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June 27, 2007

To: Senator John Arthur Smith, Chair
Legislative Finance Committee

From: Aurora B. Sánchez, IT Performance Auditor

Through: David Abbey, Director

RE: Review of Retiree Health Care Authority IT Systems and Business Processes

This memo is in response to a legislative request to review the status of information technology (IT) systems and other processes at the Retiree Health Care Authority (RHCA).

Background. RHCA was created to provide comprehensive group health insurance programs under the Retiree Health Care Act and to administer the senior prescription drug program. The purpose of the Retiree Health Care Act is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the retiree health care fund and by co-payments or out-of-pocket payments.

INFORMATION TECHNOLOGY SYSTEMS

Office of the Chief Information Officer Assessment. In September 2005 the Office of the Chief Information Officer (OCIO) conducted an IT assessment of RHCA. Most of the findings dealt with security or telecommunications. The OCIO did not assess the adequacy of the retiree system.

The RHCA IT director responded to the OCIO report in April 2006 stating that RHCA took corrective action on most if not all the findings. As of April 2007, about 80 percent of the findings in the 2005 security assessment have been addressed. Issues remain with the environmental controls in the Albuquerque and Santa Fe server rooms. Neither server room has proper locks or fire suppression.

Technology System, Plan, Needs and Staff. The RHCA has one major system, Retiree Benefits Information System (REBIS) with two components, retirees and employers. It is an Access front-end system with Structured Query Language (SQL) back-end that is deemed to be Heath Insurance Portability and Accountability Act (HIPAA) compliant. The RHCA also has a Discount Prescription Drug System that it uses to enroll citizens for Express Scripts services.

REBIS Documentation. The RHCA IT staff has the REBIS table layouts and the history of revisions made to the retiree component of the system. From August 2005 to April 2007, IT revised REBIS 26 times. Seventy-seven percent of the revisions to improve the system have been under the direction of the new IT Director. No documented changes to the employer part of the database were included in the documents provided since little to no changes have been made to it since it was implemented in 2000. Although, IT staff continues to change the retiree component of the system to address business needs until it is replaced, there appears to be no stop-gap measure in place to ensure data accuracy and integrity between now and the time a new system is implemented and fully operational.

Data Imports and Exports. RHCA exchanges data with the Public Employee Retirement Association (PERA) and the Educational Retirement Association (ERA). Additional information from PERA and ERA would help reduce the time customer service representatives (CSR) spend calling to verify years of service or work history; to address why deductions could not be taken from retirement checks, or to find out if a retiree has died. PERA and ERA were asked if this additional information can be provided to RHCA without having to incur additional costs. PERA will probably be able to provide the data, but ERA will have to pay its vendor to address new requirements. The one change ERA had its vendor make to accommodate RHCA cost ERA $24 thousand. Both agencies have agreed to participate in the technology needs assessment so that all the necessary data can be exchanged and minimal cost incurred.

The Department of Health Vital Records Bureau keeps the death records for all New Mexicans. The bureau chief has verbally agreed to work with RHCA on possibly providing a monthly death record electronically. The death record could be compared to the retiree records, including spouse and dependents and the system could be updated with the necessary information.

Customer service staff suggested working with Social Security Administration to obtain information on retirees added to the Medicare rolls.

IT Plan. FY07 IT plan initiatives dealt with moving servers, establishing a wide- and local area network and changing the web-based senior prescription drug system to a discount prescription drug system. FY08 initiatives all deal with improving the wide area network and compliance with HIPAA. Neither IT plan directly addressed any REBIS-related issues. Moreover the FY08 IT Plan does not discuss how the findings in the September 2005 OCIO Assessment were addressed. The OCIO approved the agency's FY08 IT Plan on April 17, 2007.

IT Needs. The IT infrastructure needs of a small agency are usually not extensive. About 98 percent of the computers and servers are less than two years old. The top two technology priorities at this time are a comprehensive and user friendly benefits system and upgrading the scanning system.

RHCA contracted with outside consultants to conduct an assessment of its computer system. No written report was issued by the company, so the executive director had the presentation before the audit committee transcribed by a professional court reporter. The consultants found in part that

- The database design is poor.
- The database lacks referential integrity.
- There are no business cases to support the system processing rules.
- There are no built-in controls, edit checks or audit trail, e.g.
    - Duplicate names or accounts are allowed,
    - Transactions can be deleted,
    - The database administrator can change anything at any time,
    - There is no way to determine if an employer missed a month's payment.
- There is no assurance that the data in the previous database (In Main) was successfully and accurately converted.
- There is insufficient security levels based on need-to-do or need-to-know basis
- Employer accounts receivable reflect only payment history not amounts due.
- Nothing is built-in to the system that allows employers to be invoiced automatically.

Although not part of the consultants report, in FY06 an independent public accountant issued a qualified opinion because the auditors were "unable to perform necessary procedures and obtain all information needed to satisfy them about the propriety of accounts receivable and corresponding effect on revenue". Accounts receivable increased $2.5 million but the data within the computer system was not reliable and could not be verified because the computer system did not have the capabilities to properly track accounts receivable.

RHCA has issued a request for proposal to conduct a high-level business and technical analysis of its current processes and procedures. The IT system documentation, the RHCA Act and Rules and the Program Handbook can all be used by the contractors selected for the needs assessment. Based on interviews with CSRs, they are very enthusiastic about participating in the needs assessment and had very good suggestions on how a new system could allow them to be more efficient, effective and accurate. Participation by the CSRs will be invaluable in recommending a replacement system and will provide for user buy-in before system implementation.

IT Staff. In July 2005, the legislature expressed concern about vacant IT positions and RHCA's inability to fill them because of the OCIO freeze on IT positions. The FY05 budget had four IT positions: 2 programmers, 1 network support specialist and 1 user support specialist. For over one year, RHCA tried to get approval from the OCIO to fill its positions, but had no luck. The OCIO had RHCA ask the General Services

Department (GSD) Information Systems Division (ISD) if they could provide network support before the OCIO would approve the network position. GSD-ISD could not provide the support so on July 14, 2005, the OCIO approved the position. Three IT positions appear sufficient to address the needs of RHCA; however, contract help will be needed when a new benefits system is implemented.

Information Technology Policies and Procedures. IT policies and procedures are up-to-date since the IT Director had those documented in response to findings in the FY05 external audit.

The program and data access policy requires that the IT director approve changes to system functionality. Systems should be changed based on business practices and processes to meet the needs of the business users. Approval of system functionality should be at the business level not with IT since the business owns the systems. This change allows the business unit to be the driver and IT to be the vehicle to get them where they need to go.

The program and system documentation policy requires the IT director to audit system log files weekly, but there is no requirement to document when the files are reviewed or if any issues are found.

The telecommunications equipment policy is related to Executive order 2003-30 which requires each employee to sign an acknowledgement form. RHCA's telecommunication policy, however, does not include an acknowledgement form and a reference to Internet, Intranet, Email, and Digital Network, 1.12.10 NMAC.

RHCA does not have a HIPAA privacy policy that clearly documents the agency's responsibility to comply with HIPAA security-related requirement. The Children, Youth and Families Department has a rule that RHCA could revise and adopt for its purposes, Privacy Office, 8.8.5, NMAC. RHCA does have agreements with business associates regarding use of HIPAA protected information.

Telecommunications. In the summer of 2006, the RHCA moved to its new location in Albuquerque. GSD installed a new telephone system as recommended in the OCIO assessment. Within in weeks of installation, RHCA began experiencing problems. GSD's Communications Division worked with RHCA to resolve the issues. The deputy director reported that the telephone system problems had been resolved and she had received no further complaints. Although most of the issues experienced early on have been resolved, staff interviewed reported continued problems at the Santa Fe and Albuquerque offices. GSD has agreed to work with RHCA to identify why and find viable solutions to:

- Calls dropping while staff are helping retirees,
- The inability to place calls outside the office and
- The Santa Fe office's inability to reach the server and gain access to REBIS.

GSD has the a product called "intellicenter" at the Tiwa building in Albuquerque which includes management reports on how long a person is on a call, the number of calls each CRS handles in a day, how many calls are dropped, etc. RHCA can request it be added to the intellicenter for $5 per agent (CRS) and $15 per supervisor per month. The system is not yet available in Santa Fe, but may be installed soon next door at Plaza San Miguel where the Human Services Department is housed.

Conclusions. Overall, significant progress in addressing shortcomings in the agency's IT systems has occurred over the past two years. Management and the IT director have been proactive in systematically reviewing and improving the system. Further work needs to be done, however, and the following recommendation should be considered.

Recommendations.

- Require a written assessment and recommendations with costs from the needs assessment contractor.
- Encourage staff participation in the needs assessment.
- Include PERA, ERA, DOH and Social Security Administration in the needs assessment.
- Ensure executive, Board and management, commitment to a new system implementation.
- Encourage early user buy-in of a new system and changes to internal processes.
- Include in the FY09 IT Plan a request for a new system, upgrade to scanning/imaging, if not addressed in FY08, and environmental controls for the server rooms.
- Make the results of the assessment available to the OCIO and LFC to support the FY09 funding request.
- Implement a stop-gap measure to address data quality and integrity between now and the time a new system is implemented and operational.
- Consult with the OCIO on electronic document management/electronic content management which directly relates to the scanning system upgrade.
- Amend existing policies or adopt new IT policies to comply with laws or executive orders, clarify a process, or require action be documented.
- Consider upgrading the telephone system to include call center management tools.
- Add directions on how to access information on the website to the outgoing telephone message.

BUSINESS ISSUES

Agency Staff Turnover and Business Issues. Retaining talented staff is essential to organizational success. People need to feel wanted, valued and appreciated. They want to do meaningful work and have some say in how their jobs are designed, managed, and measured.

RHCA has experienced a high turnover rate in the last couple of years although vacancies appear to have stabilized recently. Outdated policy and procedures and operations

manuals, lack of systematic training opportunities on business practices and lack of formal input mechanisms for improving overall agency performance were noted across divisions.

Additionally, employees expressed some concern about staff moral, lack of communication and poor interpersonal relations. In general, staff expressed support for the executive directors' management while noting that the agency would benefit from more regular opportunities for all staff to be included in determining the direction of the agency.

Mediation may help RHCA staff and management create a more open and inclusive work environment and should be encouraged agency wide. While the issues raised by staff are important and should be addressed promptly, those issues are not insurmountable with commitment from management and staff and support from the Board for positive change.

Policies and Procedures. Policies and Procedures are the strategic link between RHCA's vision and its day-to-day operations. Well written policies and procedures

- Provide employees with information that allows them freedom to carry out their job and make decisions within defined boundaries.
- Allow employees to understand the constraints of their job without using a trail and error approach.
- Enable the workforce to clearly understand individual and team responsibilities.
- Allow managers to exercise control by exception rather than micro-manage their staff. It also, allows manager to hold employees accountable for their actions or lack of actions.

Signs that an agency needs policies and procedures are

- Increased errors,
- More staff questions on normal operations or staff feeling confused,
- Inconsistent job performance,
- Increased stress levels, and
- Increased complaints.

Workplace Policies and Procedures. RHCA recently reissued its employee policies and procedures manual regarding conduct in the workplace. All employees are required to read and acknowledge its receipt.

Customer Service Representative Manual. The customer service administrative manual documents the business processes for the customer service representatives. Although it is outdated, it can provide a good beginning for the contractor conducting the needs assessment.

Interviews with customer service representatives showed a solid basic understanding of the process and business rules for processing retiree benefits information. The process to handle refunds and moving money and who is responsible for sending out letters to retirees turning 65 or whose dependents are turning 25 differs slightly from CSR to CSR.

There is consensus that an e-mail has to be sent to the operations manager for refunds and moving money from one account to another, but from there most are not sure what transpires.

The technique to assist retirees has been changed from a first come first served by whichever CSR is available to a regional format. CSRs are assigned regions based on zip code. The change appears to have reduced the number of duplicate refunds initiated and may improve accountability in some areas. The change to how refunds are handled has made CSRs less accountable and placed additional work on the operations manager. The refunds due to retirees as of June 18, 2007 was $189.5 thousand. Fifty-eight percent are over 121 days old. Changes to the refund workflow has also had the effect of CSRs not knowing the status of refunds and having to ask the operations manager about the status or looking them up in a refund or warrants binder. Although CSRs have been briefed on the changes, a clearly written policy or procedure is not yet available. Outlining the responsibility of each CSR, the process to follow when refunding or moving money including the documents needed to support each refund or movement of money would re-establish accountability.

The scanning of documents has been changed from an upfront process to a backend process or moved to CSRs as they have time. The effect has been a backlog at either the scanner station (a temporary position that also helps prepare Board books for meetings) or with the CSRs, documents are not available electronically to answer questions so CSRs need to hunt for them.

Organizational Listing. A review of the February 2007 SHARE Organizational Listing shows that the agency currently has 18 filled positions out of the 24 authorized in the 2006 General Appropriation Act. An analysis of the Organizational Listings from June 2006 through February 2007 shows:

1. Duplicate position numbers that do not indicate the position is double filled.
2. Position (perm numbers) that did not exist in the previous system (HRMS).
3. Position numbers that disappear for a few cycles and then reappear.
4. Authorized positions that are less than the filled positions.
5. Authorized positions that fluctuate from month to month.
6. Actual filled positions are fewer than the number reported.
7. No vacant positions listed even though the agency has vacant positions.

Position numbers are unique to each position in state government. Two individual can occupy the same position if it is double filled. The TOOL number and position number are used to assist an agency with position control. The TOOL number is a unique identifier with agency code, division, bureau, section, unit and finally position number.

The State Personnel Office (SPO) is reviewing the month-to-month analysis to determine the cause of the listing's anomalies. As of June 15, 2007, SPO had not been able to find process reasons for the anomalies and was referring the issue to GSD's SHARE technical staff.

Conclusion. Again, as with IT, challenges remain to be addressed to improve the agency's business practices and ensure that retirees receive prompt and efficient services. Particular focus on the Operations Division is warranted. However, management and the Board should be commended for identifying problems and moving to fix them promptly. The following recommendations should be considered in addressing issues identified in this review.

Recommendations.

- Require mediation or facilitated sessions to address low morale, poor communications and interpersonal relationships.
- Update existing policies and procedures, where necessary, or write new policies and procedures for changes to day-to-day activities.
- Train staff as appropriate in RHCA policies and procedures and SPO, Department of Finance and Administration, and State Purchasing Division rules.
- Grant compensatory time to CSRs or hire another temporary employee to clear up the backlog.
- Require all CSRs to assist in researching the supporting documentation for refunds over 120 days, attach it to the refund request and explanation form and provide it to the operations manager for review and approval.
- Require CSRs requesting a refund for a retiree to provide all supporting documentation for the operations manager's review and approval.
- Consider allowing flexible work schedules or a one half day per week of not seeing clients so that CSRs can work on completing the week's work.
- Re-institute scanning at the front-end.
- Immediately scan refund requests and warrants so that they are available to the CSRs.
- Use a portion of the $100 thousand appropriation approved in HB 728 to assist the agency with a review and revision of the Customer Service Representative Administrative Manual.

cc: Marie Thames, Director
Danielle Wilson, Board Chair

AS:DA/csd