

AP/AL: Appropriation

Project Type: Information Systems

Category: Health/Human Services

Location: Statewide

Contact: Larry J. Streuber

House District: Statewide (HD 1-40)

Contact Phone: (907)465-1870

Estimated Project Dates: 07/01/2006 - 06/30/2011

Brief Summary and Statement of Need:

The existing methods of utilizing spreadsheets for implementing the Department's cost allocation plan are becoming increasingly complex and prone to error. A new Revenue Management Information System is needed to provide accurate, federally required reports, and to maximize the amount of federal funding. This project is requested to replace existing Microsoft Excel spreadsheets used for DHSS revenue management and cost allocation systems with a database-driven system.

Funding:	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	Total
Fed Rcpts	\$70,800						\$70,800
Gen Fund	\$400,800						\$400,800
Total:	\$471,600	\$0	\$0	\$0	\$0	\$0	\$471,600

<input checked="" type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
85% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Additional Information / Prior Funding History:

This is the first year of the project.

Project Description/Justification:

Information Technology Capital Project Review Form FY2007

1. Has this project been previously approved?

No

If yes, and there are no significant changes to funding amounts or technologies there is no need to continue with this form. Please copy last year's final capital budget back-up here as your submission for FY2007.

2. What is the purpose of the project?

The Department of Health and Social Services currently uses a set of Microsoft Excel spreadsheets to implement the Cost Allocation Plan (CAP) and revenue management functions. Due to the nature of the work involved and the growing size of the spreadsheets currently employed to do this work, the Department is putting itself at risk of a failure that will cripple the ability to properly earn federal revenue. Because of the importance to the Department of this fundamental

process and the instability of the current solution, it is critical that a more stable and robust process be employed. Losing the ability to accurately earn federal revenue would seriously impact service delivery for the entire Department.

The existing methods of utilizing the spreadsheets for this function are becoming increasingly complex and prone to error. The spreadsheets can only be accessed by one individual at a time. Due to the complexity and size of these spreadsheets, they periodically become corrupted and must be restored from backup, losing hours of valuable work product. Other errors that negatively impact ability to maximize the earning of federal revenue can occur. In addition, only two to three staff members in the fiscal section understand the intricacies of how revenues are collected. There are no reporting mechanisms available to finance and budget managers in Finance and Management Services.

The new CAP/Revenue Management system will be designed to maximize federal revenue and provide all required federal reporting. It will provide information to budget managers through reporting functions and direct online access. The user interface will be developed to allow multiple user access and also to provide access to a larger number of finance section staff.

Department accountants are required to allocate expenditures recorded in AKSAS using over 50 different allocation statistics that change every quarter. The spreadsheet is manually updated and subject to "computer bugs" and human error due to its size.

The same spreadsheets are used to draw federal reimbursements on a weekly basis. Each quarter, new statistical allocations are entered. Various accounting transactions are required to true up over and under claimed revenues. Federal regulations require these accounting procedures to be performed.

Implementing the Department's CAP is best described as a cost accounting methodology. The current State of Alaska accounting system does not have any built-in capabilities to perform the cost accounting transactions required by the federal government. An electronic system that performs the cost allocation processes will perform many of the procedures currently being done by the Excel spreadsheets. A electronic system will allow for more timely recording of federal revenue earnings, allow knowledgeable staff to investigate other opportunities for revenue maximization, and provide accurate up-to-date revenue reports to Department of Health and Social Services managers.

The Department of Health and Social Services earns over \$900 million in federal funds annually. The current antiquated system of allocating costs, federal reporting and federal claiming causes delays in posting revenue as well as some inaccuracies in the revenue. A 1% claiming error is over \$9 million. The State of Alaska and the Department need to make certain that our federal financial system is as close to 100% correct as possible so that Alaska receives its appropriate and fair share of federal funding.

Project cost:	Capital:			Annual O&M costs or savings
	Prior Years	FY 2006	FY 2007	
General Funds	0	0	0	0
General Fund Match	0	0	\$400,800	0
General Fund Program Receipts	0	0	0	0
I/A Receipts (dept. and fund source)	0	0	0	0
Other Funds (name and fund number)	0	0	0	0
Federal Funds	0	0	\$70,800	0
Total	0	0	\$471,600	0

3. Is this a new systems development project?

This is a new systems development project.

Upgrade or enhancement to existing department capabilities?

4. Specifically, what hardware, software, consulting services, or other items will be purchased with this expenditure?

(Include a line item breakdown.)

Software	\$350.0
Implementation	\$150.0
Administration	\$9.4
<u>Total</u>	<u>\$471.6</u>

5. How will service to the public measurably improve if this project is funded?

Direct customers include but are not limited to, upper management, i.e. Assistant Commissioner, Commissioner, division directors, program managers, budget staff, and fiscal staff. Federal government will pay revenues based on information generated through this new system as part of our approved public assistance cost allocation plan. Indirectly, the Legislature and Governor are customers as well since it is our goal to reduce reliance on general funds and maximize revenues wherever possible. Customer service will be measured through internal DHSS customer satisfaction surveys; our ability to collect maximum revenues for the department will be measured by the amount of revenues collected compared to that budgeted and in comparison to the general fund budget for the Department.

6. Does project affect the way in which other public agencies will conduct their business?

This system will support federal requirements of the department that actual costs are allocated among all benefiting programs, that federal cost reports are done timely, and that federal draws are accurate and timely.

7. What are the potential out-year cost implications if this project is approved? (Bandwidth requirements, etc.)

There are no new or expanded bandwidth requirements.

8. What will happen if the project is not approved?

If this project is not approved and implemented, the department would have to continue to make short-term fixes to the existing Excel file. There will be continued inefficient use of staff time, risk of loss of federal revenues due to errors in system data, untimely information on revenues earned that causes deferrals and disallowances, and repeated findings from legislative audits.

Department's Mission: *To Promote and Protect the Health and Well Being of Alaskans*. This project supports the Department's mission by improving the accuracy of federal reporting and maximizing the amount the amount of federal funding the Department can receive. This results in greater services for Alaskans.