

# Fiscal Year 2015-16 Information Technology Request

## Personnel and Administration

### *Collections System Replacement*

#### PROGRAM PLAN STATUS and OIT BEST PRACTICES

2016-038

Approved Program Plan?  Date Approved:

The department says that OIT will review the proposed solution to ensure that data security standards are met. OIT will also ensure that project governance and management processes are implemented as outlined in HB12-1288.

#### PRIORITY NUMBERS

Prioritized By	Priority
Dept/Inst	1 of 1
OSPB	NP of 10

Recommended for funding.

#### PRIOR APPROPRIATION AND REQUEST INFORMATION

<u>Fund Source</u>	<u>Prior Approp.</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Future Requests</u>	<u>Total Cost</u>
CF	\$0	\$13,911,135	\$0	\$0	\$13,911,135
<b>Total</b>	<b>\$0</b>	<b>\$13,911,135</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,911,135</b>

#### ITEMIZED COST INFORMATION

<u>Cost Item</u>	<u>Prior Approp.</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Future Requests</u>	<u>Total Cost</u>
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$0	\$848,640	\$0	\$0	\$848,640
Construction	\$0	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$107,415	\$0	\$0	\$107,415
Contingency	\$0	\$0	\$0	\$0	\$0
Software Acquisition	\$0	\$12,955,080	\$0	\$0	\$12,955,080
<b>Total</b>	<b>\$0</b>	<b>\$13,911,135</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,911,135</b>

#### PROJECT STATUS

This is a new, never-before requested project.

#### PROJECT DESCRIPTION / SCOPE OF WORK

The Office of Information Technology (OIT) and the Department of Personnel & Administration (DPA) are requesting a combination of cash funds spending authority to replace the current collections database system. The Columbia Ultimate Business Solutions (CUBS) system will be replaced by a vendor-hosted system that will fully integrate with the state's current CORE financial system. Vendor-hosted systems do not require the state to manage the system's hardware or software; instead, the vendor is responsible for maintaining the hardware that is running the system at the vendor's location, as well as upgrading the software as necessary, managing necessary security patches, and customizing code as needed.

The department says that the new system will automate, to a large degree, the accounting entries and actions necessary to successfully manage the large volume of collections-related processing done by the Central Collections Program. It should reduce the need for manual intervention in the overall process, introducing efficiencies. The project will be implemented over four years on a performance-based contract and will be paid for out of additional

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revenue generated by the new system to include future annual maintenance costs.

#### PROJECT JUSTIFICATION

According to the department, the current CUBS system is 25 years old. The CUBS system is based on technologically outdated and unsustainable hardware. The CUBS system is marginally capable of interfacing with the state's current CORE financial system and requires vendor support for changes. Ongoing annual maintenance costs are \$150,000 and can be expected to increase as the system ages. The department says that reprogramming CUBS is time consuming and costly. The functionality to pull timely and consistent reports out of the database does not exist.

While software upgrades for CUBS are available, they are generated by third-party vendors, with which the state has no formal agreement or contract. The department states that the system is difficult and costly to reprogram. This becomes problematic when collections rates change. Additionally, limited input and output formats for the CUBS database not only decrease the state's ability to operate efficiently, but also create difficulty for external entities such as citizens who owe the state money. The department believes that all of these issues represent potential points of failure for the state collections system.

The Central Collection Program business model is to collect past due debts, charge a commission on collection of these debts, and use the commission to pay its operating expenses. With this proposal, the new system will enable Central Collections to collect more past due debts. The additional revenue will be used to pay system implementation costs and ongoing system costs.

**Project alternatives.** The department considered two possible alternatives to this request. In FY 2012-13, funding for \$300,000 was approved to purchase a commercial off-the-shelf (COTS) replacement for CUBS. The COTS solution funding proved to be grossly insufficient to meet DPA needs for replacing CUBS. DPA also considered a capital appropriation, but this was deemed too risky. To that end, the preferred solution was deemed the most viable.

#### PROGRAM INFORMATION AND IMPLEMENTATION PLAN

Project implementation will follow the project management and governance and management processes required by OIT.

#### COST SAVINGS / IMPROVED PERFORMANCE OUTCOMES

According to the department, improved audit controls and tracking of many vital collection statistics along with the ability to integrate with the CORE financial system will improve performance. Once the total cost of the new system is paid, the cost savings will be realized and quantifiable.

#### SECURITY AND BACKUP / DISASTER RECOVERY

OIT will ensure the selected solution(s) meet and/or exceed established security and backup standards.

#### BUSINESS PROCESS ANALYSIS

There was no business process analysis accomplished for this solution.

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#### PROJECT SCHEDULE

	Start Date	Completion Date
RFP	May 2015	June 2015
Contracting	July 2015	January 2016
Implementation	January 2016	March 2017
Completion		March 2017

#### OPERATING BUDGET

The department is requesting \$107,415 in operating funding on behalf of the project in FY 2015-16 for 1.0 FTE. OIT will hire an IT Professional II to ensure successful system integration and continued system support. Based on the assumptions and projections of the fully implemented Collections System, the department estimates annual upkeep and maintenance to be \$1.5 million plus additional licensing and maintenance costs for IT infrastructure, beginning in FY 2016-17.

#### STAFF QUESTIONS AND ISSUES

1. Will there be any FTE reductions directly related to the Columbia Ultimate Business Solutions (CUBS) retirements?

*The Department will address any operating efficiencies that may result from the replacement of CUBS in future operating requests. While the new system will generate efficiencies, it is anticipated that the new system will also increase the amount of collection activity. We will evaluate the impact on staffing of the tradeoff of increased efficiencies and additional collection activities in a future operating request.*

2. Is there a comprehensive master training plan for the project?

*The State will develop a master training plan for the project. This plan will include training for all employees in Central Collection Services including collection representatives, accounting, customer support, and administration (20 employees). In addition, the plan will include training for departments, institutions of higher education, and political subdivisions who refer past due debts to Central Collection Services (up to 100 individuals). There will also be training for private collection agencies (about 20 individuals). Finally, we will develop online training for debtors on how to use the new system. We anticipate that we will need to provide training to approximately 150 users in total, excluding debtors.*

3. The preferred solution will generate additional collections revenue that will pay for the new system on a performance-based contract. The payoff period for this project is four years with annual maintenance thereafter. What happens to the excess generated revenue after four years? Could the additional collections revenue be used to fund the annual maintenance costs throughout the entire system life?

*Excess revenue after four years will be used to fund the annual maintenance costs throughout the entire system life. Revenues beyond this level that exceed the target fund balance will be reverted to the general fund.*

4. Has a security risk analysis been performed on the proposed COTS products?

*OIT will participate in the selection process ensuring compliance with all security and backup standards. As stated within the Alignment with OIT Best Practices and Security Section and Backup/Disaster Recovery Section, OIT will ensure the selected solution(s) meet and/or exceed our Security and Backup Standards. However, no current solution or product has been identified or selected at this time. Vendors have been contacted by OIT to provide general information on system requirements and industry standards, but a Request for Proposal (RFP) has not yet been put out for bid. OIT must follow certain procurement protocol before awarding a bid to a potential vendor. All responses to the eventual RFP will be subject to stringent review to ensure the vendor selected is in compliance with*

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*OIT security and backup standards.*

5. Can you provide a list of the current COTS products being considered?

*These will be determined when responses to the RFP are received.*

6. Which other states have implemented the COTS products?

*At least 20 states have implemented COTS products, including Kentucky, North Carolina, Virginia, and California.*

7. What types of data requests are being asked for that are not currently captured by the current DCIS? Who is requesting this information?

*Analytical reports, reconciliation reports, and performance analytics for internal use, and accurate status reports for clients.*