of the base map service center from SITSD to the Montana State Library, which further consolidates the GIS function within state government
- Development of the statewide strategic plan for information technology

The board did not take any actions that could lead to the need for future legislative action. The ITB meets again on the 6th of December at which time an update on IT activities within the LFD will be provided by Barbara Smith. This update was provided at the November meeting of the ITMC and was well received by the council and others in attendance.

The November meeting of the ITMC included such items as a mobile computing policy, identity management in terms of controlling access to state systems, state wide IT training, and SITSD's Master Agreement for services delivered to state agencies. One item, identity management, could require legislative attention. Identity Management offers user authentication and authorization and results in improved service and security and increased productivity and efficiency. An enterprise solution would require legislative appropriation and other action; however, economies would come from an enterprise solution as opposed to the current approach, which is agency by agency. Members of the council were particularly concerned that this project was not well defined and would lead to poor participation from the agencies and difficulty in securing the necessary appropriation from the legislature. A work group was established to determine the next steps. The LFD will continue to follow this project.

MMIS UPDATE

Recently Senators Jones and Lewis and Representative Hollenbaugh met with staff of the Department of Public Health and Human Services (DPHHS) and the Department of Administration (DOA) to discuss potential issues surrounding the MMIS project and current challenges in the procurement process. The discussion resulted in clarification on some key points, including:

- This version of MMIS is not a "from the ground up" development process. The development of the Montana MMIS system will utilize development completed for the New Hampshire, Alaska, and North Dakota systems.
- The fixed price contract contains 20,000 hours of labor for development and testing related to change orders. DPHHS indicated that they were comfortable with this level of funding. It was noted that healthcare reform could impact the actual amount of change orders needed.
- DPHHS will begin to build for a team of subject matter experts to act as the project team. The department has 12 modified positions for this purpose. There are members of the DPHHS staff that have the expertise, but also have other assigned duties. They are currently determining who is interested and evaluating the risk associated with pulling individuals from current positions to serve on the team. A number of administrative human resource type activities need to be completed prior to establishing the team.
- The third party Independent Verification and Validation (IVV) vendor, Public Knowledge, will continue to fill a verification role throughout the design and development process. They will provide quality assurance that the work completed meets the contractual obligations, CMS standards, and the functionality required for a robust system.
- The project management office of SITSD will also provide an oversight role during the development and design process.

The department and LFD staff will work toward establishing a process whereby the contractually required reports will be forwarded to the LFD for review and summarized to the LFC as requested or needed.

The second part of the discussion centered on the current challenge of the contract award. The non-winning bidder has started the appeals process. The initial protest was filed on October 3, 2011. The department responded to the protest on a point by point basis on November 2, 2011 and determined that “no violations of the Montana Procurement Act or the applicable rules” existed. The non-winning bidder subsequently filed a “request for contested case proceedings”. Unlike the original protest, a contested case proceeding does not have specific statutory timelines attached to the process. Under this process, a hearings officer may be appointed to regulate hearings and to set the time for filing documents. The hearings officer will make a recommendation to the department director, who then makes the final decision regarding the contested case appeal. If the non-winning bidder loses at the contested case level, a request for judicial review must be filed within 30 days.

It is important to note that the current challenge to the contract will not alter the execution of the contract. Section, 18-4-242(8), MCA ²states the following:

“The state is not required to delay, halt, or modify the procurement process pending the result of a protest, contested case proceeding or judicial review.”

Should the Department of Administration, through a contested case proceeding or a court, through judicial review, determine that the solicitation or award of the contract is a violation of law, 18-4-242 (5) through (7), MCA provides the remedy. The remedy does not include monetary damages by the non-winning bidder. It does however provide for contract ratification, termination, and modification with conditions to reimburse the person awarded the contract for reasonable expenses for work completed to date.

LFD staff will continue to monitor the development of the MMIS system and the corresponding contract issues. The LFC may wish to set a frequency in which to obtain regular updates of the project.

IT PROJECTS WITHIN THE LFD

Legislative oversight of IT is statutorily directed to the LFC in terms of MITA and to the State Administration and Veterans’ Affairs (SAVA) committee as part of their oversight responsibilities for DOA. With the passage and approval of HB 642, the Select Committee on Efficiency in Government was created. This legislation directs the committee to review information technology as a means to promote efficiency and effectiveness of state government. Much of the work done for the LFC will also be applicable to the SCEG and SAVA.

In addition, the Legislative Audit Division (LAD) under the direction of the Legislative Audit Committee recently started a performance audit of MITA. As part of this process, the LFD lead staff routinely provides information to LAD staff that may be of interest in the audit process. LFD staff has asked LAD to keep the LFD informed as to when this audit will be completed so that representative members from the LFC and SCEG can attend when it is reviewed by the Legislative Audit Committee.

Management of the projects

In order to manage multiple activities and assign resources to IT related projects, the LFD established an IT team within the branch. The team, Barb Smith, Taryn Purdy, Kris Wilkinson, Cathy Duncan and Marilyn Daumiller are responsible for various activities on the plan. An internal IT work plan, segregated by committee, was developed to aid the team in managing the multiple projects falling under auspices of IT. A bi-monthly meeting of the IT team and Amy Carlson provides for review of the plan and updates as needed. The current plan is attached for LFC review.

IN CLOSING

Most of the requested changes to the CIO report were completed for this meeting of the LFC. The LFC may wish to adopt or seek refinement to the following parts of the report:

- CIO Policy report
- Project Portfolio

² See Appendix

- Post Implementation Report

As for other IT issues, the LFC may wish to:

- Establish a regular reporting interval for the MMIS project
- Receive the IT work plan on a routine basis for review

The March 2012 IT report will contain:

- All parts of the CIO report
- Criteria for placement of an IT project on the CIO portfolio report
- Additional information as requested.