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December 15, 2008

**MEMORANDUM**

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

**From:** Aurora B. Sánchez, IT/Program Evaluations Manager *A*  
John Ketchens, Program Evaluator

**Subject:** **Status Review of the ISD2 Replacement for the Human Services Department (09-02)**

The status review of the Human Services Department's (HSD) combined Income Support Division integrated services delivery system (ISD2) replacement and your enterprise eligibility system (YES-NM) projects was to determine the status of the system replacement and overall use of the appropriated funds.

According to the Social Services General Operating Procedures, 8.100.100 NMAC, the Income Support Division (ISD) of HSD, is responsible for providing economic, educational, and employment assistance, and access to social service resources to individuals and families in New Mexico. The ISD2 system is HSD's automated eligibility system used to help meet HSD's objectives.

Currently, an individual seeking public assistance can download the appropriate forms from the HSD website or they can get them at any ISD office statewide for the following services:

- Food Stamps, Temporary Assistance for Needy Families (TANF), General Assistance, and Medicaid (single application).
- Low Income Home Energy Assistance Program – LIHEAP.
- The Emergency Food Assistance Program.

The completed forms are manually entered into the system by an ISD worker. In either instance, a client still has to visit an ISD office to complete the process. This exemplifies an area where ISD can improve its delivery of a public service through technology.

**Historical Information.** The most often cited reason for replacing ISD2 is that it is an antiquated system (1980's technology) written in common business oriented language (COBOL) and uses virtual sequential access method (VSAM) files instead of a database. In 2001, HSD proposed a three-year \$30 million project to replace ISD2 with the state system applicant link to services for assistance (SSALSA).

In the 2001 General Appropriation Act, HSD received \$8 million (\$4 million each from general fund revenue and federal funds) to replace ISD2. In August 2002, HSD requested approval of the advanced planning document (APD) to obtain the \$4 million from the US Department of Agriculture Food and Nutrition Services (FNS) and from the Department of Health and Human Services Center for Medicare and Medicaid Services (CMS). HSD was not able to initiate and complete the APD before August 2002 because HSD had difficulty finding the resources and staff necessary to initiate and complete the APD. HSD decided to start using the \$4 million general fund appropriation to avoid having it revert even though HSD could have requested an extension of time to use the funds.

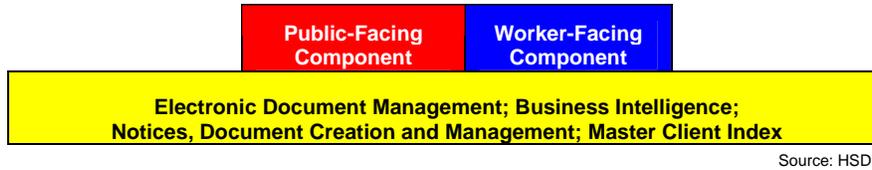
A September 2002 LFC staff report revealed that the U.S. Department of Health and Human Services had denied the funding for SSALSA because the APD was not received timely and there were procurement issues. Staff also reported that HSD owed IBM \$5.6 million and did not have any money to pay the amount owing.

In an October 2002 report to the Information Technology Commission (ITC), HSD reported that the SSALSA project did not have qualified staff, federal approval and sufficient funding. An October 2002 LFC staff report shows that HSD had incurred almost \$20 million of which it had paid its contractors \$8.4 million and owed the balance. HSD proposed to the Department of Finance and Administration and the Governor and received approval to use the remaining general fund appropriation, FNS and TANF funds to pay the outstanding debt. Files are currently unavailable to determine exactly how the various contractors were paid.

**Current Project Status.** The premise behind replacing the current ISD2 system and enhancing eligibility determination has not changed: the inadequacies of a COBOL- and VSAM-file-based mainframe system. The antiquated platform has made it more difficult and at times impossible to adjust to changing federal and state regulations regarding program implementation. Additionally, manual practices used by ISD increase data entry errors; create considerable frustration for individuals trying to apply for assistance; and cause displeasure within ISD's personnel ranks as they try to comply with state and federal regulations and effectively manage voluminous client files.

According to project documents, the ISD2 replacement will allow multiple agencies to determine eligibility from a central system designed using service oriented architecture. The two layers of applications include three major components shown in the figure below.

**Figure 1. ISD2 Replacement and Eligibility System Configuration**



Centralized eligibility determination complies with the governor’s initiative for statewide enterprise projects and provides a more efficient means of delivering public services. The worker-facing component, a future sub-project, will provide functionality for the ISD worker for intake, interviewing, case assignment, appointment scheduling, case maintenance, eligibility determination, benefit calculation, benefit recovery, and quality assurance.

Through Joint Powers Agreements (JPA) signed in FY07 and FY08, HSD is partnering with six State agencies: Department of Health (DOH), Children, Youth and Families Department (CYFD), Aging and Long-Term Services Department (ALTSD), the Commission for Deaf and Hard-of-Hearing Persons, the Workforce Solutions Department (WSD), and the Developmental Disabilities Planning Council (DDPC) to develop a statewide enterprise internet portal for program eligibility determination.

Under the JPA, HSD will provide its partners with all facets of project management services, contracting support, staff and hardware and software. In return the agencies contributed \$100.6 thousand as shown in the table below and to support the project before oversight entities.

**Table 1. Agency Contributions  
 Eligibility Determination System  
 For FY07 and FY08**  
 (In thousands)

Agency	Amount
WSD (OWTD)	\$2.6
ALTSD	\$3.0
CDHH	\$50.0
CYFD	\$2.0
DDPC	\$5.0
DOH	\$38.0
<b>Total</b>	<b>\$100.6</b>

Source: HSD

The ISD2 replacement project is currently in the planning phase and components that HSD’s federal partners do not consider part of the ISD2 replacement (business intelligence, imaging, and eligibility determination system) are in the first phase of implementation. The outcome of this phase will be to provide the necessary technological infrastructure needed to sustain an open system architecture that is robust, flexible, scaleable and easier to use. It will incorporate a service oriented architecture which is a method for systems development and integration that groups system(s) functionality around business processes.

The HSD ISD2R Steering committee’s multiple state fact finding mission resulted in a

- Revised the project schedule for the planning phase.
- Re-estimated cost of the planning phase.
- Request to combine the ISD2R and YES-NM projects.

The eligibility portion of the ISD2 replacement system will incorporate public domain system code from Wisconsin and use an implementation model similar to the one adopted by Georgia and New York. It will not cost New Mexico anything to get the system code because HSD’s federal partners, FNS and CMS, have already paid for the federal share for the development and will not pay twice.

**Appropriations.** The ISD2 replacement system, including the enterprise eligibility system that was funded separately in Laws 2007 has been appropriated \$31.3 million from 2001 through 2005 as shown in the table below and includes two term full-time-equivalent positions. HSD’s failure to submit its APD for timely approval resulted in having to use the \$7 million general fund appropriation, FNS and TANF funds to cover the \$20 million liability it had incurred (see the table below). Therefore, the appropriations from 2001 through 2004 are not available to use on this project. An additional \$8 million in federal funds from 2005 to 2007 is not available because the projected match rate was not the same as the rate approved. The total available for this project is \$7.1 million from appropriations and \$100.6 thousand from agency contributions or \$7.2 million.

**Table 2. ISD2 Replacement Appropriation Breakdown**  
 (in thousands)

Project	Year Appropriated	State	Federal	Total
SSALSA	2001 <sup>(1)</sup>	\$4,000.00	\$4,000.00	\$8,000.00
SSALSA	2002 <sup>(1)</sup>	\$3,000.00	\$5,136.00	\$8,136.00
SSALSA	2004 <sup>(2)</sup>	\$950.00	\$2,050.00	\$3,000.00
SSALSA	2004 <sup>(3)</sup>		\$3,600.00	\$3,600.00
<b>Subtotal SALSA</b>		<b>\$7,950.00</b>	<b>\$14,786.00</b>	<b>\$22,736.00</b>
ISD2R	2005 <sup>(4)</sup>	\$1,000.00	\$6,200.00	\$7,200.00
ISD2R	2007 <sup>(4)</sup>	\$1,500.00	\$4,500.00	\$6,000.00
YES	2007 <sup>(4)</sup>	\$2,000.00		\$2,000.00
<b>Total ISD2R and YES</b>		<b>\$4,500.00</b>	<b>\$10,700.00</b>	<b>\$15,200.00</b>

Source: GAA 2001, 2002, 2005, 2007, and 2008

- (1) All or a portion no longer available  
 (2) ISD charges, \$800 thousand from TANF  
 (3) Supplemental appropriation from TANF and FNS  
 (4) Extended thorough FY10 or all federal funds not available, or both

**Project Certification.** Between December 2005 and December 2007, HSD requested certification for almost \$1 million for the project from the State Chief Information Officer (now Department of Information Technology (DoIT)) for planning. After HSD reassessed the project’s direction in 2008, it requested certification from DoIT to (1) combine the ISD2

replacement and the eligibility system into one project, and (2) increase the amount for planning phase to \$2 million (an increase of \$1.1 million from previously certified). According to the outcome of contacting 25 other states, partial or full demonstrations of 16 other states' systems and due diligence visits, a project like the ISD2 replacement takes between eight and 10 months to plan and costs about \$2 million. DoIT certification only can be sought after HSD has received approval from the Family and Nutrition Services (FNS) and Center for Medicare and Medicaid (CMS). The table below shows the four certifications HSD has requested the amount of each certification and the purpose of the certification.

**Table 3. Appropriations Available and Project Certification Activity  
 FY05 through FY09**  
 (in thousands)

Appropriations				Certification					
Year	GF	FF	Total	Date	GF	FF	Contributions	Total	Phase
2005	\$1,000.0	\$6,200.0	\$7,200.0	12/12/05	\$90.0			\$90.0	Zero - preplanning
2007	\$1,500.0	\$4,500.0	\$6,000.0	4/20/07	\$248.3	\$285.7	\$100.6	\$634.6	Planning
2007	\$2,000.0		\$2,000.0	11/30/07	\$275.0			\$275.0	YES Initiation
				9/10/08	\$1,101.0			\$1,101.0	Zero and Planning <sup>(2)</sup>
				9/10/08	\$1,926.6	\$3,254.7		\$4,281.3	Phase I Implementation <sup>(3)</sup>
<b>Total</b>	<b>\$4,500.0</b>	<b>\$10,700.0<sup>(1)</sup></b>	<b>\$15,200.0</b>		<b>\$3,640.9</b>	<b>\$3,540.4</b>	<b>\$100.6</b>	<b>\$7,281.9</b>	

Source: GAA and Certification Requests

- (1) Federal Funds available are \$2.6 million not the \$10.7 million appropriated.
- (2) Zero phase for ISD2 replacement and planning for the eligibility system.
- (3) Imaging and electronic document management, eligibility and adhoc reporting.

Note: The multi-year budget status reports were not provided.

The assigned project manager is a full-time HSD employee with over 20 years experience managing large complex projects, a degree in management information systems, course work toward an MBA and a doctorate in human resource development of which organizational change is a component. The project manager surpasses the minimum requirements of a bachelor's degree and six year experience. According to the project manager, the deliverables in the planning phase are on schedule.

FNS and CMS waived the requirement for an implementation APD since the combined cost of the first three projects (eligibility) does not exceed \$5 million and are not part of the ISD2 replacement project. The cost of the three projects: business intelligence, eligibility screening and application capabilities and imaging (electronic content electronic document management system) is \$4.3 million. The first phase of the eligibility system will use a transfer system code from Wisconsin, New York and Georgia. Referring back to Figure 1 on page 3, HSD expects to have the components in the yellow box and part of the public-facing component (red box) completed by the end of calendar year 2009.

The APD for planning the actual replacement system was resubmitted to FNS and CMS August 14, 2008. In October 2008, CMS approved \$390 thousand for the (combined) projects' planning phase and FNS approved \$491.2 thousand pending availability of funds. The projected total cost of the replacement system provided to CMS is \$84 million.

There are currently no signed contracts. There are four contracts totaling \$1.3 million pending DoIT's approval as follows:

- Development staff augmentation (\$170 thousand),
- IV&V services for planning (\$110 thousand),
- Eligibility system configuration and installation (\$990 thousand), and
- IV&V services for configuration, installation and implementation (\$55 thousand).

HSD has also requested and received quotes for hardware, software and business intelligence software. HSD will purchase the goods after it receives the DoIT Project Certification Committee approval letter.

In November 2008, HSD released a Request for Information (RFI) to obtain information on acceptable commercial off-the-shelf or transfer system options that will

- Meet 80 percent of the documented functionality of the current system,
- Incorporate the web portal (Your Eligibility System),
- Interface with LIHEAP, New Mexico Works, and the imaging system,
- Support 90 percent of the programs HSD provides, and
- Be supported by state staff.

In its FY10 Information Technology Plan, HSD is requesting \$12.4 million from the general fund and \$15.1 million in federal funds to continue the project. The estimated cost from FY10 through FY13 is \$77.6 million and does not include any previous appropriations. It is unclear why a transfer system that meets 80 percent of the documented functionality and supports 90 percent of the HSD programs would cost \$84 million to implement.

In addition to the one-time non-recurring appropriation request, HSD also requested a base budget expansion of 34 full-time-equivalent positions to provide in-house support and development services for HSD's major systems, which includes ISD2.

**Oversight.** The DoIT project oversight and compliance bureau staff reviewed HSD's self-reported project information and rated it YELLOW. This indicates the project has been escalated for resolution to the Executive Sponsor, in accordance with the project's issue escalation and resolution procedure. DoIT had rated the project yellow because of the six contingencies: federal approvals on the enterprise eligibility system and the ISD2 replacement, updated certification documentation, breakdown of funding sources, an IV&V contract and an architectural review; two changes in scope and concern about agency readiness because of the security workload. However, DoIT's FY09 first quarter report for projects \$1 million and greater has it rated as green.

HSD provided letters approving the ISD2 replacement APD, a breakdown of available funds and updated project documentation. There appears to be no written approval of the project's compliance with the statewide architecture. According to DoIT staff, a favorable outcome of the architecture review is evident by "the subsequent approval and certification of HSD's request".

Although the project appears to be moving forward, it has experienced a number of delays in the past.

**Concerns.** Large projects like the ISD2 replacement are at greater risk of failure because of their sheer size and complexity. The following will remain as concerns until the project is successfully moved into production.

1. Change in agency top-level management.
2. Short-fall in state general fund revenues.
3. Federal partners deny advance planning document.
4. Change in project manager.
5. Not enough involvement from knowledgeable functional staff.
6. Not enough or not sufficiently knowledgeable IT staff assigned to the project.
7. Impact of partner agency requirements on the base system.
8. Inadequate consideration of overall security.
9. Project delays.
10. Inability of the IV&V contractor to honestly report the project status to the department secretary or DoIT.