JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION
OF THE VIRGINIA GENERAL ASSEMBLY

SPECIAL REPORT:

Status of Automation Initiatives of the Department of Social Services

Report of the
Joint Legislative Audit
and Review Commission

Special Report: Status of Automation Initiatives of the Department of Social Services

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TABLE OF CONTENTS

Introduction

On December 19, 1997, the Chairmen of the House Appropriations and Senate Finance Committees directed JLARC to provide a status report on the automated systems initiatives at the Department of Social Services (DSS). In directing the study, the chairmen stated that the report should include for each major system – the status of work completed, any concerns regarding implementation, a comparison of expenditures to date and appropriations, as well as projected expenditures to complete the systems (Appendix A). Since the primary purpose of the study was to provide information to assist in reviewing the 1998-2000 budget, the report was requested by the end of January 1998.

JLARC Staff Review

To complete the review of the of the status of automation initiatives at DSS, JLARC staff reviewed correspondence, planning, and financial documents for seven major automation projects. JLARC staff also interviewed numerous participants involved in the development of these systems.

Document Reviews. The JLARC staff review of documents included: financial records, correspondence between DSS and federal agencies, advanced planning documents, internal DSS planning documents, and DSS information on the background of each automation project. These documents were used to assess the current status of the project and project expenditures. JLARC staff also used the documents to identify and assess problems associated with the planning and implementation of the various automation projects.

Structured Interviews. Structured interviews were conducted with many of the primary participants involved in the development of the seven automation projects under review. JLARC staff spoke with DSS staff responsible for the technical and program development for the projects reviewed. Staff conducted telephone interviews with federal officials responsible for federal funding for the automation projects. Staff in local social services agencies were interviewed to obtain a local perspective on the projects. Finally, JLARC staff spoke with staff from the Council on Information Management, the Department of Information Technology, and the Auditor of Public Accounts regarding the projects.

Analysis of Financial Data. JLARC staff reviewed expenditures and projected cost data for each automation initiative. Appendix B includes a summary for each project of the expenditures to date, projected remaining costs, and appropriations for FY 1999-2000.

Overview of Study Findings

There is now reason to be cautiously optimistic about the development of systems at DSS. The Department has successfully deployed parts of ADAPT, and has made good progress on other initiatives. However, while DSS has

made commendable progress in the development and deployment of several systems, it may have also been too ambitious in its development efforts. It now appears that DSS may have overcommitted existing resources in its effort to complete the many projects underway. The Commissioner of DSS told JLARC staff that DSS "may be trying to do too much too fast." As a result, JLARC staff found that testing and quality control have been shortchanged to meet deadlines.

Review of the various information system initiatives also raises concerns about the management and oversight of the Division of Information Services within DSS and the various initiatives that have been undertaken. This concern is exacerbated by the fact that there have been three directors of the division within the last four years. Problems with management and oversight have had several negative consequences.

One significant problem has been the failure of DSS to allocate sufficient staff to projects such as ADAPT and the Statewide Automated Child Welfare Information System (SACWIS). Staffing shortages have contributed to delays in the implementation of the projects, inadequate testing of new systems, and insufficient staff support for the local agencies using the new systems.

An additional consequence appears to be inadequate management control of the process for submitting Advance Planning Documents (APD) for federal funding of automated systems. The failure to properly manage this process has exposed the State to unnecessary financial liabilities in at least two instances. According to DSS, the Department's failure to obtain the requisite approvals for the SACWIS system may result in the State having to fund $6.7 million in expenses that should have been allocated to the U.S. Department of Health and Human Services (HHS). In addition, the State may be required to pay approximately $88,000 for the ADAPT project that should have been allocated to HHS. While DSS claims that it has funds available from other sources to cover these expenses, having to allocate these funds for SACWIS will result in their not being available for other programs.

A final concern is the Department's response to the year 2000 compliance issue. The Council on Information Management has identified DSS as being at risk of not being able to adequately address the year 2000 issue. DSS appears to be in this position because it recently changed its overall approach to addressing the issue, and is just now beginning to assess the systems which may be affected.

The remainder of this report is a more detailed discussion of these and other issues, as well as a discussion of the status of each major DSS automation initiative.

**CURRENT STATUS OF THE APPLICATION BENEFIT DELIVERY
AUTOMATION PROJECT (ADAPT)**

The Application Benefit Delivery Automation Project (ADAPT) is a computer systems project designed to automate the eligibility determination and benefits calculation process for three major benefits programs – Temporary Assistance for Needy Families (TANF, formerly AFDC), Food Stamps, and Medicaid. The Department of Social Services (DSS) began development of the system to help local social services agencies manage the increasingly complex eligibility and benefits process. When completed and installed in local agency offices, local eligibility workers will use the system to interview applicants for assistance programs, and to determine the benefit amounts for which the applicants are eligible.

Currently, the ADAPT project is progressing toward successful completion, though the projected date for full statewide implementation of August 1998 may not be realistic. While significant portions of the Food Stamps and TANF/VIEW components of the system have been successfully deployed in some local social services agencies, many others are still waiting to use the system pending training of staff. Maintenance and enhancements of these parts of the system is expected to continue until June 1998. Moreover, development of the Medicaid component, considered the most important by the local agencies, has not yet resumed. The development team has started a review of the revised Medicaid policy despite the fact that the final Medicaid policy is not due for release until March 1998. A detailed work plan cannot be developed for completion of Medicaid until the policy is complete.

Inadequate staffing, pressures to meet approaching deadlines, and difficulties with vendors pose risks which the Department of Social Services must address more effectively. It appears that the Department needs to: (1) assign responsibility for deployment of ADAPT to the appropriate program division, (2) deploy additional staff as necessary to the development effort, (3) re-evaluate the schedule for completion of ADAPT to more realistically account for the actual resources available and the impact of intervening events which have delayed progress, and (4) develop a better strategy for addressing hardware, training, and other non-development problems.

Background

ADAPT began in 1991 as the umbrella project for four major information technology initiatives at DSS. These initiatives were (1) building a bridge between MMIS and VACIS, (2) enhancing VACIS, (3) creating a rules-based system for eligibility determination and benefit calculation, and (4) completing long-range planning for social services information systems. Initially the project was to be completed by 1993, but addition of the rules-based system moved the

planned implementation to 1994. Development continued on the system until December 1995 when project development was suspended. Because major portions of the system remained to be completed, the Secretary of Health and Human Resources and the Commissioner of Social Services questioned the long-term viability of the system and ordered an evaluation of alternatives for completing the project.

As a result of concerns raised by localities regarding the suspension of ADAPT, the General Assembly directed a JLARC review of the system, and created a task force to recommend an approach for completion of an automated eligibility system. The JLARC study found that many of the technical problems with the system had already been addressed by the DSS development team, and recommended that the Department review alternatives for the design of the system and take steps to improve project management. The ADAPT task force recommended that development continue on the existing system, with the addition of a UNIX-based server to host the part of the system that determines eligibility and calculates benefits. This alternative leveraged the investment already made in the mainframe system, but took advantage of lower-cost client/server technology.

In response to these recommendations, the Department of Social Services modified the design to include the Unix-based server, and resumed development. The revised schedule called for the system to be fully implemented statewide by August 1998.

Current Status of Development and Deployment

DSS management and local officials should be cautiously optimistic about the development and deployment of ADAPT. The ADAPT project continues toward successful completion, though much remains to be done. The Department of Social Services needs to address several problems which could delay statewide implementation. These relate to improved support of local agencies, increased attention on the development of the Medicaid component, continued support for ADAPT as a Unisys mainframe application, increased staffing for development, a stronger commitment to testing and quality control, and a re-evaluation of the project schedule.

Major Portions of the ADAPT System Have Been Successfully Implemented. Despite some problems, DSS staff and many local agencies view ADAPT as a success. The Food Stamps component of ADAPT is now available for statewide use, and is made available to local agencies as workers complete training. Major portions of the TANF and VIEW components have also been put on-line, and are available as agencies complete training. Maintenance and enhancement of the TANF/VIEW components is expected to continue through June 1998.

Currently, 41 localities have received training on the system and have begun to use some or all of the available components. Only one local agency has used the VIEW component as a pilot for statewide implementation. Training for the remaining 81 localities will continue through June, with conversion of cases from the older DSS system taking an additional six to nine months. It appears, then, that ADAPT will be the production system for Food Stamps and TANF/VIEW processing by about May of 1999.

According to representatives of the local agencies, the ADAPT system provides most of the features needed by the local eligibility workers. Some enhancements have been identified by the local agencies and DSS expects to complete those enhancements after statewide implementation is complete.

DSS Has Not Resumed Development of the Medicaid Component. Prior to the December 1995 suspension of the project, some development of the Medicaid component had been completed. No new development has taken place on the Medicaid component since the suspension, due in large part to the fact that Medicaid regulations have been under revision and will not be final until March 1998. DSS is now evaluating Medicaid policy to determine what can be used from the development effort prior to the suspension. This review is incomplete, so the work remaining on the Medicaid component is unclear.

DSS management appears optimistic that there will be little or no delay in delivery of the Medicaid component in August 1998, as originally scheduled by the ADAPT Task Force. The technical staff, on the other hand, reported in interviews with JLARC staff that Medicaid development will begin in April 1998, and likely will not be completed until about April 1999. Given the limited staff resources available and the complexity of the ADAPT system, an April 1999 completion date for Medicaid development appears more reasonable than an August 1998 deadline. DSS needs to complete its assessment of prior Medicaid development and establish a realistic schedule for completion of the Medicaid component. A revised schedule should be communicated to the local agencies as soon as possible.

DSS Needs to Address Persistent Concerns About the Delivery of ADAPT. While significant portions of ADAPT have been completed, the project continues to generate concern among DSS staff and the localities, some of whom perceive the project to be "at risk." Although some problems with the TANF and VIEW components were discovered during testing by one of the pilot agencies, these have been addressed by the development staff. In addition, Medicaid appears to be months away from deployment, although there are currently no known technical issues which should preclude its eventual completion. In short, there is no evidence at this time that DSS will not be able to deliver the full ADAPT system it promised, although the deadline set by the ADAPT Task Force appears unrealistic, and DSS is unlikely to meet it.

Despite the successes of ADAPT, the project continues to be viewed with some concern. According to staff, contributing to this negative image is the absence of an "owner" for the system within DSS. Because no single program division at DSS has taken ownership of ADAPT, the system is perceived as an initiative of the Division of Information Systems, and less of a priority for program staff. Without a strong advocate on the program side, ADAPT has not received the resources or support it needs.

Also contributing to the concerns about ADAPT is some unwarranted criticism directed at problems which are not, in fact, related to the development of ADAPT. For example, the inability of a vendor to deliver personal computers as contracted was perceived as another problem with ADAPT. As one DSS staff member said, "It's not related to ADAPT, but it's become an ADAPT problem." A similar situation arose with the vendor responsible for the training of local staff.

DSS should address these concerns by formally assigning responsibility for deployment of ADAPT in the local agencies to the Division of Temporary Assistance Programs. That division should work with the local agencies on issues related to training and substantive testing of the system. The division should also provide functional staff to support a help desk on use of the system. At one point, the project had a representative from the program area serve as co-manager of the project alongside the technical manager. A return to such an arrangement should be used to coordinate the technical and program staffs. The Department should appoint an implementation manager for ADAPT from the Division of Temporary Assistance Programs as soon as possible.

In addition, DSS should require other central and regional office staff to be trained on the ADAPT system. It will be especially important, for example, for quality assurance and internal audit staff to understand how the system works and how to use it to retrieve data on eligibility systems. Widely provided training on the system among central office staff will reinforce a sense of ownership department-wide.

Finally, DSS should specify a firm deadline for completion of the conversion of cases by local agencies. Given the current expected completion of development and enhancements by June 1998 and the time needed for case conversion, a final case conversion deadline should be set for June 1999. This would ensure that the portions of VACIS to be replaced by ADAPT can be phased out prior to the need to modify them for year 2000 compliance. This would also confirm for local agencies that ADAPT will be delivered in a timely fashion.

Staffing for Development of ADAPT Remains Inadequate. In its assessment of the future direction for the ADAPT project, the ADAPT Task Force identified adequate staffing as an essential prerequisite for successful completion of the project within established deadlines. The Task Force identified

the need for 24 functional and 10 technical staff to complete the system. The Commissioner of Social Services committed to providing adequate staff for the completion of the project. Despite this commitment, the project has never achieved the staffing level considered necessary by the Task Force or the managers of the project. DSS issued an IFB seeking technical staff, but the market place did not respond.

DSS now appears to be making an attempt to add both functional and technical staff to the project. Two additional technical staff are expected to join the development team by February 16, 1998. The addition of these staff will be critical to the development of the Medicaid component. On the other hand, five full-time functional positions recently approved are expected to be filled by existing temporary staff, thereby creating five additional vacancies. So, there will likely be no additional functional staff actually working on the project. DSS needs to ensure that additional staff are assigned to the vacant temporary positions in a timely fashion.

DSS also needs to recognize that inadequate staffing has likely had an impact on the deadlines for completion of the project which cannot be overcome by the new staff now being hired. The lack of adequate staffing over the period of development since the suspension is problematic because the lost hours of work cannot now be effectively recovered. As one local DSS official said, "You can't make up for lost time in a development effort like this, you can only extend the deadline." DSS management appear not to have recognized this fact yet, since no revision of the project deadlines has been made to reflect the lower level of resources for the project. DSS should revise the schedule for completion of the system to reflect the actual level of staffing available for the project.

Testing and Quality Control May Be Shortchanged to Meet Deadlines. The ADAPT Task Force established a deadline of August 1998 for the statewide implementation of the system to all localities. In response to this deadline, DSS project managers prepared a detailed project schedule which set out a number of interim deliverables. Without adequate staffing, the deadlines for interim deliverables are likely unrealistic. Yet the Department continues work toward those deadlines, and continues to bring additional components of the system on-line for local agencies to use. Unfortunately, this may be at the expense of testing and quality control, as evidenced by the recent delivery of the VIEW portion of the system to the first of the pilot agencies.

As the first pilot agency testing the VIEW component began to convert its cases, it discovered several errors in the system. The development staff has been quick to respond, and has now provided a corrected version of VIEW for the pilots. According to DSS staff, however, the problems with VIEW point to a strong push to meet existing deadlines, even if system components are not fully tested. Development staff confirmed that some portions of the VIEW component were not fully tested in accordance with the standard testing protocol. As a

result, one development team member said that, "A lot of the time, the development team ends up devoting more time to maintenance than development." In the future, DSS needs to ensure that it adheres to its standard testing protocol for all ADAPT components.

For their part, the local social services agencies need to demonstrate a greater degree of tolerance with regard to the implementation schedule. ADAPT is a complex system and should be fully tested before used in a production environment. Local agencies should insist on delivery of a quality, stable system, even if deadlines need to be adjusted to ensure proper testing.

DSS Needs to Support MAPPER and the Mainframe Activities. For ADAPT to be successfully deployed and utilized, DSS must commit the necessary resources to support the MAPPER platform and the Unisys mainframe system on which the application and databases rest. Despite adoption of the design proposed by the ADAPT Task Force, which uses the Unisys mainframe, DSS management appears to have not consistently and effectively communicated support for the current design to staff. DSS staff interviewed by JLARC staff perceive that the MAPPER programming for ADAPT is looked down upon by management. One staff member said that he feels he has to "steal time to work on ADAPT," because the mainframe activities are "ridiculed" by others in the Department.

This view seems to be related to statements by management that DSS may need to abandon the MAPPER platform in favor of an Oracle-based system as a part of its long-term strategy for ADAPT. Given that the system is still in development, such statements cause a great deal of concern among development staff. One staff member called it "reckless" to propose that kind of major modification before the current system is completed because of the uncertainty it promotes.

DSS should carefully consider the impact of a strategy to alter the fundamental design of ADAPT prior to having the current system fully deployed. At a minimum, DSS should ensure that all components of ADAPT have been used successfully in all localities and that case conversion has been completed before considering a change in database products or system design. DSS management needs to make clear its support of ADAPT as designed.

DSS Needs a Revised Strategy for Managing Non-Development Problems. Over the past year, some of the most serious problems associated with the deployment of ADAPT in the local agencies were the result of failures by two outside vendors contracted by the Department of General Services (DGS). In one case, training for the localities was delayed for two months because the firm hired to conduct the training was inadequately staffed and otherwise unprepared to begin. The second problem arose with the vendor selected to provide new PCs for the local agencies. More than 5,000 PCs had been

ordered, to be delivered directly to the local agencies in three phases. The delivery of the PCs has been a problem due to non-compliance by the vendor with the terms of the contract and due to hardware failures. DSS has worked effectively with DGS and the vendor to solve the problem, but not without the loss of valuable State and local staff time. For example, on DSS' instructions one pilot locality had removed its old PCs so that the new ones could be installed as soon as they were delivered. The delivery was delayed by a week, and the agency was effectively out of business during that time.

It is impossible to predict or avoid difficulties with or non-performance of vendors. To its credit, DSS properly monitored and documented problems, which allowed for a strong and appropriate response. DSS was quick to address these problems and has clearly had a goal of reducing the adverse impact on local agencies. The problem with the DSS response is that it has come at the expense of ADAPT development. The ADAPT development team was pulled from development to train the employees of the training contractor and to write the training materials to be used by local workers. This resulted in more than one thousand hours of lost development time, on a project already behind schedule and understaffed. Again, when software problems developed on newly delivered PCs, the ADAPT development team was involved in responding to the situation. Development staff have also spent considerable time responding to questions from local offices on how to convert cases and otherwise use the system.

DSS needs to recognize the importance of keeping the development team on task, and should develop contingency plans for dealing with non-development problems in the deployment of ADAPT. DSS needs to identify functional and technical staff outside of the ADAPT development team who can assist in implementing such contingency plans. The use of the ADAPT development team for non-development implementation issues should be minimized. DSS appears to recognize this need, and has recently taken some actions to enhance the ADAPT help desk and to provide staff to manage the training contract.

The State May Want to Consider Financial Support for the Case Conversion Process. As part of initial funding for the ADAPT project, pilot agencies receive State funding for the process of converting cases from VACIS to ADAPT. Additional funding was necessary because eligibility workers had to work overtime and on weekends to do the conversion (in addition to their normal job duties). Since the suspension of the project, no additional funding has been provided for the conversion process.

Conversion of cases from VACIS to ADAPT will be a time-consuming and costly process. Currently, this cost will be borne by the local social services agencies. DSS has told the local agencies that it does not plan to make any financial assistance available for case conversion. The General Assembly may

want to provide State funds to offset a portion of the cost of converting ADAPT cases to ensure that the conversion is completed in a timely fashion.

Project Funding and Expenditures

It appears that funding will not be an impediment to the completion of the ADAPT system. Although the amounts budgeted by DSS for FY 1999 and FY 2000 are "almost identical" to the funding levels recommended by House Document 10, financial data did indicate a need for continued vigilance. For example, budget data provided by DSS indicated that FY 1998 estimated expenditures for ADAPT training were $1.525 million greater than was planned.

The Lack of a Current APD Has Exposed the State to Unnecessary Financial Liabilities. During the period of December 29, 1995 through January 31, 1997, DSS incurred expenses of approximately $837,000 on the implementation of ADAPT. Of this, about $88,000 would have been allocated to the U.S. Department of Health and Human Services (HHS). HHS indicated to JLARC staff it will likely disallow these expenses, indicating that the State needed to submit an update to its original advance planning document (APD) to document the change in direction that followed the suspension of the project in December 1995. Although the amount involved is relatively small, State funds will likely have to be diverted from other uses as a result. In addition, the situation could have been worse; federal funding only became available on February 1, 1997 because Virginia began receiving TANF funds on that date. TANF funds have since been used to cover expenses that would have been allocated to HHS. If Virginia were not now receiving TANF funds, additional expenses could potentially be disallowed. At this time, an update to the original APD is pending with HHS.

The difficulties associated with the APD approval for ADAPT and similar problems with the SACWIS project point to the need for improved management of the approval process for federal funding of automated systems. The APD process is the method by which the federal government approves its financial participation in automation projects. As seen recently with ADAPT and SACWIS, failure to properly manage the APD process can have significant adverse financial impacts for the Commonwealth. Therefore, DSS should transfer primary responsibility for preparation and tracking of advanced planning documents to the Division of Financial Reporting. Information services staff should provide support for APD preparation.

Overall Costs of the Project Remain Within the Original Funding Estimate. Based on the advanced planning document update now pending with the federal government, the estimated eight-year life cycle cost of the ADAPT system remains within the original estimate made in 1993 (Table 1). The current estimated total cost is higher than the amount estimated by the ADAPT Task Force as a result of the costs of replacing the PCs in the local agencies. The

Table 1
Estimated Life Cycle Costs for ADAPT

Source of Estimate	Projected Costs
October 1993 Approved APD	$55,157,374
ADAPT Task Force Report	$45,683,000
October 1997 APD Update (Pending)	$51,021,875

Source: Department of Social Services project status report, December 23, 1997.

replacement of PCs was necessitated by reaching the end of the normal life cycle for these machines. Increasing failure rates made repairs not cost effective and the rapid pace of technological change mandated a significant upgrade in capabilities in order to connect the workforce.

Life-to-date expenditures for the project as of September 30, 1997, total about $23.3 million (Table 2). The largest expenses associated with development of the system have been for development of the application, training, and installation of computer equipment. Total operational costs (computer processing and telecommunications bills) now total about $8.3 million since 1992.

Table 2
ADAPT Project Life-to-Date Expenditures
(January 1, 1992 through September 30, 1997)

Expenditure Category	Life-to-date Expenditures
DSS Planning	$771,261
Federal Planning APD	$1,633,257
Development and Implementation	$12,549,324
Operational	$8,306,504
Total	$23,260,346

Source: Department of Social Services ADAPT expenditure report.

Conclusion

DSS is making significant progress toward the completion of the ADAPT system. Local agencies are beginning to use the Food Stamps and TANF portions of the system as local eligibility workers complete training on the system. To date, more than 81,000 cases have been converted to ADAPT, but

approximately 369,000 cases remain to be converted. Over the next year as local agencies complete training, the benefits of the system should finally be realized.

The system is not complete, however, and the Department needs to make additional improvements to its management of the project. As deployment continues for the TANF/VIEW portion of the system, DSS should turn its attention to implementation of the Medicaid component. In addition, DSS needs to: (1) assign responsibility for deployment of ADAPT to the Division of Temporary Assistance Programs, (2) deploy additional staff as necessary to the development effort, (3) re-evaluate the schedule for completion of ADAPT to more realistically account for the actual resources available and the impact of intervening events which have delayed progress, and (4) develop a better strategy for addressing hardware, training, and other non-development problems. The Department should also reassign responsibility for the federal approval process to the Division of Financial Reporting.

CURRENT STATUS OF THE STATEWIDE AUTOMATED CHILD WELFARE INFORMATION SYSTEM (SACWIS)

The State's development of a Statewide Automated Child Welfare Information System (SACWIS) is intended to improve the automation of child welfare programs. SACWIS is the term used by the federal government and is therefore recognized by the 50 states. Although Virginia's system has been designated as OASIS for On-line Automated Service Information System, this report refers to either system as "SACWIS" for simplicity's sake.) Extensive background information on children in child welfare programs including the adoption and foster care program can be contained within SACWIS. The automation of this information would allow it to be retrieved and updated by different agencies across the State, and once the system is fully developed, it can be used to generate a multitude of reports needed by those working with child welfare programs. SACWIS should streamline service delivery, minimize the administrative duties of case workers, and improve the reporting of children in the child welfare system to the federal and State government.

The Department of Social Services (DSS) has encountered some obstacles in its implementation of SACWIS. It appears that insufficient staffing of the SACWIS project has created a number of impediments to the timely implementation of the project including: inadequate system testing, insufficient assistance for the local social services agencies, and delays in correcting technical problems with the software. The delays encountered in the implementation of the system will likely prohibit DSS from meeting the April 1998 federal deadline for adoption and foster care automated reporting. Failure to meet this deadline could result in financial penalties as much as $165,191. It is also unclear whether DSS is going to receive the anticipated enhanced Title IV-E funds to pay toward an estimated $8.9 million spent on SACWIS development before October 1, 1997.

Background

In 1993, Congress passed legislation which provided an incentive through enhanced matching funds for states to create SACWIS. DSS decided to put the adoption and foster care program on SACWIS and is beginning the work necessary to add child protective services information to the program. DSS is also considering the feasibility of adding child day care and Comprehensive Services for at-risk youth and families programs, and other programs to SACWIS in the future.

In 1994, DSS decided to pursue the development of SACWIS in an effort to achieve the above mentioned goals and to meet the federal requirements for an adoption and foster care analysis and reporting system (AFCARS). The decision to use a SACWIS system for this program was not mandatory, but enhanced funding under Title IV-E of the Social Security Act was

available at a 75 percent matching rate if this program was automated under a SACWIS package instead of separately. However, federal guidelines only provided for the enhanced rate of funding for project spending approved and allocated before October 1, 1996. This deadline was later extended to October 1, 1997. Any other type of effort to meet the AFCARS reporting requirement did not receive enhanced federal funding.

In 1996, DSS issued a request for proposal (RFP) for bids on developing SACWIS software for Virginia. DSS also submitted to the federal Department of Health and Human Services (HHS) a "preliminary implementation" advanced planning document (APD), and received tentative approval from HHS to proceed with the RFP process. After considerable negotiation with two of the contractors who bid on the SACWIS project, it was decided that neither vendor presented a proposal acceptable to the State. In June 1997, the RFP for the development of SACWIS software for Virginia was canceled.

While negotiations were taking place with vendors in the spring of 1997, DSS staff were also exploring the option of transferring a SACWIS package from another state to Virginia. Staff tested the SACWIS software from several states and decided that Oklahoma's KIDS system would best meet Virginia's needs. In June 1997, DSS purchased 1,950 computers and printers for SACWIS; and the agency requested a production copy of Oklahoma's SACWIS system in order to customize it to meet Virginia's needs. Oklahoma did not charge Virginia for the transfer of this system. Later in June 1997, DSS sent HHS an informal summary of their recent actions regarding the development of a SACWIS program in Virginia.

Despite this informal update, DSS did not submit an official APD update to HHS to obtain approval for the department's new approach to SACWIS development in Virginia.   This failure to submit an APD update is the reason provided by HHS for subsequently denying DSS's requests to approve Title IV-E payments for the hardware that was purchased for SACWIS. HHS contends that federal regulations require prior approval for spending on the SACWIS project to qualify for Title IV-E funding. However, DSS, with the assistance of the Attorney General's Office, is continuing to pursue federal funding.

Current Status of Development and Deployment

SACWIS implementation is in progress, however, several problems still need to be resolved before all local social services agencies are able to fully utilize SACWIS. The hardware and software necessary for SACWIS is in place in most localities. Two localities have not received the SACWIS software because of local computer infrastructure problems. However, the software still contains errors which have prohibited local social services staff from entering complete adoption and foster care data.

Many of these problems appear to be the result of inadequate project staffing and insufficient testing of the SACWIS software. It also appears that implementation of SACWIS has been encumbered by inadequate communication between DSS and local social services agencies regarding SACWIS developments.

SACWIS Implementation Has Begun But Is Incomplete. Several steps have been taken to bring SACWIS on-line in local social services agencies, but additional work must be done before SACWIS can be used to generate federally mandated reports. Computers and printers to be used for SACWIS were installed in local social services agencies, and most local agencies have had the adoption and foster care component of SACWIS installed on their computers. Local agency staff were also given introductory training on the program between November 1997 and January 1998.

In addition to the installation of the hardware and software for SACWIS, DSS has converted existing data on children in the foster care and adoption system contained in the Virginia Automated Client Information System (VACIS) to SACWIS. However, local case workers must add between 15 and 58 new data elements to each converted case, and all data elements must be added for new cases brought into the system since the data were converted. Approximately 7,400 cases were converted from VACIS to SACWIS between October 1997 and January 1998. As of January 30, 1998, 5,300 of the converted cases had been partially updated with some of the new data elements, and 145 new cases had been at least partially entered into SACWIS.

If all the adoption and foster care cases are not fully entered so that the federal AFCARS deadline of April 1998 can be met, the State could be penalized by as much as $165,191. This penalty is based on FY 1993 Section 427 incentive funds. A penalty will be assessed for each of the two reporting periods that the report is not submitted each year. In 1998, the penalty is 2.5 percent of the Section 427 incentive funds for Virginia. Starting in 1999, the percentage used to tabulate the penalty increases to five percent.

Local staff have encountered problems entering and updating their cases for two primary reasons. First, many localities have had difficulty making the SACWIS software work with the local computer network configuration. Second, there are still a number of errors in the SACWIS software package which prohibit case workers from entering cases completely.

Testing of SACWIS Was Insufficient Before It Was Distributed to the Localities. Many of the problems encountered with implementation of SACWIS appear to be related to insufficient testing. Because DSS was attempting to bring SACWIS on-line by September 30, 1997, to take advantage of enhanced federal funding, the agency did not do the level of testing that is recommended for new systems before they are widely distributed. Furthermore,

the testing DSS is currently conducting to attempt to correct software problems is insufficient. As a result, the staff at local social services agencies have discovered instances in which the solution to one problem creates one or more new problems.

As SACWIS implementation continues, DSS needs to fully test revisions and corrections to the software before disseminating these changes to the localities. However, it appears that DSS will need additional staff to perform such testing.

Staffing for the SACWIS Project Appears to Be Insufficient. DSS and local social services agency staff interviewed do not believe that the staffing level for SACWIS implementation is adequate. There is currently one full-time project manager and three full-time contract workers assigned to the technical development of SACWIS. In addition, one full-time program manager with the part-time help of another staff member works on testing the system and assisting local agency staff with implementation.

Inadequate staffing has had several negative consequences. As mentioned previously, the current level of staffing did not allow for adequate testing of the SACWIS program before it was disseminated to the local offices, nor has there been adequate testing of updates and corrections to SACWIS that have been sent to the localities. DSS staff also reported that there is insufficient staff to provide adequate training, prepare and disseminate guidance on SACWIS, answer calls to the help desk, or work on fixing technical problems with the software.

Due to a shortage of DSS staff to work on SACWIS and the desire to obtain local input on the project, the central office of DSS issued an electronic memorandum to local social services agency staff requesting interested staff to apply for a six to 12 month temporary duty assignment to assist DSS in working on SACWIS. At least one locality approved a temporary duty assignment for a child welfare worker, but this worker has been used largely to work in the child protective services program which is also short-staffed. Local social services staff could provide valuable input on what local agencies need SACWIS to provide and on how to fully test the system. Local staff used for this purpose would also be well-suited to provide additional training to other users of SACWIS in their local agencies.

In order to avoid ongoing federal penalties and earn the confidence of local users of the program, DSS management should hire additional staff to complete the implementation of SACWIS. Hiring additional local social services staff on a temporary basis would be one method of addressing part of the staffing shortage.

Communication Between the Central Office and Localities about SACWIS Implementation Has Been Inadequate. DSS does not systematically notify localities of problems and possible solutions regarding SACWIS when staff become aware of such issues. For instance, when asked how DSS central office staff notify localities of problems, staff stated that they often only tell local staff of the problem when the locality calls DSS for assistance. DSS is currently making some efforts to increase the level of communication between the central office and the local social services agencies regarding SACWIS issues.

Local social services staff and DSS central office staff state that the major reason for the current lack of communication is the scarcity of central office staff to prepare guidance and otherwise assist with SACWIS. As mentioned previously, DSS should hire additional staff to meet the demands of SACWIS implementation. DSS central office staff should also develop a systematic method of notifying localities of SACWIS developments.

Project Funding and Expenditures

As noted previously, there is an ongoing disagreement between the federal Department of Health and Human Services (HHS) and the Virginia Department of Social Services regarding whether Title IV-E funds will be approved for Virginia's SACWIS-related costs. DSS officials have indicated that if Title IV-E funding is not approved they intend to use Social Services Block Grant (SSBG) funds as authorized by Title XX of the Social Security Act. There appears to be some disagreement among federal officials regarding the appropriateness of using SSBG funds for SACWIS implementation. However, DSS officials are confident, given their own research and the analysis conducted by a consultant they retained, that SSBG funds can be used for SACWIS automation. As of January 26, 1998, DSS had expended almost $8.9 million in implementing SACWIS.

Large SACWIS Expenditures Were Made in First Half of State Fiscal Year 1998. Few expenditures were made prior to July 1997 on the SACWIS project because of DSS's inability to negotiate a contract with a private vendor. Once the decision was made to use Oklahoma's KIDS system for SACWIS, DSS staff moved forward with large hardware and implementation expenditures. From July 1, 1997 through January 26, 1998 an estimated $8.5 million was allocated to SACWIS-related expenses (Table 3). SACWIS implementation was accelerated because DSS staff wanted to receive enhanced federal Title IV-E funding which ended September 30, 1997. DSS staff also wanted to implement the automated system in time to avoid federal penalties for failing to make automated reports as required by AFCARS. It appears that SACWIS expenditures will remain within the $12.9 million in State and federal funds that were appropriated for the 1996-1998 biennium. Regardless of whether Title IV-E or SSBG funds are used for SACWIS automation, DSS staff expect the $4.1 million general fund appropriation to be sufficient.

DSS Needs to Resolve Issues Surrounding SACWIS Funding. DSS officials, assisted by the Office of the Attorney General, continue to seek reversal of

Table 3
History of SACWIS Expenditures as of January 26, 1998

Expenditures	FY 1995	FY 1996	FY 1997	FY 1998	TOTAL
Technical/Management Services	$113,121	$4,685	$40,733	$86,131	**$244,670**
Travel/Meals	$179		$5,989	$9,901	**$16,069**
Computer Equipment		$95	$21,992	$4,865,407	**$4,887,494**
Operational Expenses[1]		$113	$16,995	$27,823	**$44,931**
Software Costs			$2,335	$1,612,536	**$1,614,871**
Sun Server				$763,442	**$763,442**
Database Licenses				$1,129,646	**$1,129,646**
Allocated Salaries	$94,125	$42,341	$50,161	$53,210	**$239,837**
TOTAL	**$207,425**	**$47,234**	**$138,205**	**$8,548,096**	**$8,940,960**

[1]Operational Expenses = Telecommunication Services + Computer Operating + Other.

Source: Department of Social Services SACWIS Expenditure History, January 26, 1998.

the federal government's decision to disallow Title IV-E funding for the SACWIS automation. Specifically, DSS requested in September 1997 approval of federal funding to support an estimated $9.6 million in enhanced funding and a projected $2.8 million in additional funding to complete the project. The Administration for Children and Families (ACF) within the Department of Health and Human Services sent a letter on October 14, 1997 to the DSS Commissioner regarding this issue. The letter stated that approval of Title IV-E funding, based on an APD submitted in February 1996, had been suspended on September 2, 1997. The ACF letter stated that federal approval was suspended because APD updates had not been submitted, and DSS staff had informally notified HHS staff that "the project plan had been significantly altered without ACF approval or funding." The letter further indicated that "ACF has no authority to approve retroactively any funding for activities undertaken prior to the approval of an Advance Planning Document." It is DSS's position that federal approval of the APD submitted in February 1996 authorized DSS to proceed with procurement for the SACWIS system. Governor Allen sent a letter on January 15, 1998 to the U.S. Secretary of Health and Human Services asking her to "personally look into the matter and direct [her] department to work with the Commonwealth of Virginia to find a satisfactory resolution."

DSS staff have explored other funding alternatives for SACWIS automation in case their appeals for Title IV-E funding are unsuccessful. DSS

staff indicated that the Social Services Block Grant appears to be a good alternative funding source. DSS staff and the consultant they retained to assist them in optimizing their use of federal funding feel confident that implementing SACWIS is in keeping with the goals of SSBG funding and that there are no restrictions to preclude its use for service automation. Staff of the Auditor of Public Accounts also indicated that they could find no restrictions on the use of SSBG for SACWIS automation. Two federal officials within HHS' Office of Community Services have offered different interpretations regarding the appropriateness of using SSBG funds for SACWIS automation. Neither HHS opinion was an official pronouncement, and neither opinion was provided in writing.

DSS officials should continue to use all possible means to seek reconsideration of the decision by federal officials to deny use of Title IV-E funds to reimburse the SACWIS automation costs. Furthermore, DSS officials should ensure that APDs are submitted in a timely manner whenever there is a significant change in an ongoing automation project to ensure that the State is not exposed to unnecessary financial liabilities in the future. Staff within the Division of Financial Reporting should be specifically assigned responsibility for ensuring that federal funding for each automation initiative is not interrupted. This responsibility should include the timely submission of APDs and their updates. It should be understood, however, that Division of Information Services' staff will need to assist in preparing these documents particularly in describing the scope, time frames, projected costs, and rationale for automation projects.

Conclusion

While SACWIS development has involved problems and challenges in its initial implementation, it appears that many of these problems have resulted from factors beyond the system itself – delays in starting implementation, inadequate staffing devoted to development, and funding disagreements. SACWIS as a database and application appears to be a useful and flexible tool with the potential to serve both the local agencies and the State well. It is the stated intention of DSS officials to add other services onto SACWIS rather than develop a number of separate databases for additional service automation. This would minimize database maintenance needs and costs and facilitate the development of linkages between DSS systems. However, as DSS continues to implement and augment SACWIS, management must address the needs and requirements of the system's users and properly staff the project to ensure that system problems are addressed in a timely and efficient manner.

CURRENT STATUS OF THE AUTOMATED PROGRAM TO ENFORCE CHILD SUPPORT (APECS)

The Automated Program to Enforce Child Support (APECS) is the Department of Social Services' information system that supports the child support enforcement program in Virginia. The Department of Social Services (DSS) currently has plans to update the technology of the system and has requested general funds for the upcoming biennium to implement the planned improvements. However, DSS has not fully developed its detailed work plans for updating APECS, and one of the proposed modifications to the APECS system may not meet federal requirements. DSS does appear to be on schedule to meet all of the required welfare reform initiatives related to APECS.

Background

With the increasing demands on the APECS system as well as recent welfare reform legislation, DSS plans to or has already undertaken several initiatives related to the APECS system. Two of the initiatives relate to improving the technology of the existing system and are still in the planning phase, and the remainder of the initiatives are being undertaken pursuant to new welfare reform requirements and are at various stages of development.

DSS Is Working to Improve APECS Technology. Although the APECS system was certified by the federal government less than two years ago, it is an antiquated system with information processing technology that needs to be updated. The system does not have sufficient capacity to store the information associated with the child support caseload and cannot adequately perform the functions required of the system. As a result, the system generally is not available during the evening and early morning hours for use by field staff, and is usually unavailable for use three or four days a month. In addition, data capacity problems have resulted in slower user response times and the need to archive large amounts of data to prevent the databases from reaching capacity.

Based on the limitations and problems with the current system, the Department of Social Services has begun to develop plans to update the technology of the APECS system. The Division of Information Services within DSS has proposed that the technology be updated in two phases. In phase one, the department would purchase a new scalable UNIX processor and data would be converted from IMS to DB2 databases for conducting reporting and analysis operations. This would enable DSS to remove the reporting and analysis functions off of the mainframe which would increase the availability of the APECS system for general use and would also increase the availability of reporting and analysis data.

Phase two would involve moving the entire APECS system to the new UNIX processor. During this phase, the underlying APECS databases would be

converted from IMS to DB2. This would ultimately allow for the adoption of object oriented technologies. During interviews with JLARC staff, DSS indicated that phase two would also involve moving the accounting function from the current APECS system to the agency financial system. The goal of phase two would be to provide continuous access to APECS by child support enforcement staff.

DSS Is Implementing Welfare Reform Initiatives. DSS has also undertaken several projects as part of welfare reform that involve the APECS system. These initiatives primarily relate to the provision of additional data to national databases and automating some of the processes related to child support enforcement. Table 4 presents a list of these initiatives as well as a brief description of each.

Table 4 **APECS Welfare Reform Initiatives**	
<u>**Initiative**</u>	<u>**Description**</u>
National New Hire Directory	Database of all new hires
Federal Case Registry	Database of all child support cases in Virginia
Financial Institution Data Match Pilot	System to improve asset capture by enhancing ability to locate bank accounts and other financial instruments
Automated Uniform Interstate Family Support Act	Automation of a number of documents related to child support enforcement
Automated Income Withholding	Automation of income withholding
Child Support Enforcement Network Implementation	Implementation of a system that would improve access and sharing of information between states
Distribution System Changes	Automation changes to implement changes in distribution of child support collections
Federal Reporting Changes	Changes needed to conform to newly required reporting structures
Source: JLARC staff interviews with Department of Social Services staff.	

Current Status of Development and Deployment

The various initiatives are at different stages of development and deployment. The proposed changes to update the technology of the APECS system are still in the planning phase. Plans for phase one, which would involve purchasing a new UNIX processor and moving the reporting and analysis functions off of the mainframe, appear to have been fairly well developed. According to DSS staff, federal officials have already indicated informally that they would approve those activities proposed to be undertaken as phase one.

Planning for phase two of the project appears to be more preliminary. Detailed plans for phase two have not been developed. In addition, the decision whether to continue to use the mainframe system for APECS or move the system entirely to a UNIX-based server has not yet been made.

One potential problem with the proposed phase two project is that federal officials have expressed concern with one element of the plan. As part of its phase two re-engineering plan, DSS has proposed taking the accounting function out of APECS and using the agency accounting system to perform the system's accounting operations. However, federal officials have stated that removing the accounting function would not be permissible under the federal regulations and thus would not be approved by the Department of Health and Human Services. Despite statements to the contrary in interviews with JLARC staff, DSS indicates in its response to the exposure draft that it no longer plans to move the accounting function out of APECS. DSS needs to resolve this issue with the federal government prior to further development of phase two and avoid taking any action that could jeopardize the State's certification and federal funding of APECS.

The welfare reform initiatives are at various stages of development and deployment. The national new hire directory has been fully implemented and met the federal deadline for implementation of October 1, 1997. The federal registry and distribution system changes are on schedule to be completed by the October 1, 1998 federal deadline imposed for completing both projects. In addition, DSS believes that the agency is on track to complete the federal reporting changes that will be required prior to October 1, 1999. The other welfare reform initiatives related to APECS do not have federal deadlines, but DSS officials indicate that the Department is on schedule to complete them by September 1998.

Project Funding

The Department of Social Services has requested $2.8 million for FY 1999 and $748,000 for FY 2000 to fund both phases of upgrading the APECS system. Four million dollars is estimated to be needed for the phase one project, and $6.5 million is projected to be needed for phase two. According to DSS, the

federal government will provide a 66 percent federal match of State funding for the work that is approved.

DSS indicates that all but one of the welfare reform initiatives can be performed with existing resources. The one exception is the federal registry initiative. DSS has requested general funds in the amount of $255,000 for FY 1999 and $136,000 for FY 2000 to develop the system necessary to comply with the national federal registry requirements. The funds requested, which will be combined with a 66 percent federal match, will be used to develop a system for court data to be linked with child support data and transmitted to the federal government. This project will require some modifications to the APECS system.

One funding concern is that DSS has requested an appropriation from the General Assembly for a project that is still in the preliminary planning stages. DSS has requested $2.2 million over the next two years to re-engineer the APECS system which has been referred to as the phase two plan. However, the details of the initiative have not been fully developed and at least one key decision that will impact the cost of the project - whether to continue to use the existing mainframe or purchase new server hardware - has not been made. In addition, there is some indication that the federal government will not approve one element of the phase two plan.

With the federal concerns regarding one aspect of the proposed re-engineering plan and the preliminary nature of the plan, the General Assembly may wish to further evaluate the request by DSS for funding the re-engineering of the APECS system. The General Assembly may wish to evaluate whether an approvable plan has been sufficiently developed on which to assess what amount should be appropriated for the project and, if so, whether the amount requested in the Governor's budget accurately reflects the likely State share of implementation of the phase two plan.

Conclusion

With the increasing demands on the antiquated APECS system, it is apparent that the Department of Social Services needs to make modifications to the system. The department appears to recognize this need and is proceeding with plans to improve the system. The primary concerns are whether DSS has sufficient basis for the funding request that it has submitted for implementing its re-engineering effort and whether the department is proceeding with a project for which it will be able to receive full federal approval and funding.

CURRENT STATUS OF THE ELECTRONIC BENEFITS TRANSFER PROJECT

The Electronic Benefits Transfer (EBT) project is an initiative to convert the issuance of food stamps and Temporary Assistance for Needy Families benefits through electronic means instead of the current paper-based system. The Department of Social Services is required to convert food stamp issuance, which will comprise approximately 80 percent of the benefits issued through the system, by October 1, 2002. The Governor's budget initially included a request to fund the development and implementation of the EBT program; however, the current Governor apparently has decided to amend the 1998-2000 budget to withdraw the request for funding of the EBT project during the upcoming biennium which will significantly delay implementation of EBT. The only concerns identified, which are relevant only if the request for funding were to remain in the budget, relate to the timing of the funding of the project and the additional personnel that would be necessary to administer the EBT contract.

Background

In 1994, DSS received formal approval from the federal government to implement an EBT program in Virginia. The following year, DSS retained a vendor to prepare a Request for Proposal (RFP) for the purpose of obtaining a financial services firm to develop and implement the EBT project. The Department's goal was to contract with a vendor for implementation of EBT at the same or less cost than the current paper-based system because the federal government will only provide the same level of funding for the food stamps portion of EBT as was provided for the paper-based system.

During the period in which DSS was developing the RFP, the agency also considered the option of joining a consortium of southern states (Southern Alliance of States) for the development and implementation of EBT. However, DSS ultimately concluded that joining the consortium would not be less costly than contracting separately with a firm which could design a system specifically for Virginia.

In January 1997, DSS submitted the RFP for bids. DSS received two bids from vendors but was not satisfied with either bid. The cost estimates in the proposals submitted by each vendor exceeded the cost of Virginia's current paper-based system for issuance of benefits. After several rounds of negotiation, neither vendor was able to provide a proposal with an acceptable cost estimate, and the RFP was canceled in November of 1997.

Current Status of Development and Deployment

DSS has modified the RFP and recently submitted it to the federal government for approval. The Department hopes to receive formal federal approval of the RFP in the next few weeks and had hoped to release it for public

bid by March of this year prior to the Governor's apparent decision to withdraw the request for funding. If no funding is appropriated for the EBT system in the upcoming biennium, then the RFP process will likely be delayed for at least two years.

Prior to the apparent decision to withdraw funding, DSS staff had planned to award a contract by June and use the remainder of the 1998 calendar year to develop a pilot. DSS believed that a pilot could then be placed in operation by January of 1999 and EBT implemented throughout the State by the end of 1999. The EBT project manager noted that this was a best case scenario and that there is a reasonable likelihood that a protest would be filed by one or more of the losing vendors. Therefore, the project could be delayed by several months after the award of the contract.

According to one DSS official, the Department is re-evaluating the option of joining the Southern Alliance of States. However, two federal officials with the United States Department of Agriculture have indicated to JLARC staff that Virginia would appear to be precluded by federal law from joining the consortium at this stage.

Project Funding and Expenditures

As stated previously, the current Governor apparently intends to withdraw the request for funding of EBT during the upcoming biennium. However, in the Governor's budget submitted in December 1997, DSS requested approximately $2.3 million in general funds for each year of the biennium to fund the EBT project. As part of this amount, DSS requested approximately $157,000 in FY 1999 and $172,000 in FY 2000 to fund three additional positions to assist in the administration of the EBT contract. The federal government will provide a 50 percent match for the funds expended to implement the food stamps portion of the EBT program up to a maximum cap. DSS has spent about $162,000 on EBT from FY 1995 to the present, which has been primarily for RFP development and salary costs.

The two primary concerns raised by this review of the status of the EBT project both relate to the Department's budget request. With the apparent decision to withdraw funding for EBT, these concerns may no longer be relevant. However, if the decision whether to fund EBT remains under consideration, then the General Assembly may wish to examine whether funding is needed in FY 1999 for EBT and whether additional full-time positions are needed.

Full Funding for EBT Contract and Additional Positions May Not Be Needed Until FY 2000. The delay in the award of an EBT contract would appear to make it unlikely that DSS will need the $2.3 million initially requested in general funds for FY 1999 to fund the EBT contract or the three additional positions in FY 1999 to administer the contract. The requests for $2.3 million

and three additional positions for FY 1999 were initially made based on the assumption that a contract would be awarded by the end of the 1997 calendar year and that the program would be implemented statewide during the 1999 fiscal year. However, with the substantial delay that has resulted from the cancellation of the initial RFP, the EBT system will not be implemented statewide until FY 2000 under the most optimistic scenario according to the project manager. As a result, DSS would not likely need all of the $2.3 million requested for the 1999 fiscal year. Likewise, it appears unlikely that the three additional staff requested for FY 1999 would be needed in that fiscal year. Therefore, the timing of funding the EBT contract as well as the additional positions needed to administer the contract needs to be reassessed and a determination made whether the current budget requests for FY 1999 need to be modified, if the request for EBT funding remains in the Governor's budget.

Funding for Three Positions Is for P-14 or Restricted Salary Positions Instead of Full-Time Classified Positions. The Department initially requested three full-time classified positions to administer the contract in addition to the EBT project manager position which currently is authorized and filled. According to DSS staff, one additional position is needed to address interface issues with the contractor. A second position is needed to deal with the food retailers and financial institutions. Finally, a third additional position is needed to serve as a liaison to the localities.

In the Governor's budget, the Department of Planning and Budget (DPB) eliminated the request for three additional full-time classified positions but retained the funding for the positions. According to a memorandum prepared by DPB, DSS is instructed to use P-14's or other restricted positions to administer the contract or to reallocate existing classified positions.

The three positions needed to administer the EBT contract would appear to be long-term positions at a relatively high pay grade level (grade 13 or 14) that would be most appropriately filled by classified State employees. If the request for funding remains in the budget, the General Assembly may want to further examine whether DSS has current full-time positions available that could be reallocated to administer the EBT contract or whether additional full-time positions may need to be established to administer it.

Conclusion

Based on interviews with DSS staff and review of the Governor's budget, the EBT project appeared to be on schedule to be deployed in Virginia well ahead of the federal deadline of October 1, 2002. However, the apparent recent decision by the Governor to withdraw the request for funding of EBT may delay implementation of EBT for at least two years. If the funding request for EBT does remain in the budget, there needs to be a re-evaluation of the timing for funding of the project and the personnel needs for the administration of the EBT contract.

CURRENT STATUS OF DAY CARE ASSISTANCE AUTOMATION

The need to automate day care assistance has been widely recognized, particularly in light of the substantial growth expected in funding for day care assistance in the coming years. Day care assistance is projected by DSS to increase from $62 million in FY 1997 to approximately $110 million in FY 1998. A committee of the Virginia League of Social Services Executives wrote in response to DSS's development of the Child Care and Development Plan, "the complexity of a $100 million dollar program, serving thousands of children each day, has become burdensome beyond belief. Technology exists to support these programs and it is in use by other states. If Virginia wants accountability, accuracy, and efficiency of services, this must be addressed."

DSS program staff agree that automation is needed to ensure accountability in a program that is growing tremendously. According to these staff, day care expenditures may exceed $200 million by the year 2000 as welfare reform and associated day care needs expand. DSS staff stated that the day care program is currently characterized by inconsistencies in reporting and in some cases inaccurate paper trails. These problems will likely worsen as the program grows if day care assistance is not automated.

Background

Automating day care information is a somewhat different issue than the other automation issues facing DSS. First, there is no DSS-maintained day care database. Day care assistance is locally-administered by 122 local social services agencies while some local agencies have automated their day care assistance information, many agencies have not. Second, there is no federal mandate to create a day care database. There is, however, a federal mandate to report aggregate and case-specific day care assistance information. This aggregate data was manually submitted by the local agencies to DSS for the first time in December. DSS program staff state that the reporting process went well. Case specific data will have to be reported by the local agencies to DSS on a sample of cases this spring. DSS staff believe reporting will not be a serious problem even without a statewide automated database since, with few exceptions, each local agency will need to report on five or fewer day care cases. Consequently, there is no immediate need to automate day care for federal reporting purposes.

Current Status of Development and Deployment

DSS is still in the planning phase for automating day care services. DSS staff have assembled a working group of local agency officials to assist in determining systems requirements for day care automation. This group was formed in consultation with the Virginia League of Social Services Executives and has met twice to consider systems alternatives. Once the system requirements are identified, it will be easier to determine how automation should proceed.

***DSS Should Consider a Range of Automation Alternatives in This
Early Planning Phase****.* DSS staff held a meeting in late October 1997 to
discuss their initial ideas for automating day care with local agency
representatives. At that meeting, DSS staff presented the idea of including day
care automation as part of the Applications Benefit Delivery Automation Project
(ADAPT) for families receiving Temporary Assistance for Needy Families (TANF)
and on SACWIS for families receiving only day care assistance or having
children in foster care. One of the underlying reasons DSS staff proposed
including day care within ADAPT and SACWIS was that it would provide the
option of eventually tying day care payments into the electronic benefit transfer
(EBT) and the electronic fund transfer (EFT) programs. The proposal involved
establishing a central account for day care payments at the State level.

Several local agency officials indicated that the idea of a central State
account had never been mentioned before and was not well received. Local
opposition to having a central account resulted from both anticipated problems in
locally administering the account and the fact that day care payments for income
eligible families require a local match. Local agency officials indicated that the idea
of contributing local funds into a central account would not be accepted by many
localities. Local agency officials also questioned how EBT would work given the fact
that payments are not made to the parents receiving day care services but instead
to the day care providers. Additionally, the frequent fluctuations in day care
payment amounts would also complicate the use of electronic transfers in general.

Considering that local agencies will be the primary users of day care
automation, DSS staff should involve them in future planning for day care
automation. DSS staff indicated that including day care automation within ADAPT
and SACWIS is still being considered. However, DSS may develop an eligibility
determination, case management, and report generating module for statewide use
while allowing local agencies to develop their own payment processing modules.
This would allow local agencies to maintain control of local funding and payments
and would be more acceptable to local agencies.

Some local agency officials have also stated that they hope DSS will consider
other automation options including locally controlled automation or including all day
care assistance on the ADAPT system. A number of local agencies have
automated their day care assistance programs and are pleased with their systems.
Including day care on ADAPT is also seen as a sound option by some local agency
representatives since day care assistance is basically an eligibility and payment
processing operation that ADAPT is specifically designed to accomplish.

***DSS Should Concentrate on Current Automation Initiatives Before
Undertaking Day Care Automation.*** The current timeline for day care automation
indicates that the system should be in production by October 1999. Minutes
prepared by DSS staff on the October 1997 planning meeting state, "A number of
local agency representatives asked that any solution be phased in over an extended

period of time. This would permit local agency staff time to accommodate to the revised process and work flows, and to permit DIS [Division of Information Systems] the opportunity to provide better tested systems." Given the number of automation initiatives DSS already has underway, it would be prudent to concentrate on those initiatives before actively developing day care automation. Several local agency officials indicated that they do not believe it is possible, given the other initiatives and apparent staffing needs within information services, for DSS to complete day care automation before January 2000. If this is indeed the case, it would be better to make local agencies aware of this now so their staffs can ensure that the day care automation they already have can be made year 2000 compliant.

The Department of Social Services should ensure that the resources needed for automating day care are available prior to initiating the project extensively. Time should be taken to meaningfully involve local agency staff in designing automation requirements to ensure that the needs of the primary system users are incorporated.

Project Funding and Expenditures

Day care automation is in such an early stage of planning, that no budget has been developed for it. DSS expects to fund day care automation out of the Child Care and Development Fund (CCDF). Up to five percent of approximately $85 million (or $4.25 million) of the CCDF allotment for FY 1998 may be used for state-level administration which would include automation initiatives. DSS staff indicated that $2.5 million in CCDF funds has been designated in FY 1998 for automating day care assistance. If these funds are not spent, they can be carried over to FY 1999. DSS staff noted that similar funding will be available from Virginia's CCDF award for FY 1999 that can be used for day care automation.

Conclusion

Day care automation is still in the early planning phase. The apparent need to automate day care assistance should not be used as a basis for accelerating automation at the expense of careful planning and analysis of automation needs and alternatives. Considering the number of automation initiatives already being developed in other areas, DSS should complete some of those initiatives before actively undertaking a day care automation initiative.

CURRENT STATUS OF NETWORK 2000

Network 2000 is an all digital data communications network deployed by the Department of Social Services (DSS) to support automated systems used by DSS and the local social services agencies. The network was designed to support existing mainframe applications such as ADAPT, VACIS, and APECS and the Department's newer client/server applications such as SACWIS. In addition, the network permits DSS to implement Internet communications products such as e-mail, web pages, and news groups. Network 2000 was implemented for DSS by the Department of Information Technology (DIT) as part of the Commonwealth Telecommunications Network.

Current Status of Development and Deployment

Implementation of Network 2000 began in June 1997, with the Department's decision to deploy a new digital network as part of DIT's Commonwealth Telecommunications Network. DIT began work immediately, and by September 1997, it had completed orders for circuits and installation of equipment necessary to connect each local social services agency to the network.

By November 1997, the local agencies had completed wiring required in their offices, largely completing the network installation. As of January 1998, all local social services agencies had been successfully connected to the network and all circuits had been tested. One county is continuing to resolve some minor issues related to the county's internal network, and should begin to use Network 2000 by early February 1998. In addition, installation of all the PCs, which are necessary to use the network, has not been completed in some agencies because of problems with the computers. Those problems have been resolved by DSS, and the vendor is expected to resume delivery by the second week of February 1998.

Based on comments from local agency staff, the network appears to provide good data telecommunications support for DSS automated systems. One local official said that, "The functionality of the network is first rate." The only concern expressed to JLARC staff by local agency personnel was the ability of the DSS staff to manage network resources over the long term. DSS will need to address this concern by ensuring that it has qualified staff to provide assistance to local agencies.

Project Funding and Expenditures

The total cost to implement Network 2000 as of January 26, 1998, was $3,889,230. Of this amount, $514,026 was reimbursements to local agencies for wiring of local offices. Operational costs for Network 2000 are estimated at approximately $1.77 million annually, to be billed to the Department by DIT.

CURRENT STATUS OF YEAR 2000 COMPLIANCE

The Department of Social Services has more than 25 mission-critical automated systems that it uses to manage various social services programs. These systems were designed and deployed over a number of years, and in some cases are more than 20 years old. As a result, many of the Department's automated systems may present a year 2000 problem. The year 2000 problem results from storing and using date information in a computer with two digits to represent the year. For example, 1998 is represented as 98 in the computer. This technique was used widely in federal, state, and local computer systems as well as in the private sector. The problem with a two-digit representation of the year is that it can result in erroneous calculations when using the year 2000, which the computer confuses with 1900.

The solution to this problem is to either repair, replace, or retire the computer programs that have the problem. Until very recently, DSS indicated that it would pursue a strategy to replace its legacy mainframe systems, and that it therefore had no exposure to the year 2000 problem. The development and deployment of the new ADAPT and SACWIS systems was a part of that strategy. In addition, DSS is replacing its older financial systems with a client/server financial system.

In December, however, DSS stated in its year 2000 report to the Council on Information Management (CIM) that it has modified its strategy and now plans to repair some of its systems. In its January report to CIM, DSS specifically identified 16 systems to be repaired, and estimated for JLARC staff that more than 5,500 hours of work would be necessary. Because DSS has changed its strategy and is only now beginning to fully assess the work necessary to make its systems compliant, CIM considers the Department of Social Services to be a potential risk for the State. According to CIM:

> The recent decision by the Department of Social Services to reconsider its use of a replacement strategy for 25 mission-critical systems puts the Y2K [year 2000] compliance status of this major agency in question.

Some DSS systems development staff also raised questions about the replacement strategy, but said they feel more comfortable with the plan to repair those systems that may not be year 2000 compliant. However, DSS staff have not yet completed plans for the repair work to be completed on the systems, so the amount and difficulty of the work is still unknown. DSS has also not prepared contingency plans for systems which cannot be repaired by year 2000.

The Department appears, from initial plans provided to JLARC staff, to be using existing, in-house staff to complete the work for year 2000. Therefore, it has not requested any additional funding for year 2000 repair work.

DSS should work more closely with staff from the Council on Information Management to complete assessments of all DSS systems and should ensure that its plans for year 2000 remediation include assessments of the impact on existing development projects and adequate provisions for development, testing, and implementation. The Department may want to consider the use of staffing from contracts available through CIM if the use of in-house staff has an adverse impact on existing projects. In addition, DSS needs to begin now to develop contingency plans for all systems, including those that are being replaced and repaired.

APPENDIXES

December 19, 1997

Mr. Philip A. Leone
Joint Legislative Audit and Review Commission
General Assembly Building, Suite 1100
Capitol Square
Richmond, Virginia 23219

Dear Phil:

During the 1997 Session, the General Assembly appropriated approximately $84 Million in the current biennium for upgraded and new information systems in the Department of Social Services (DSS). As we prepare to review the budget for the 1998-200 biennium, we would like more information on all these automated systems.

Because JLARC staff currently serve on the DSS Local Information Technology Planning Committee and are familiar with systems development in DSS, we believe you could provide us with a status report in relatively short order. If possible, it would be helpful to have this report by the end of January 1998.

Please include in your status report: the stage of completion for each major system; concerns or problems with implementing any of the components; expenditures to date as compared to appropriations; and projected expenditures to complete and operate each system. We

also welcome any other additional information that you can provide that will enable us evaluate the progress of these systems.

Thank you for your assistance in this matter.

Sincerely,

(Signed)   (Signed)   (Signed)

Stanley C. Walker   John H. Chichester   V. Earl Dickinson

cc: Mr. Clarence Carter, Commissioner of Social Services

DSS Systems Development Project Funding
(Totals Shown in Bold)

Project	Development Expenditures to Date	DSS Projected Remaining Development Costs	FY 99 Appropriation Request	FY 2000 Appropriation Request
Application Benefit Delivery Automation Project (ADAPT) A computer systems project designed to automate the eligibility determination and benefits calculation for three major benefits programs: TANF, Food Stamps, and Medicaid.	$14,999,324[a]	$12,253,891	**$8,388,644**[b] $4,194,322 (GF)	**$8,388,644**[b] $4,194,322 (GF)
Statewide Automated Child Welfare Information System (SACWIS) Statewide Automated Child Welfare Information System -- in Virginia the system currently consists of foster care and adoption cases with plans to add child protective services cases by next fall.	$8,940,958	–	**$1,500,000** $750,000 (GF)	**$1,500,000** $750,000 (GF)
Automated Program to Enforce Child Support Enforcement (APECS) Rebuild of DSS information system that supports the child support enforcement program.	N/A	**$10,500,000** $3,630,000 (GF)	**$8,300,000** $2,882,000 (GF)	**$2,200,000** $748,000 (GF)
Electronic Benefits Transfer (EBT)[c] An initiative to convert the paper issuance of food stamps and TANF benefits to an electronic transfer system.	$162,000	–	**$5,692,100**[b] $2,276,835 (GF)	**$5,730,378**[b] $2,292,151 (GF)
Day Care Assistance Automation[d] Automation concerning the day care assistance for families.	–	–	–	–
Network 2000 An all-digital communications network that connects DSS to the local agencies, supports systems such as ADAPT and APECS, and provides access to e-mail and the Internet.	$3,889,230	–	**$1,500,000**[b] $349,500 (GF)	**$1,500,000**[b] $349,500 (GF)
Year 2000 Systems development and maintenance to address year 2000 problems with existing systems.	–	–	–	–

[a] An additional $8,306,504 has been expended on operations.

[b] Represents operating costs, such as code and software maintenance, DIT computer charges , and telecommunications charges.

[c] A budget amendment has been submitted by the Governor's Office to eliminate the appropriation request. DSS had planned to release a request for proposals (RFP) in late February or early March. Essentially EBT will be a privatized system; therefore, costs in the appropriation request constitute operational costs.

[d] No system cost has been determined at this time. $2.5 million of discretionary CCDF funds has been preliminarily set aside in SFY 98 for building a day care system.

Source: Department of Social Services financial and budget reports.

AGENCY RESPONSES

As part of an extensive data validation process, State agencies involved in a JLARC assessment effort are given the opportunity to comment on an exposure draft of the report. Appropriate technical corrections resulting from the written comments have been made in this final version of the report. Page references in the agency response relate to an earlier draft and may not correspond to page numbers in this version.

February 2, 1998

Mr. Philip A. Leone
Joint Legislative Audit and Review Commission
General Assembly Building, Suite 1100
Capitol Square
Richmond, Virginia 23219

Dear Phil:

Thank you for the opportunity to comment on the exposure draft for the "Special Report: Status of Automation Initiatives of the Department of Social Services" dated 1/30/98. Our comments are enclosed. I appreciate the thorough review that your team was able to accomplish in such a short period.

In addition to the specific comments forwarded separately, the following general comments are offered:

ADAPT - One of the major concepts that drives much of the ADAPT comments is the statement that, "the projected date for statewide implementation of August 1998 may not be realistic." While it may be that some portions of the Medicaid may not be ready in August, please note that:

   1. The Food Stamps, TANF and VIEW portions of ADAPT (of which TANF and VIEW were not even considered in the House Document 10 planning assumptions) will completed and will be fully operational in the system in June 1998.

   2. All local agencies will have received training on ADAPT and will have the system available for use in July 1998. This meets our definition of being "implemented statewide," for TANF, Food Stamps and VIEW.

   3. ADAPT is being used today to determine Medicaid eligibility for TANF recipients. The next largest segment of the Medicaid population is Low Income Families and Children (LIFC). The rule base for the Medically Indigent covered group of Families and Children is beginning development now and we expect that this effort will completed by August 1998. The project team will then move to complete the rule base for Aged Blind

and Disabled SSI recipients. These two covered groups represent the majority of our Medicaid recipients. The project team will then focus on the remaining covered groups, such as Long Term Care recipients.

In summary, ADAPT will be implemented for TANF, Food Stamps and VIEW statewide by August 1998 and the development will be complete with the exception of the remaining covered groups of Medicaid. **Request the report be modified to more accurately reflect these significant achievements**.

The draft report also makes several suggestions about improving DSS management oversight of DSS automation initiatives. Following the impasse reached last year regarding SACWIS funding, DSS conducted an internal review of its processes and has initiated the following changes:

- Project Ownership: As noted in the draft report, the lack of ownership by the benefiting program office of the specific development initiatives was seen as one of the primary weaknesses. To address this, our strategic plan requires each division to establish two year "business plans." These plans will address current and future initiatives and to brief their plans to Executive Management. Within these plans, the division which will benefit from an automation initiative is responsible to track the various milestones and prerequisites for funding. Following approval of the plans, divisions will update them and provide quarterly briefs to the Executive Team.

- Project Management: The turnover of leadership positions within the agency in the last few years has led to some loss of "institutional knowledge." To address this, we had our most effective managers develop a checklist to provide management with a set of guides to review project activity. This checklist will be required for all future initiatives which require changed or increased resources, whether they involve automation or not, and will be filled out for all initiatives currently in progress.

- Management Oversight: The combination of the divisional business plans, project checklists and a commitment to routine review of our strategic plan by the Executive Team will provide the visibility and feedback necessary to preclude the difficulties encountered during the last few months.

Again, thank you for the opportunity to comment on the draft report.

(Signed)

Clarence H. Carter
Commissioner

JLARC Staff

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