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September 30, 2010

MEMORANDUM

TO: Representative Luciano "Lucky" Varela, Chairman
Senator John Arthur Smith, Vice-Chairman

FROM: Brenda Fresquez, CICA, Program Evaluator *BF*

SUBJECT: **Review of Children, Youth and Families Department Use of Contractual Services for Augmenting IT Staff or Outsourcing IT Services**

Summary. The Children, Youth and Families Department (CYFD) has contracted over eight years for IT maintenance and support to augment its staff that supports CYFD's mission critical Family Automated Client Tracking System (FACTS). The staff augmentation contract provides for software updates and upgrades necessary to maintain the existing FACTS application. In FY10, CYFD awarded a competitive four year FACTS maintenance and support contract to ACRO Service Corporation (ACRO) for \$1.4 million per year. Key points identified during the review include the following:

- CYFD paid \$1.4 million to ACRO in FY10 to modify FACTS that included \$662 thousand for the implementation of a safety management model to comply with federal requirements.
- In FY11, CYFD reduced the contract to \$391 thousand and as a result, CYFD staff will carry more of the workload to support FACTS.
- Currently it is 49 percent more costly to have IT contractors supporting FACTS than in-house IT staff. Estimated contractor FTE is \$130 thousand, compared to CYFD FTE cost of \$87 thousand.
- Reducing the FACTS maintenance and support contract in FY11 could save \$290 thousand.
- Training has impacted CYFD's ability to fully support FACTS.

CYFD could maintain its mission critical system with limited contract support if authorization is granted to fill IT positions that support the applications development section and training initiatives focused on staff that is assigned to support its mission critical system.

The purpose of the review is to determine the impact of Information Technology (IT) vacancies on the Children, Youth and Families Department's (CYFD) ability to support mission critical systems, the use of contractual services to augment IT staff and CYFD's on-going plan to maintain IT systems using internal resources.

Background. CYFD is responsible for state policies and programs to support children, youth, and families in need, to promote self-sufficiency and to coordinate an integrated system of care among various state agencies. CYFD includes five programs: Juvenile Justice Facilities, Protective Services, Early Childhood Services, Youth and Family Services, and Program Support.

CYFD's Program Support provides administrative support to its direct services programs, including budget, finance, human resources and information technology services. The Information Technology Services (ITS) division maintains the network infrastructure and all information technology (IT) systems, including the mission-critical Family Automated Client Tracking System (FACTS). FACTS is a case management tool used by protective, early childhood, juvenile justice, youth and family and financial services. Overall the ITS division manages IT system processing and data communications for 47 geographically separated offices, five educational units and two 24x7 call centers throughout the state.

Fiscal Information. The FY11 Program Support budget of \$17.9 million includes \$7.7 million, or 43 percent, for the ITS division. The ITS budget has increased 3.1 percent from FY10 to FY11. The ITS FY11 contractual services category of \$1.3 million represents 86 percent of Program Support's \$1.5 million contractual services budget. CYFD reduced ITS' contractual services by \$19.5 thousand as part of the general fund allotment reduction pursuant to the 2010 General Appropriations Act.

The ITS division has 50 full-time equivalent (FTE) positions, or 30 percent of Program Support's FTE. The vacancy rate in the ITS division has increased from eight percent in FY09 to 16 percent in FY11 as shown below.

IT Division Staffing Levels

	FY09	FY10	FY11
Vacant	4	7	8
Filled	46	44	42
Total	50	51	50
Vacancy Rate	8%	14%	16%

Source: SPO Organizational Listings

In FY11, three out of the eight vacancies are in the application development section and are funded. One of the vacancies in the application development section is assigned to FACTS support. CYFD also has a FY10 authorized FTE for an application developer that could be exempted from the hiring freeze and be an additional position assigned to FACTS.

FACTS. FACTS was developed in 1997 under state and federal cooperation primarily as a protective services case management system to meet reporting requirements for child welfare. Since its implementation, FACTS has served as a basis for IT development across programs at CYFD. Funded with 75 percent federal and 25 percent state dollars, FACTS is identified as a federal Statewide Automated Child Welfare Information System. Over the years ITS division has implemented FACTS enhancements and modifications that include new reporting requirements, and system improvements for better functionality.

CYFD contracts for individuals with technical expertise to augment its staff to support the FACTS application. The ITS application development staff oversees the day-to-day operations of FACTS and contractor workloads are assigned and monitored by CYFD. Basically, contractors take daily direction from ITS managers as CYFD employees would. CYFD's oversight fits into the accepted definition of staff augmentation, according to Gartner (a leading information technology research company).

Staff augmentation is the contracting for supplemental resources with technical skills needed to support a project when an organization is unable to obtain permanent staff. The organization retains management, ownership and complete responsibility for the work produced, and it is responsible for all day-to-day management issues, including the assignment of work and monitoring the progress of all work efforts. The contractors function as members of the department.

Since 2005, CYFD has contracted for FACTS maintenance and support with the same vendor. The contract is to provide FACTS software updates and upgrades necessary to maintain the existing FACTS application. In FY10, CYFD awarded competitive four year FACTS maintenance and support contract to ACRO Service Corporation (ACRO) effective from June 1, 2009 to June 30, 2013, for \$1.4 million per year. The hourly rate negotiated by CYFD is within the State Purchasing price agreement range of \$66.82 to \$68.60 per hour.

In FY10, payments of \$1.4 million to ACRO for FACTS maintenance and support were from various sources as shown in the table below.

FY10 Payments to ACRO

IT Budget	\$212,062
Special Appropriation - Laws 2009, Chapter 24, Sec. 7	\$662,210
Early Childhood Services	\$358,582
ARRA	\$150,000
Youth and Family Services	\$55,000
Total	\$1,437,854

Source: CYFD

The FY10 contract included a modification to FACTS for implementation of a comprehensive safety management model to comply with the federal Child and Family Services Program

Improvement Plan that was paid for with the \$764 thousand special appropriation from the computer system enhancement fund. Because of this modification, CYFD required three more contract staff in addition to the seven identified as key personnel in the FY10 contract. The 10 contract staff worked an average of 1,783 hours which is an average of \$146 thousand per person.

In FY11, CYFD reduced its FACTS contract from \$1.4 million to \$391 thousand because it would no longer have \$914 thousand from non-recurring sources. As a result, CYFD reduced the number of contractors from ten to three. The average annual cost per contractor in FY11 is \$130 thousand or 49 percent more than an FTE. FACTS application developers at CYFD are at a salary for grade 85 with an average salary and benefits of \$87 thousand per FTE.

By reducing the number of contract staff, contractual services costs could be reduced by \$260 thousand. In addition, to generate cost savings, CYFD could seek an exemption to the hiring freeze and fill the 2 funded FTE application developer positions and reduce the contract to one contractor from three and save CYFD \$260 thousand.

Workload. Program areas request enhancements and modifications are reported by the application development section on a change request. CYFD monitors project plans using a change request inventory, but does not track its inventory by type (e.g., federal reporting, statutory or other program requirements). To improve management's prioritization, the inventory could include a column for the type of change. Currently, change requests are prioritized by the program area and CYFD executive management selects the change requests based on budget (resources and hours) available and priority for the department. According to CYFD, the FY10 FACTS release included 33 change requests of which 27 were related to statutory or federal requirements and reporting.

CYFD uses a team approach to complete each change request, with a CYFD staff person as lead. Each team includes an applications developer, a business analyst, and a contractor. Currently ITS application development section has eight FTE assigned to FACTS; four IT business analysts and four IT application developers. Of the 33 change requests in FY10, ACRO completed 61 percent of the work and CYFD completed 39 percent.

The number of change requests (27) for FY11 is 18 percent lower than FY10. In FY11 CYFD has assigned the workload for the 27 change requests, CYFD will perform 65 percent of the work and the contractor 35 percent.

IT Staff Training. CYFD's FY10 IT plan states that for CYFD to be successful in future development and to maintain its current environment, the IT staff must be fully trained. The FY11 IT Plan states training for new staff is imperative and training on current tools for older staff is always necessary. One of the FY10 and FY11 training strategies is to effectively manage the skills and abilities of state FTEs and contractor staff to maximize the current resources available to CYFD, and ensure knowledge transfer. According to CYFD, management would develop a budget for IT training that provides most staff two classes within a fiscal year.

Based on ITS division's training records, the application development staff assigned to FACTS has not received training since FY07. ITS division's training records for FY09 and FY10 showed that most staff in the operations and technical services sections took on-line or self-paced training courses aligned with the training needs described in the FY10 IT Plan. However, FY09 records showed only four out of 12 individuals assigned to the application development section had IT training and those that did were not assigned to work on FACTS. All staff assigned to the application development section did not receive training in FY10 primarily due to budget reductions.

The provisions in the current contract state the contractor will create and update all associated documentation for FACTS maintenance and support, but does not include specific language for knowledge transfer or training. Although CYFD has described a training strategy to effectively manage the skills and abilities of state FTEs, the level of participation in training is dependent on available budget.

Conclusion. CYFD could maintain its mission critical system with limited contract support if authorization is granted to fill IT positions that support the applications development section and training initiatives focused on staff that is assigned to support its mission critical system.

BF/mt