



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



Department of Finance and Administration
Review of SHARE Payroll Contributions and Follow-up of Previous Reports
January 15, 2009

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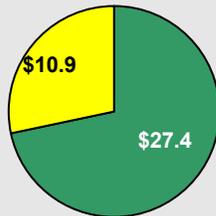
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EXECUTIVE SUMMARY

SHARE Direct Appropriations and Agency Contributions (in millions)



■ Total Direct Appropriations
■ Total Contributions

Source: LFC Analysis of DFA Data

Other SHARE-Related Contracts (in thousands)

DOT	\$1,888.0
DFA	\$6.5
RHCA	\$20.0
STO	\$30.0
DFA	\$307.1
AG	\$21.5
Commission for Blind	\$1.9
ALTSD	\$36.2
LFC	\$20.0
DOH	\$30.6
Total	\$2,361.8

Source: LFC Files

Status of Agency FY07 Audits

In Review or Complete	112
Not Received	5

Source: LFC Analysis of SAO Reporting

PERA and DFA are working together to resolve data issues.

Data mapping across mission-critical systems that share data is extremely important.

Background. The purpose of this Statewide Human Resource Accounting and Management Reporting System (SHARE) report is to provide an update of

- The timeliness and accuracy of payroll deductions,
- The timeliness and accuracy of data transfer to retirement benefit systems,
- External assessments, and
- All remaining issues from the two previous SHARE reports.

New Mexico state agencies started using SHARE in July 2006 when SHARE replaced all accounting and payroll systems within state government, and integrated human resource management activities and data within a centralized system. Since the release of the report in November 2007, the amount available for the SHARE project is \$38.3 million, including maintenance. Total expenditures for SHARE at the end of FY08 and through September 2008 were \$31.8 million, including personal services and employee benefits of \$1 million. A number of state agencies have contracted separately for SHARE-related work totaling \$2.4 million.

Current Review Findings. Payroll deductions are accurately and timely deducted from employee paychecks. Transfers to third-party beneficiaries are accurate and timely. Issues of concern with payroll deductions are (1) one Department of Finance and Administration (DFA) employee has total control over all payroll documents and therefore presents a single point of failure, and (2) the Retiree Healthcare Association's Retiree Healthcare Fund has lost \$495.7 thousand from January 2007 through October 2008 because employers do not contribute to the fund for 537 return-to-work retirees.

Retirement contributions are accurately and timely transferred to the two state retirement systems: the Public Employee Retirement Association (PERA) retirement online (RIO) system and the Educational Retirement Board (ERB) integrated retirement information system (IRIS). Although the retirement contribution calculations are correct, PERA has experienced issues with data downloaded from SHARE. As of July 31, 2008, \$10.2 million in retirement contributions had not been posted to the proper member accounts for 5,747 state employees. The primary reason for the 33,860 member contribution errors was that the data was not "cross-walked" (data mapped) between SHARE and RIO early on in the SHARE planning process and PERA and DFA did not take an active role in ensuring that their agency's needs would be met. Best practices suggest that data mapping is one of the most important steps in data management. DFA and PERA are working together to resolve the data issues and the errors are down 50 percent. DFA recently changed its process for transferring contribution data to the retirement systems from an unencrypted memory stick to a secure file transfer protocol site.

Security over payroll and retirement contribution data transferred from SHARE to the retirement system has greatly improved.

Gartner reported the same issues with SHARE as LFC staff.

DFA needs about \$600 thousand to address the most critical SHARE infrastructure issues.

SHARE as an enterprise system has no governance structure that takes into consideration the needs of state agencies.

Without proper system edits, state agencies cannot comply with their fiscal responsibilities under state statute.

Issues reported to the LFC in the November 2007 and March 2008 reports remain unresolved.

As of June 30, 2008, 100 percent of the \$33.9 million in interest had been posted to agency books.

State employee training to use SHARE effectively is still needed.

DOT is no longer actively pursuing its own SHARE instance.

No enterprise governance structure exists for SHARE. Except for the human capital management (HCM) module, SHARE appears to be no overall fee structure.

Technical support for SHARE is divided between the Department of Information Technology (DoIT) and DFA. The current technical environment was not designed according to best practices, the application of PeopleSoft bundles for the financial and HCM modules are 12 – 18 months behind, and final documentation for New Mexico-specific changes are not available to the technical staffs.

The independent validation and verification contractor gave the management of SHARE an overall risk rating of medium even though the content (findings and recommendations) of the report supports an overall risk rating of high. The contractor cited the same issues reported in the two previous SHARE reports. A consulting company analyzed the SHARE infrastructure to identify opportunities to optimize SHARE's technical environment and to create a management strategy.

November 2007 and March 2008 Findings Follow-up. Issues reported in the LFC November 2007 and March 2008 reports remain unresolved. DFA has not taken corrective action on all the findings in the reports. The follow-up to the reports found

- Governance has not been established;
- Forty-one state agencies have not completed their FY07 audits;
- State employees are being trained, but not sufficiently;
- The June 30, 2007 book-to-bank reconciliation is incomplete;
- Progress made on book-to-bank reconciliation in FY08 is slow;
- Distribution of interest to self-earning accounts is being done manually;
- The Department of Transportation's (DOT) federal reimbursements were reinstated and then halted by the Federal Highway Administration and DOT's request for a separate PeopleSoft system was denied;
- LFC staff's access to financial management reports only allows for the sporadic generation of reports;
- LFC staff does not have access to human resource management reports from the State Personnel Office;
- Two critical human resource reports are not available for management use; and
- There are no metrics to measure the efficiency or effectiveness in state government operations as a result of SHARE.

Outstanding FY07 Audit Report

General Services Department
New Mexico Livestock Board
Commission for the Deaf & Hard
of Hearing
Department of Labor (Workforce
Solutions Department)
Twelfth Judicial District Attorney

Source: SAO website

The LFC review team were Manu Patel, Deputy Director for Program Evaluations and Aurora B. Sánchez, IT Program Evaluation Manager.

The Exit Conference was held November 17, 2008 at DFA with Katherine Miller, DFA Secretary and Anthony Armijo, DFA Financial Control Division director.

Recommendations.

DFA and PERA

- Continue working on member contribution errors created in RIO from downloaded SHARE data.

DFA and DoIT

- Complete the application of PeopleSoft bundles and bring the system current,
- Make documentation on New Mexico-specific changes available to technical support staff,
- Create a library of New Mexico-specific changes and provide it to the SHARE technical support staff,
- Establish written technical standards for code migration,
- Use available bond balances to implement solutions identified in the infrastructure optimization report,
- Establish a governance structure,
- Train state employees,
- Establish metrics to measure how SHARE has improved state government operations,
- Treat SHARE as an enterprise system governed by structured enterprise governance with IT staff consolidated under DoIT.
- Assess agencies \$250 per FTE to use SHARE,
- Use the revenue generated to pay for SHARE operations, maintenance and future upgrades.

SPO

- Provide LFC staff access to HCM reports that do not contain personal identifiers.

Legislature

- Make the approval of a fee increase contingent on legislative agencies gaining access to the system.

Future Status Reports. Further reviews of SHARE are necessary to ensure that state agencies can carry out their required fiscal and human resource responsibilities and that decision makers and oversight entities have accurate and timely information. Some future areas of review are third-party warrants, including stale dated warrants; additional third-party interfaces; monthly cash reconciliations (book-to-bank), transaction-level testing; and grants and projects accounting.

BACKGROUND INFORMATION

New Mexico state agencies started using the Statewide Human Resource Accounting and Management Reporting System (SHARE) in July 2006 when SHARE replaced all accounting and payroll systems within state government and integrated human resource management activities and data within a centralized system. The state's current version of the PeopleSoft financial module is 8.8 and the human capital management (HCM) module is 8.9. Although SHARE is a PeopleSoft enterprise resource planning (ERP) system, neither the human resources nor the financial modules are integrated; the modules work independently of each another.

Since FY05, the project to plan, manage, and implement SHARE has received \$20 million in severance tax bonds, \$7.4 million in general fund appropriations, and \$10.9 million in agency contributions. The agency contributions are for specific agency needs or to help the Department of Finance and Administration (DFA) pay for review of internal controls and for Oracle licensing and software support.

Contracts and Available Funds. Since the release of the report in November 2007, the amount available for the SHARE project, including maintenance, is \$38.3 million. Contracts have been awarded for software licensing; database administration, programming, and hardware configuration; independent validation and verification (IV&V); hardware procurement and installation; business process re-engineering; internal controls analysis and documentation; and integration services, including support for external auditors. The integrator, Maximus, remains on the project to provide limited support on an emergency basis. Additionally, Maximus is providing hosting services for a development and test environment for the Department of Transportation through a separate contract.

**Table 1 SHARE Contracts
From Project Inception to Present**
(in thousands)

Maximus	\$22,827.5
PeopleSoft	\$3,350.2
Gartner	\$458.5
Maximus Hosting	\$781.8
Integrity Networking	\$68.7
ACRO DBA and UNIX	\$140.3
ACRO Conversion	\$195.5
ACRO Support	\$298.2
Ernst & Young LLP	\$262.7
POD	\$175.4
Catherine Meyers	\$21.5
DLT Solutions	\$9.9
Mainline Info System	\$84.1
Total Contracts	\$28,674.3

Source: LFC Analysis

Total expenditures for SHARE at the end of FY08 and through September 2008 were \$31.8 million, including personal services and employee benefits of \$1 million.

During the SHARE planning and implementation phase, DFA, the State Personnel Office (SPO), and the General Services Department were the project's executive sponsors. Now that SHARE is a production system, DFA's Financial Control Division is responsible for day-to-day maintenance and operation of the PeopleSoft application, including security and configuration, and the Department of Information Technology (DoIT) is responsible for the day-to-day maintenance of the Oracle database and the related hardware.

In November 2007, LFC staff reported on the planning and implementation of SHARE. The major findings in that report were

- State agencies and oversight authorities did not have access to reliable key management reports. The reports were untimely, incomplete or inaccurate, or simply not available. Without these key reports, agencies were not able to manage their operations effectively and oversight authorities could not properly perform their functions.
- The State Treasurer's Office (STO) had not been able to distribute nearly \$2.5 million in monthly interest payments since June 2007 because SHARE was not programmed to calculate average daily balances and interest on nearly 150 self-earning accounts, and so the necessary calculations were being done manually.
- State agency business processes had not been re-engineered to fit the system, and so the successful implementation of SHARE was negatively impacted.
- State agency staffs were not adequately trained to use the system resulting in errors, employee frustration, and poor worker morale.
- The governance and support of SHARE as an enterprise application was not centralized.
- A thorough security assessment of SHARE could not be conducted because DFA denied access to the system.
- The system's performance degraded as on the number of users online and requests to the system increased.

Along with following up to ensure that the findings in the 2007 report were properly and fully addressed, staff also recommended additional topics for follow-up in 2008: cash reconciliations, benefit contributions, system interfaces, grant and project accounting, purchasing, payroll processing, and transaction-level controls.

Report Distribution. This report is intended for the information of the Office of the Governor, the Department of Finance and Administration, the Department of Information Technology, the State Personnel Office, the Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report which is a matter of public record.


Manu Patel
Deputy Director for Performance Audit

FINDINGS AND RECOMMENDATIONS

CURRENT REVIEW

Payroll Deductions and Retirement Contributions. LFC members were concerned that the correct amounts were not being deducted from employees' paychecks and that third-party beneficiaries were not accurately or timely credited. The contractor's report addressing the review of these issues will be posted to the LFC website as a separate report.

Payroll Deductions. State and federal taxes, insurance benefits, union dues, etc are deducted from each state employee's paycheck. Prior to FY08, accounting entries for payroll deduction were entered individually in the agencies' books. In FY08, DFA simplified the process for posting payroll deductions in the agencies' books. DFA should also consider changing accruing payroll from monthly to fiscal year-end to allow for timely access to payroll data and cash balance reports.

Public Employees Retirement Association Retirement Contributions Data Transfer. In May 2007, LFC staff reported the Public Employees Retirement Association's (PERA) concern that SHARE contribution data provided by DFA was the cause of a growing number of suspended records in the retirement online (RIO) system. In January 2007, there were 20,201 errors for 3,785 contributing members, totaling \$5.7 million in a suspense fund. Each succeeding month the number of errors grew as did the number of affected employees and the amount going into the suspense fund. By July 31, 2008, there were 33,860 errors affecting 5,747 employees, totaling \$10.2 million in member contributions.

An analysis of all July 2008 errors found that 90 percent of the errors were for eight error types, and that six agencies accounted for 57 percent of those errors.

Fifty-three percent of the errors were related to a state employee transferring from one agency to another. This error is a symptom of not having "cross-walked" (data mapped) SHARE and RIO early on in the SHARE planning process and of not taking an active role in ensuring that each agency's needs would be met. Best practices suggest that data mapping is one of the most important steps in data management.

Additionally, agencies from which an employee transfers are either not submitting the "Termination Notice" form that notifies PERA that the individual is no longer at that agency and in that position or contributing to a particular retirement plan as required. Moreover, agencies to which an employee transfers or begins employment for the first time are not timely submitting the "Application for PERA Membership" form to PERA. These are examples of insufficient training on how and when to use PERA's forms.

DFA and PERA agreed to work together to resolve the errors and keep LFC staff apprised of their progress. Collaboratively, the two agencies have adopted a systematic two-pronged approach: First, the agencies identify the most widespread errors in RIO and work on the data interface from SHARE; second, the agencies analyze each type of error, implement system fixes, and then re-analyze the error. The process is repeated for each type of error.

The table below shows the progress PERA has made in reducing errors since the first meeting on October 16, 2008. Since July 2008, member contribution errors have decreased by 50 percent.

**Table 2. Member Retirement Contribution Errors
July 2008 to November 2008**

Month	Errors	Percent Change Month-to-Month
July	33,860	
August	36,699	8%
September	39,537	8%
October	40,486	2%
November	19,976	-51%

Source: PERA

PERA has also created a new form for employees transferring from one agency to another and is working with DFA's human capital management (HCM) user group to train human resource staff in the agencies on the use of the new form.

DFA and PERA have represented they will continue to work together to identify critical issues that require immediate attention and toward solutions that remedy data issues related to member retirement contributions.

Educational Retirement Board Retirement Contributions Data Transfer. DFA provides information on 238 state employees from six agencies who contribute to the educational retirement board (ERB), as compared with 28,000 state employees from 112 agencies contributing to PERA. No errors were introduced into integrated retirement information system (IRIS) from April to June 2008 by the SHARE contribution data provided by DFA. In March 2008, there was one error for \$3.94. ERB uses a more liberal data acceptance process that allows for creating a shell contribution record, followed by contacting the employer agency for the missing information.

Security of Data Transfer. The interface between SHARE and PERA's RIO and SHARE and ERB's IRIS was an unencrypted memory stick that DFA would physically take to PERA one week after payday or to ERB before the 16th of the following month. The information was then downloaded into a PERA or ERB computer. The possibility of losing or compromising employee data was extremely high. DFA recently started using a secure file transfer protocol (FTP) site to transfer the data.

Retiree Health Care Authority Contributions. The Retiree Healthcare Authority (RHCA) expressed concern to DFA about not receiving any contributions for return-to-work retirees. In its response to RHCA, the DFA controller informed the director that SHARE had stopped making contribution in January 2007 based on the amended law and that retirees who have returned to work were not required to contribute to the retiree healthcare fund. Based on the annual salaries of the 537 return-to-work retirees, the retiree healthcare fund has lost \$495.7 thousand from January 2007 through October 4, 2008.

Section 10-11-8 NMSA 1978 requires that “eligible” employers of retired state employees contribute both the employees’ and employers’ share into the retirement account. As defined in Section 10-7C-4 NMSA 1978, eligible employers are state agencies, state courts, or magistrate courts, all of which are affiliated with or covered by the Educational Retirement Act, the Public Employees Retirement Act, the Judicial Retirement Act, the Magistrate Retirement Act, or the Public Employees Retirement Reciprocity Act. Section 10-7C-9 NMSA 1978 requires all eligible employers to participate, unless municipalities, counties, and institutions of higher education that are retirement system employers exercise their option to be excluded from participation.

Another issue regarding retiree healthcare contributions is that 19 employees in 12 agencies are contributing to either PERA or ERB but are not contributing to the retiree healthcare fund. DFA is reviewing each account to determine the cause of the error.

To clarify who should or should not contribute to the retiree healthcare fund, RHCA should request a specific statutory change specifying whether employers of return-to-work retirees are required to contribute to the fund.

Technical Support, Environments and Documentation. SHARE technical support is divided between DoIT and DFA, with the latter agency having the majority of the staff and resulting control (see governance finding for more detail). The current technical environment was not designed according to best practices, which recommend development, testing, staging, and production. The first three should look and behave just like the production environment so that staff can know how the production system will behave when bundles (patches) are applied. New Mexico’s SHARE environment goes from testing to production. Moreover, the test environment does not mirror the production environment. In addition to not having the correct number of technical environments, and having split technical support, the PeopleSoft bundles for the financial (v. 8.8) and HCM (v. 8.9) modules are 12 to 18 months behind. Bundles 25 to 34 for the financial module and 12 to 16 for HCM have yet to be applied in FY08. The table below shows the number of the patch by module and its release date.

**Table 3. PeopleSoft Patches
Human Capital and Financial Modules**

Module	Bundle #	Release Date	Module	Bundle #	Release Date
FIN 8.8	25	6/15/2007	HCM 8.9	12	6/11/2007
	26	9/26/2007		13	9/10/2007
	27	11/7/2007		14	12/13/2007
	28	12/19/2007		15	3/7/2008
	29	1/30/2008		16	6/10/2008
	30	3/12/2008		17	9/8/2008
	31	4/23/2008		18	12/10/2008
	32	6/4/2008			
	33	7/16/2008			
	34	8/27/2008			

Source: DoIT

Making the situation more difficult is that the final documentation for New Mexico-specific changes is not available to the technical staffs. DFA requested a special appropriation to upgrade the financial and HCM modules to version 9.0; however, if the system is not up-to-date on the bundles and documentation on New Mexico-specific changes is not available, upgrading to a new version is akin to a new implementation.

There are no written and published standards for migrating developed code or other changes into the production environment. The new process to migrate changes into production is fairly new.

System development lifecycle best practices require that the following six activities be included in program development to ensure that high-quality changes are produced, acquired and implemented into a system.

1. Planning,
2. Control (monitor against the plan and control over software development, acquisition and implementation tasks),
3. Design (specify the structure and operations of computer programs) ,
4. Coding (write and document the code),
5. Testing, and
6. Operations and maintenance.

Additionally, best practices require that the activities be well managed by an experienced project manager.

External Assessments. Two external assessments were conducted in 2008: a IV&V post-implementation risk analysis and an infrastructure optimization. Results of both reports are below.

Independent Validation and Verification Report. In its post-implementation risk analysis report, the IV&V contractor gave the management of SHARE an overall risk rating of “medium.” However, the content (findings and recommendations) of the report supports a risk rating of high. The IV&V contractor reported the following:

- Configuration problems,
- Manual work-arounds,
- Use of the grants module versus the projects module at DOT;
- Weak knowledge of SHARE,
- Undocumented agency-level business processes;
- Bank reconciliation errors,
- Difficulty with reporting and analysis,
- Difficult-to-use encumbrance reports or unavailability of some fundamental reports,
- Inconsistent system performance,
- No viable disaster recovery or business continuity plan,
- Insufficient functional staff to address back-logged trouble tickets,
- Inadequate hardware for the various required environments, and
- Insufficient training.

It should be noted that the IV&V contractor reported the same issues LFC reported. The issues reported by both entities continue to be problems.

Infrastructure Optimization Report. A contractor knowledgeable in the PeopleSoft software, with the help of state employees (DoIT and DFA), analyzed the SHARE infrastructure to identify how the environment could be optimized and to create a management strategy. The contractor made recommendations in five areas: performance, business continuity, manageability, information lifecycle management, and data security. (The table below summarizes the recommendations. Color coded or items in bold are repeated recommendation in more than one improvement area.) DFA is requesting approximately \$600 thousand to address the most critical issues identified in the optimization report. DFA estimates it will have approximately \$210 thousand from appropriations made in Laws 2004, Chapter 126, Section 151 which it has requested for two project positions that it could instead use toward addressing critical issues in the report.

Table 4. Oracle Recommendations for Infrastructure Optimization

Area for Improvement	Recommendation
Performance	<ul style="list-style-type: none"> • Conduct an in-depth study of input and output subsystem and storage design • Conduct an in-depth study of the WebLogic thread issues • Implement a tool to measure user performance • Upgrade to PeopleTools 8.48 or greater • Formalize and document service level agreements • Establish holistic monitoring procedures • Establish a configuration management database • Implement a complete production support infrastructure dedicated development, test, quality assurance and training environments • Establish enterprise-wide change management process including thorough testing • Implement partitioning
Business Continuity	<ul style="list-style-type: none"> • Formalize and document service level agreements • Design, test, implement a modern business continuity plan • Automate error prone and time consuming maintenance operations • Eliminate single-points-of-failure, particularly at the storage tier • Implement a master process scheduler • Maintain distinct support environments
Manageability	<ul style="list-style-type: none"> • Use database automation tools that provide enterprise view of the system • Create a configuration management database and leverage current tools to automate configuration tracking • Design and implement a structured approach to software development and release management • Implement partitioning • Have separate and dedicated environments closely reflect production • Use diagnostics and tuning tools that determine where bottlenecks are and proactively monitor performance
Information Lifecycle Management	<ul style="list-style-type: none"> • Formally document data retention policies • Implement partitioning to facilitate and automate archiving • Redesign storage tier to make use of lower cost storage devices for historical data • Define the data classes • Create storage tiers for the data classes • Create data access and migration policies • Define and enforce compliance policies
Data Security	<ul style="list-style-type: none"> • Implement sensitive information handling policies that include development, storage and transmission • Implement database encryption and backup tape encryption • Implement a masking policy to hide sensitive data as it is moved from environment to environment.

Source: DFA

STATUS OF PREVIOUS FINDINGS

Governance. SHARE is an enterprise system that includes the statutory day-to-day business functions of DFA, SPO, and GSD, technical support from DFA and DoIT, and is the primary book of record for all state agencies. However, no enterprise governance structure for SHARE was defined before going live with the system July 2006. DFA and DoIT have been working on one for over one year. That structure should take into serious consideration the needs of each user agency and agencies overseeing financial, personnel, and policy issues. Gartner defines governance as "the processes that ensures the effective and efficient use of IT in enabling an organization to achieve its goals." According to Gartner, pushing IT investments and spending prioritization and approval to the business unit level for resolution can prove dysfunctional.

Except for the human capital management module, supported through a \$65 (nonvouchering) or \$100 (vouchering) agency assessment based on authorized positions in the General Appropriation Act, SHARE has no overall fee structure. Consequently, ongoing operational costs are included in DFA's and DoIT's respective budgets.

DFA and DoIT have requested \$10.1 million for SHARE to upgrade the financial and human capital management modules to version 9.0, to properly implement grants and project cost accounting, and for disaster recovery. To address SHARE hardware and software upgrades, LFC staff is recommending that SHARE be treated as an enterprise system under a structured governance and consolidated IT staff at DoIT. Instead of assessing agencies only for the use of the HCM module, staff recommends a SHARE enterprise fee of \$250 per FTE to support SHARE operations, maintenance, and future upgrades.

This recommended funding approach will provide for all agencies and all funding sources to equitably contribute to SHARE's operation, maintenance, and future upgrades. The fee increase will generate about \$6.8 million per year, of which \$2 million should be set aside in a separate SHARE equipment and software replacement fund. The separate fund, through a legislative appropriation, could be used for system enhancements, upgrades, and keeping current with software releases and patches (bundles). The state is already 12 to 18 months behind in applying the current available bundles.

This recommendation, however, is also contingent on the LFC and other legislative agencies having full access to SHARE to carry out their statutory oversight responsibilities.

According to Section 6-5-2 (A) NMSA 1978, DFA Financial Control Division "shall maintain a central system of state accounts and shall devise, formulate, approve, control, and set standards for the accounting methods and procedures of all state agencies. The division shall prescribe procedures, policies, and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions.

Centralizing the control of an enterprise accounting, payroll, and human resource system at DFA, however, creates the dysfunction described by Gartner. The Financial Control Division can address its own statutory responsibilities through the use of SHARE, but other state agencies are forced to find different means of accomplishing their statutory responsibilities.

State agencies, according to Section 6-5-2 (C) NMSA 1978, “shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.” It is highly unlikely that a computer software as sophisticated and robust as PeopleSoft cannot provide capabilities that allow state agencies to implement internal controls to prevent accounting errors, violations of state and federal law, or rules related to financial matters. At present this robust and sophisticated system requires agency staff to do additional work to determine where a transaction error might cause management reports to be incorrect.

After the SHARE implementation, the state chief information officer assumed full responsibility and leadership for developing an action plan to address the many issues surrounding SHARE. The responsibility and leadership transferred to the Department of Information Technology (DoIT). However, there appears to have been no transition, to operations plan or an action plan that clearly define governance, ongoing support and operations for SHARE. Governance can develop and manage consistent, cohesive policies, processes, and decision-rights of SHARE as an enterprise application that serves all three branches of government. The governor's performance review recommends a federated governance model to free agencies from supporting enterprise services.

Metrics. Accurate and timely information is essential to every organization's ability to report strategically critical information and for tracking key performance measures over time. Monitoring of an agency's financial position is ordinarily achieved through timely, complete and reliable reports. Tracking key performance measures is accomplished by establishing metrics that allow an agency to assess its performance in a particular area. Metrics, according to *Six Sigma*, are at the heart of a good, customer-focused process management system and any program directed at continuous improvement. The focus on customers and performance standards show up in the form of metrics that assess the ability to meet customers' needs and business objectives.

No data is available that allows for comparisons in measuring progress. The agencies have no benchmarks for SHARE to determine if, in fact, it is as efficient or as effective as the accounting, purchasing, and payroll systems it replaced.

DFA has in the past provided information that basically illustrates that transactions are being processed. However, there are no indicators allowing for the determination that the state is meeting or exceeding expected levels of performance in these activities.

Access to Management Reports. Section 2-5-4 (C) NMSA 1978 requires each state agency, department, or institution to furnish to the Legislative Finance Committee and its staff supporting information or data deemed necessary to carry out its oversight responsibilities. The access granted to SHARE financial information in March 2008 should have enhanced the LFC fiscal analysts' ability to oversee state agencies' budgets. However, staff continues to have trouble running reports using the limited access granted to LFC staff by DFA. Even though staff follows the DFA-provided instructions, the system does not always generate the requested reports. Moreover, the system does not return an error message informing staff as to the nature of the

problem so proper notification can be given to DFA for problem resolution. Compounding the problem of the system not processing a request, the data is not always reliable because of input errors caused by inadequately trained staff and no activation of SHARE's edit function.

Cash Balance Report. Section 6-10-2 NMSA 1978 requires that the cash record (detail of receipts and disbursements) be balanced daily so as to show the balance of public money on hand at the close of each day's business. Except as may be otherwise provided by law, the cash record is a public record and is open to public inspection.

The cash balance report (cash record) offers essential summary information regarding the status of funds in state government. DFA now provides the cash balance report by agency and fund to LFC on request. However, the report is not always timely and legislative requests to provide one daily cannot be fulfilled because LFC staff cannot run the report. For example, the November 30, 2008, cash balance report was not be available until December 31, 2008.

Human Resource Reports. Thirteen human resource management reports identified as "critical for go live" and commonly used by state agencies to manage human resources were either not available or not reliable. Of the critical reports identified in the November 2007 report, three are still not available. The table below shows the critical report and whether they are now available for use by state agencies as reported by SPO.

**Table 5. Critical Human Resource Reports
as of October 31, 2008**

Report Name	Status
TOOL Report	Good Report in Production
Classified Service Compensation Report (Profile)	Good Report in Production
Roster of State Employees	Good Report in Production
Classified Employee Listing	Good Report in Production
Job Class Distribution	Not Working
Statewide Vacant Baseline Position all Orgs	Good Report in Production
Agency Vacant Baseline Position all Orgs	Good Report in Production
Agency Turnover Statistics by FY	Not Working
Turnover by Job Class and FY	Not Working
Ranked Listing of Job Applicants	Good Report in Production
Governor Exempt Employee Listing	Good Report in Production
Exempt Temporary and Term Positions	Good Report in Production
Governor Exempt Vacancy Report	Good Report in Production

Source: SPO

Like the financial reports necessary for LFC to adequately fulfill the agency's statutory responsibilities, LFC staff needs access to these reports or at least versions of these reports that do not contain personal identifiers.

Distribution of Interest on Self-Earning Accounts. The \$33.9 million of interest earned for FY08 is reflected in the agencies' books for the appropriate year, even though the amounts may have been posted at a later date. Fourteen agencies that account for about 86 percent of all interest earned were reviewed. **Attachment 1** shows the interest posted and the agencies tested.

As of the end of October 2008, no interest had been posted for FY09 for any agency with self-earning accounts.

Laws 2008, Chapter 3, Section 7, Subsection 10, appropriated \$40 thousand to reprogram SHARE to calculate average daily interest, but the necessary work has not been started.

Calculation for interest-bearing funds was not part of the initial SHARE implementation even though it is a major STO function. The process of manually calculating average daily balances and interest on about 150 self-earning accounts is both labor-intensive and subject to human error and necessitates a change in business processes for the short-term and reprogramming of SHARE for the long-term.

DFA Financial Control Division has taken over calculating the interest on the 150 self-earning accounts for STO. A new process is in place requiring DFA to have the interest calculations complete and to STO by the fifth day of each month and requiring STO to have the operating transfers or journal entries complete by the 10th day of the same month based on the DFA calculations. The semi-manual process established in late 2007, early 2008 remains the same today. However, it does not appear that DFA appears to be unable to provide the calculations to STO by the fifth day of each month. The table below shows by month when interest earned was distributed.

**Table 6. Earned Interest Distributed by Month
FY08**

Month Earned	Month Distributed
July 2007	March 2008
August 2007	March 2008
September 2007	March 2008
October 2007	March 2008
November 2007	March 2008
December 2007	April 2008
January 2008	April 2008
February 2008	June 2008
March 2008	June 2008
April 2008	June 2008
May 2008	September 2008
June 2008	September 2008

Source: LFC Analysis of STO Data

Interest on the selected self-earning accounts could not be verified using the CAFR Monthly Revenue Status Report because any changes subsequent to the distribution or entries without budget class and reference codes do not appear on the report. Instead the various agencies had to run their general ledger or DFA had to run special queries to which LFC staff has no access. Moreover, trial balances for large agencies could not be run by LFC staff for this purpose when requested. SHARE simply aborted the request without sending an error notification.

Training of State Employees. The initial training of state employees on SHARE was inadequate. Successful implementation of SHARE was negatively impacted by not re-engineering business processes at the agencies. In March 2008, DoIT and DFA were drafting a training plan for financial and HCM users. However, users have not received the training for which DFA received \$935 thousand in Laws 2008, Chapter 3, Section 5, Subsection 30. Now that state government is facing a budget shortfall; DFA is amenable to having the appropriation reauthorized for other critical SHARE-related issues recommended in the Oracle infrastructure optimization report.

The end-user training mission was to provide the training necessary to empower the SHARE community to achieve a new level of productivity via their new PeopleSoft system. End-user training was supposed to accomplish this by leveraging the user's understanding of the business processes, systems, and data surrounding the new PeopleSoft system. Armed with the knowledge of the PeopleSoft environment, agencies would be able to create their own model for agency operations based on the new PeopleSoft applications, thus enabling the state agencies to efficiently deliver maximum quality services to the people. Best practices suggest that an enterprise resource planning (ERP) implementation such as SHARE can optimize business processes, but only if agency processes are re-engineered to fit the system.

Human Capital Management Training. Training for state employees using the human capital management (HCM) module of SHARE is ongoing, with classes offered every month. The class size is limited to 12 FTE because of space limitations and to optimize the success of each class. From September 2007 through February 2008, 105 FTE from 40 state agencies received training. From March 2008 through October 2008 an additional 16 classes have been held. Ninety-six FTE from 49 agencies attended those classes.

Financial Training. Training for the financial module continues to be forum (auditorium-style) training and some one-on-one training with individual chief financial officers (CFO).

Technical Training. Technical training has been focused on DFA IT and support staff because they are responsible for maintaining the system and providing first-level support to agencies on financial issues. DoIT technical staff is responsible for the Oracle database, the hardware, and some HCM support, including the helpdesk.

From April 2007 through December 2008, the SHARE project has spent an additional \$64.1 thousand to train 17 FTE as follows:

- 10 DFA controller staff;
- 4 DFA IT staff;
- 2 DoIT staff
- 1 SPO staff

All staff members, except two at DFA, had previously received training. Since the inception of the project, \$209.2 thousand has been spent to train primarily DFA staff.

Department of Transportation. On March 7, 2008, LFC staff reported that the Federal Highway Administration (FHWA) had resumed construction payments that they had halted because of the Department of Transportation's (DOT) inability to use SHARE to produce the

requisite reports for federal billing. Because FHWA deemed the process for reporting adopted by DOT as unacceptable, about \$100 million in reimbursements for FY08 was placed at risk. Additionally, DOT initiated an internal review of its accounting procedures to reengineer where necessary to gain much needed improvements.

On September 11, 2008, FHWA, again wrote to DOT expressing its concern that the manual process DOT was using to account for federal aid eligible costs was resource-intensive, time-consuming, and burdensome to DOT and FHWA. The letter noted monthly reports did not reflect progress on DOT's commitment to have SHARE fully functional no later than December 2008. FHWA informed DOT that it planned to conduct a review shortly after the December 2008 deadline to "attest that SHARE is a fully functioning automated system." FHWA asked DOT to submit a revised plan no later than October 10, 2008, if the December date could not be met. DOT promised the plan by December 31, 2008.

DOT has moved away from its initial request to have its own instance of SHARE. Instead, DOT has obtained the computer code from the Wyoming DOT for FHWA billing at no cost to the state. The same project manager that successfully implemented the PeopleSoft application in Wyoming is managing this project. A second contractor will assist with testing, troubleshooting, and documentation. DOT needed two complete test environments to properly test the WYDOT code. DoIT and DFA were unable to provide those environments and DOT had to contract with an external company to provide test environments similar to the SHARE production environment. In addition to the test environments, DOT also needed a production copy of the SHARE data with which to test the code. On November 26, 2008, DoIT approved making a copy of the data with the requisite security, disclosures and confidentiality, and limited use provisions. Those three contracts total \$1.4 million. The project has \$4 million in the contractual services category in FY09 and an additional \$3.9 million in FY10.

State Agencies' FY07 Audit Reports. The comments on the State Auditor's Office (SAO) website for audits received show that 33 agencies attributed findings in their audit or timeliness of audits to data not available in SHARE or the SHARE implementation. As of December 4, 2008, 54 agencies had completed their FY07 audit by the December 15, 2007, deadline, 58 were completed after the State Auditor's Office (SAO) deadline, and five have not been completed (See **Attachment 2**). Although 96 percent of the audits are complete, SAO has not released 15 of the completed audits because it has not finished its review of the reports. It is taking SAO between 30 and 168 working days to review completed audit reports and release them to the audited agency. In the case of the Office of African American Affairs, SAO received the completed audit report on November 20, 2007, but has not been released it. SAO was responsible for the Taxation and Revenue Department audit, which it turned in to itself on August 28, 2008, but has not released it yet.

Budget and General Appropriation Act Preparation. Laws 2008, Chapter 3, Section 7, Subsection 10, appropriated \$250 thousand to perform a business processes, needs assessment, and gap analysis to addresses critical needs in capital project reporting, budget, and General Appropriation Act (GAA) preparation. DFA has entered into a \$55 thousand contract to document DFA's and LFC's current business processes for budgeting and creating the GAA. The remaining balance can be reappropriated to address other state critical needs.

**Interest on Self-Earning Accounts
July 2007 through June 2008**

	Agency	Total Calculations	Total Posted
30500	AG	\$14,229.17	0.00
33300	TRD	\$47,184.49	\$47,184.49
34100	DFA	\$1,204,641.27	\$1,387,616.16
34300	RHCA	\$364,180.74	\$364,180.74
35000	GSD	\$5,680,578.00	\$5,680,578.00
36600	PERA	\$1,114.10	-
37000	SOS	\$87,380.57	-
38500	Primary Capital Care	\$131,178.94	-
39400	STO	\$6,166,960.87	\$5,929,557.57
41800	Tourism	\$30,015.30	-
42000	RLD	\$274,053.04	-
43000	PRC	\$805,937.24	\$805,937.24
44900	Board of Nursing	\$166,323.50	-
46400	Engineering & Land Surveyors	\$24,620.66	-
50500	DCA	\$16,441.93	-
51600	DGF	\$1,256,265.92	\$1,256,266.19
52100	ENMRD	\$226,301.19	\$226,301.19
53900	SLO	\$2,052,251.28	-
55000	SEO	\$286,294.21	-
63000	HSD	\$102,146.02	\$102,146.02
63100	DWS	\$17,066.61	-
63200	Workers' Comp	\$51,478.16	-
63500	Local WIA Board	\$2,242.48	-
64400	DVR	\$31,042.19	-
66200	Miners	\$418,176.39	-
66700	ED	\$4,340,357.51	\$4,340,357.51
66800	Natural Resources	\$283,834.52	-
69000	CYFD	\$251,382.16	-
70500	DMA	\$26,435.51	-
77000	CD	\$33,307.02	-
79000	DPS	\$357,509.83	-
80500	DOT	\$3,690,208.97	\$3,690,208.97
92400	PED	\$804,688.77	\$803,634.46
95000	HED	\$4,562,895.20	\$4,562,895.20
Total		\$33,808,723.76	\$29,196,863.74

Source: STO

Highlighted interest entries posted into Agency accounts as a liability.
-Amounts blank in the posted column were not tested

Status of FY07 State Agency Financial Audits

Agency Code	Agency Name	Date Received	Date Released
Received on Time: 54			
112	Legislative Finance Committee	12/3/2007	1/11/2008
117	Legislative Education Study Committee	12/17/2007	3/3/2008
210	Judicial Standards Commission	12/10/2007	3/14/2008
216	New Mexico Supreme Court	12/17/2007	4/7/2008
231	First Judicial District Court	12/17/2007	4/7/2008
232	Second Judicial District Court	12/14/2007	6/24/2008
233	Third Judicial District Court	12/14/2007	3/27/2008
234	Fourth Judicial District Court	12/14/2007	6/24/2008
238	Eighth Judicial District Court	12/10/2007	3/3/2008
240	Tenth Judicial District Court	12/14/2007	6/24/2008
244	Bernalillo County Metropolitan Court	12/17/2007	4/16/2008
251	First Judicial District Attorney	12/17/2007	4/16/2008
253	Third Judicial District Attorney	12/14/2007	3/20/2008
257	Seventh Judicial District Attorney	12/17/2007	4/7/2008
258	Eighth Judicial District Attorney	12/17/2007	2/25/2008
261	Eleventh Judicial District Attorney, Division	12/10/2007	3/20/2008
306	State General Fund	12/17/2007	2/25/2008
308	State Auditor's Office	11/30/2007	1/30/2008
337	State Investment Council	11/30/2007	3/20/2008
341	Department of Finance & Administration	12/17/2007	3/25/2008
342	NM Public School Insurance Authority	12/17/2007	3/14/2008
355	Public Defender Department	12/17/2007	2/11/2008
356	Office of the Governor	10/22/2007	11/27/2007
360	Office of the Lieutenant Governor	10/22/2007	11/27/2007
361	Department of Information Technologies	12/17/2007	2/11/2008
366	Public Employees' Retirement Association	12/13/2007	2/19/2008
369	Commission of Public Records	12/17/2007	3/20/2008
385	New Mexico Finance Authority	11/7/2007	1/23/2008
404	Board of Examiners for Architects	12/17/2007	2/25/2008
416	New Mexico Sports Authority	12/17/2007	3/20/2008
419	NM Economic Development Department	12/17/2007	3/25/2008
446	New Mexico Medical Board	12/11/2007	2/11/2008
452	NM Hospital Equipment Loan Council	11/29/2007	
460	EXPO New Mexico	12/17/2007	5/6/2008
465	Gaming Control Board	12/17/2007	4/21/2008
469	State Racing Commission	12/17/2007	6/11/2008
495	New Mexico Spaceport Authority	12/17/2007	3/10/2008

Status of FY07 State Agency Financial Audits

Agency Code	Agency Name	Date Received	Date Released
516	Department of Game and Fish	12/17/2007	3/25/2008
547	Cumbres & Toltec Scenic Railroad Comm.	11/8/2007	12/17/2007
550	Office of the State Engineer	12/17/2007	4/16/2008
601	Commission on Status of Women	11/6/2007	12/10/2007
603	Office on African American Affairs	11/20/2007	
606	Commission for the Blind	12/17/2007	3/14/2008
624	Aging and Long-term Services Department	12/17/2007	6/30/2008
630	Human Services Department	12/17/2007	4/7/2008
647	Developmental Disabilities Planning Council	12/17/2007	4/16/2008
669	Health Policy Commission	12/6/2007	2/11/2008
690	Children youth and Families Department	12/17/2007	3/14/2008
770	Corrections Department	12/14/2007	3/3/2008
811	New Mexico Lottery	10/23/2007	12/4/2007
814	The New Mexico Mortgage Finance Authority	12/10/2007	1/4/2008
925	New Mexico Beef Council	10/1/2007	11/29/2007
216-C	Court of Appeals	12/17/2007	4/7/2008
216-D	Supreme Court Law Library	12/14/2007	4/7/2008
Received After December 15th deadline: 58			
111	Legislative Council Service	12/21/2007	5/6/2008
208	New Mexico Compilation Commission	3/27/2008	8/19/2008
218	Administrative Office of the Courts	3/11/2008	4/23/2008
219	Supreme Court Building Commission	3/4/2008	8/19/2008
235	Fifth Judicial District Court	3/4/2008	6/30/2008
236	Sixth Judicial District Court	3/28/2008	8/13/2008
237	Seventh Judicial District Court	4/11/2008	8/7/2008
239	Ninth Judicial District Court	6/17/2008	10/14/2008
241	Eleventh Judicial District Court	2/22/2008	10/14/2008
242	Twelfth Judicial District Court	2/15/2008	6/24/2008
243	Thirteenth Judicial District Court	10/31/2008	
252	Second Judicial District Attorney	1/9/2008	4/15/2008
254	Fourth Judicial District Attorney	3/18/2008	6/24/2008
255	Fifth Judicial District Attorney	2/29/2008	6/11/2008
256	Sixth Judicial District Attorney	2/11/2008	5/14/2008
259	Ninth Judicial District Attorney	6/26/2008	
260	Tenth Judicial District Attorney	1/17/2008	6/24/2008
263	Thirteenth Judicial District Attorney	2/25/2008	
264	Administrative Office of the Dist. Attorneys	12/21/2007	4/16/2008
265	Eleventh Judicial District Attorney, Division	5/30/2008	
305	Office of the Attorney General	4/18/2008	7/30/2008
333	Taxation and Revenue Department	8/28/2008	

Status of FY07 State Agency Financial Audits

Agency Code	Agency Name	Date Received	Date Released
343	Retiree Health Care Authority	5/30/2008	9/18/2008
352	Educational Retirement Board	2/21/2008	
370	Secretary of State	9/2/2008	
378	State Personnel Board	7/22/2008	
379	Public Employee Labor Relations Board	3/27/2008	7/2/2008
394	Office of the State Treasurer	7/29/2008	9/30/2008
417	NM Border Authority	8/22/2008	
418	Department of Tourism	2/6/2008	5/27/2008
420	Regulation and Licensing Department	7/8/2008	11/21/08
430	Public Regulation Commission	4/22/2008	8/13/2008
449	Board of Nursing	2/11/2008	6/11/2008
464	Board of Professional Engineers & Land S	1/4/2008	3/14/2008
479	Board of Veterinary Medicine	7/10/2008	11/14/08
505	Department of Cultural Affairs	7/8/2008	
521	Energy, Minerals & Natural Resources	12/26/2007	6/11/2008
538	NM Intertribal Ceremonial Office	3/4/2008	8/26/2008
539	Commissioner of Public Lands	12/21/2007	5/7/2008
569	Organic Commodity Commission	12/28/2007	3/27/2008
605	Martin Luther King, Jr. Comm.	10/22/2008	
609	Indian Affairs Department	1/3/2008	6/11/2008
632	Workers' Compensation Administration	4/4/2008	8/13/2008
645	Governor's Commission on Disability	1/9/2008	3/20/2008
662	Miners' Colfax Medical Center	3/25/2008	9/9/2008
665	Department of Health	7/30/2008	
667	Environment Department	5/22/2008	11/14/08
668	Office of Natural Resources Trustee	7/2/2008	11/25/08
670	Veterans' Service Department	1/18/2008	5/19/2008
705	Office of Military Affairs & Armory Bd.	1/3/2008	4/23/2008
760	Adult Parole Board	1/30/2008	
765	Juvenile Parole Board	1/22/2008	7/15/2008
780	Crime Victims Reparation Commission	11/19/08	
790	Department of Public Safety	3/28/2008	11/15/08
805	Department of Transportation	10/31/2008	
924	Public Education Department	4/30/2008	10/3/2008
940	NM Public School Facilities Authority	6/12/2008	9/30/2008
950	Higher Education Department	7/14/2008	10/27/08
Not Received as of December 8, 2008: 5			
350	General Services Department		
508	New Mexico Livestock Board		
604	Commission for the Deaf & Hard of Hearing		

Status of FY07 State Agency Financial Audits

Agency Code	Agency Name	Date Received	Date Released
631	Department of Labor (Workforce Solutions Department)		
262	Twelfth Judicial District Attorney		

Source: SAO

Highlighted agencies = SAO has taken longer than two months to review and release the audit reports