

MMRS Steering Committee
December 13, 2001

A called meeting of the Mississippi Management and Reporting System (MMRS) Steering Committee was held at 10:30 AM in the DFA Conference Room, Woolfolk 13th Floor, Jackson, Mississippi, on December 13, 2001.

The following members were present:

Gary Anderson, Chairman and Executive Director, Finance and Administration
J. K. Stringer, Vice-Chairman and Executive Director, State Personnel Board
David L. Litchliter, Executive Director, Information Technology Services

Also present were:

Cille Litchfield, MMRS Administrator

A quorum being present, Mr. Anderson called the meeting of the Mississippi Management and Reporting System (MMRS) Steering Committee to order.

Mr. Anderson presented agenda item 1:

- Review and approve the minutes of the meeting of the MMRS Steering Committee for September 10, 2001.

On a motion by Mr. Stringer, seconded by Mr. Litchliter, the minutes were approved as presented.

Mr. Anderson presented agenda item 2:

- Review DMG-Maximus "Report Number 2 – Recommendations for Changes in Methods Used to Estimate Costs and Bill for Operational and Development Costs";

Mrs. Litchfield discussed the report recommendations and requested the permission of the Committee to publish this document via the Internet at www.mmrs.state.ms.us. The Committee agreed the document should be published and that it should also be sent to the PEER Committee.

Mr. Anderson presented agenda item 3:

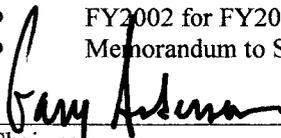
- Approve MMRS Revolving Fund invoices for the recovery of FY2001 expenditures.

On a motion by Mr. Litchliter, seconded by Mr. Stringer, the recommendation was approved.

Mr. Anderson asked if there was additional business to come before the Steering Committee. Since there was no further business to come before the Committee, Mr. Anderson moved to adjourn. There was no objection and the Committee adjourned.

Attachments:

- Review of MMRS Billing/Charge-Back Processes, Report #2 dated November 30, 2001
- Letter to PEER Committee dated January 3, 2002
- FY2002 for FY2001 Actual MMRS Charges
- Memorandum to State Agencies – MMRS Costs – Reimbursement for FY2001



Chairman
Finance and Administration



Vice-Chairman
State Personnel Board



Member
Information Technology Services

REVIEW OF MMRS BILLING/CHARGE-BACK PROCESSES

REPORT #2 – RECOMMENDATIONS FOR CHANGES IN METHODS USED TO ESTIMATE COSTS AND BILL FOR:

FY 2001 OPERATIONAL COSTS
FY 2002 DEVELOPMENT COSTS

November 30, 2001

INTRODUCTION

DMG-MAXIMUS, INC. has conducted a review of the methods used by the Mississippi Management and Reporting System (MMRS) to charge state agencies for various automated systems for which it is responsible. These systems are:

- The Statewide Automated Accounting System (SAAS)
- The Statewide Payroll and Human Resources System (SPAHR)
- The Mississippi Executive Resource Library and Information Network (MERLIN) – a web-enabled data warehousing and reporting tool that incorporates data originated in both SAAS and SPAHR.
- Image 2000 (I2K) – a system that works in conjunction with SPAHR and that is focused on expediting processes related to evaluation and selection of applicants for positions within state government.
- The Government E-commerce Network and Imaging Environment (GENIE) – far-reaching facility intended to support a variety of internet-based transactions between the state, outside businesses and citizens.

Of these systems, SAAS, SPAHR and MERLIN have been implemented and fully operational for a number of years. I2K and GENIE are, at this time, still in the development phase.

The scope of our review has incorporated preparation of two reports. The first report (submitted June 30, 2001) addressed our assessment of current billing methodologies and the equity of users charges. This second report focuses on our recommendations for improvements in cost estimation and billing methodologies.

* In general terms, we do not believe that any material deficiencies exist in MMRS' methods of determining agency charges, or in the business processes MMRS employs in billing and recovering these charges. However, we do offer a number of suggestions that we believe will contribute to the on-going viability of MMRS' cost recovery program. These are presented in the following paragraphs.

MAXIMUS

GENIE

As discussed in Report #1, MMRS' original intent was to recover costs related to GENIE through charges to agencies based on the same statistics as those used to distribute charges for SAAS (ie; counts of general ledger transactions by agency/fund). During our review, discussions with MMRS and other DFA personnel indicated that GENIE's functionality can be more appropriately associated with counts of Payment Voucher transactions, only. This reflects GENIE's focus on imaging, storage and retrieval of payment-related documents. It is our understanding that MMRS and DFA concur with this observation, and now intend to implement a "voucher count" statistic in determining GENIE charges for agencies. We certainly suggest that this will be an appropriate course of action.

*Done for
FY02 Billing
for FY01 recovery*

BILLING/PAYMENT CYCLES

Of all of MMRS' agency charges, only SAAS Production costs are billed monthly. All other charges are billed annually. The economies associated with annual billings are obvious. And, this cycle seems reasonable considering the fact that most charges actually reflect a distribution of systems development costs versus the costs of processing specific transactions. We have noted, however, that SPAHRS Production costs are recovered in annual charges (which also include development/enhancement costs). While implementation of a more frequent procedure for SPAHRS Production billings could increase administrative requirements for both MMRS and agencies, it could also ease any cash flow constraints that MMRS may otherwise face.

In the event of cash availability shortfalls, we suggest that MMRS consider implementing monthly or quarterly charges for SPAHRS Production, separate from annual charges for development and enhancement activities. Such charges should be based on annual budgeted positions, active contract worker positions, monthly payroll statistics for all type payrolls, and monthly contract statistics. Reconciliation to actual position/contractor statistics could be incorporated into year-end billings (or subsequent year charges) as appropriate. In evaluating this alternative, however, a careful analysis of the incremental costs of monthly/quarterly billings should be performed. If these costs prove to be excessive, continuation of the current procedure would seem to be justified.

FUNDING MECHANISMS

In 1993 MMRS was provided with expenditure authority of approximately \$15 million. This authority was granted in the form of a "loan" that becomes payable beginning in calendar 2003. Since 1993, MMRS has utilized these funds to meet much of its operating and working capital requirements. In other words, these funds, together with recoveries from SAAS production billings to agencies and

appropriations from the Statewide Cost Allocation Fund, have been sufficient to sustain MMRS operations. In fact the balance of this authority at the end of FY 2001 was approximately \$10.1 million.

MMRS expects this authority to continue well into the future, and that loan repayment requirements will be extended past 2003. However, we note that authorization levels could be removed or reduced at any time, and/or that loan repayments could be required as originally intended. If either of these events materialize, we suggest that MMRS consider financing strategies that would permit it to develop and maintain a true cash balance to support its working capital and loan servicing requirements; in other words, that it consider converting to the structure of a true Internal Service Fund. Such action would place additional administrative requirements on the MMRS staff. However, it would also tend to insulate MMRS from fluctuations in overall statewide budgetary priorities, and provide a stable base of cash resources as appropriate for debt retirement and funding of on-going operations.

This is not to say that such a course would provide for all of MMRS' future cash requirements. Incremental appropriations/spending authority would still be necessary from time-to-time to fund major development efforts. This approach should, however, provide an appropriate method of funding on-going production services.

FIXED ASSET ACCOUNTING

We have noted that MMRS may include capital outlay expenditures in amounts charged to agencies. This practice could prove problematic on several bases:

- First, capital outlay costs are not eligible for federal reimbursement under OMB Circular A-87 (only depreciation expense is allowable), and could be disallowed by federal reviewers examining MMRS charges claimed for reimbursement by state agencies. Historically MMRS' capital outlay expenditures have not been material and are generally less than administrative costs (funded by the Statewide Cost Allocation Fund) not included in agency charges. Accordingly, we do not believe that there is a current exposure to federal disallowances. Such exposures could develop, however, should future capital requirements (for initiatives such as eGovernment) exceed the level of uncharged administrative expenses.
- Second, recently issued accounting standards (GASB-34) tend to indicate that asset depreciation expense (as opposed to capital outlays) should be identified with unique service delivery functions such as MMRS.
- Third, that by expensing capital outlays, MMRS is not building any reserve for eventual replacement of its assets (outside of reliance on future appropriations for capital outlays).

Based on these concerns, and forecasts of future capital outlay requirements, we suggest that MMRS evaluate its fixed asset accounting policies and consider conversion to accrual methods as appropriate.



STATE OF MISSISSIPPI
DAVID RONALD MUSGROVE, GOVERNOR

DEPARTMENT OF FINANCE AND ADMINISTRATION

GARY ANDERSON
EXECUTIVE DIRECTOR

January 3, 2002

Max K. Arinder, Ph.D.
Executive Director
PEER Committee
501 North West Street, Suite 301
Jackson, Mississippi 39201 HANDMAIL

Dear Dr. Arinder:

The Department of Finance and Administration (DFA), Office of the Mississippi Management and Reporting System (MMRS) engaged the firm of DMG-Maximus to complete a study of the methods used to both estimate costs for use in agency budgeting processes as well as calculate the billings of actual costs for both the MMRS Revolving Fund and for the Statewide Automated Accounting System (SAAS). A copy of the initial report, dated June 30, 2001, was forwarded to you during October 2001.

An additional report of recommendations for changes in the estimating and billing processes for operational and development costs was delivered by DMG-Maximus on November 30, 2001. A copy of this report is being provided as an attachment to this letter for your review.

If there are questions regarding this information, please direct these to Cille Litchfield, MMRS Administrator, at (601) 359-1433 or via email at litchc@mmrs.state.ms.us.

Sincerely,

A handwritten signature in black ink that reads "Gary Anderson".

Gary Anderson
Executive Director

Attachment

PC: James Barber, Deputy Director, PEER Committee
J. K. Stringer, Executive Director, State Personnel Board
David Litchliter, Executive Director, Department of Information Technology Services
Cille Litchfield, MMRS Administrator

File: PEER

FY2002 for FY2001 Actual MMRS Charges

	SPAHR5 61617	MERLIN 61618	Dev 61616	Total Invoice
ACCOUNTANCY	2,224.46	1,024.02	113.59	3,362.07
AGRIBUSINESS COUNCIL	8.39	9.39	0.00	17.78
AGRICULTURAL AVIATION	528.83	312.59	46.19	887.61
AGRICULTURE	19,990.78	9,729.47	5,106.60	34,826.85
ANIMAL HEALTH	2,547.64	2,545.79	595.88	5,689.31
ARCHITECTURE	423.91	315.97	52.64	792.52
ARCHIVES AND HISTORY	12,268.13	7,128.44	3,645.34	23,041.91
ARTS COMMISSION	1,439.61	1,555.52	317.65	3,312.78
ATHLETIC COMMISSION	159.49	247.99	37.51	444.99
ATTORNEY GENERAL	22,282.41	10,496.45	4,833.08	37,611.94
AUCTIONEER COMMISSION	256.02	209.69	29.55	495.26
AUDITORS OFFICE	11,260.82	6,516.87	3,413.20	21,190.89
BANKING AND CONSUMER FINANCE	4,520.28	2,443.32	827.28	7,790.88
BARBER EXAMINERS	633.76	443.49	122.52	1,199.77
BEAUVOIR SHRINE	0.00	0.60	0.05	0.65
BOSWELL REGIONAL CENTER	45,307.70	20,456.79	10,648.41	76,412.90
CAPITAL DEFENSE COUNSEL	37.77	12.88	0.00	50.65
CAPITAL POST-CONVICTION COUNS	768.07	448.99	26.87	1,243.93
CENTRAL MS RESIDENTIAL CENTER	5,414.26	3,782.53	1,032.88	10,229.67
CHIROPRACTIC EXAMINERS	4.20	164.09	12.56	180.85
COAST COLISEUM	0.00	6.59	0.00	6.59
COMMUNITY AND JUNIOR COLLEGES	2,896.00	2,305.98	152.85	5,354.83
CONTRACTORS	1,464.79	860.88	219.30	2,544.97
CORRECTIONS	226,660.19	84,252.38	73,364.46	384,277.03
COSMETOLOGY	3,353.48	1,682.59	243.36	5,279.43
COUNSELORS	4.20	59.87	6.30	70.37
DENTAL EXAMINERS	705.11	630.09	149.78	1,484.98
EAST MS STATE HOSPITAL	80,500.38	29,804.17	25,623.28	135,927.83
EDUCATION	73,978.09	65,723.97	21,006.78	160,708.84
EDUCATIONAL TV	12,973.24	6,447.33	2,888.95	22,309.52
ELLISVILLE STATE SCHOOL	114,564.04	49,050.10	28,165.51	191,779.65
EMERGENCY MANAGEMENT	4,641.99	6,539.76	1,833.09	13,014.84
EMPLOYMENT SECURITY	102,048.29	47,069.30	21,501.75	170,619.34
ENGINEERS AND LAND SURVEYORS	852.01	882.07	151.98	1,886.06
ENVIRONMENTAL QUALITY	36,078.27	32,040.65	11,329.45	79,448.37
ETHICS COMMISSION	990.52	562.07	38.25	1,590.84
FAIR COMMISSION	11,831.63	6,907.80	1,342.48	20,081.91
FINANCE AND ADMINISTRATION	38,126.45	23,793.97	7,720.73	69,641.15
FIRE ACADEMY	7,764.64	3,408.96	1,003.52	12,177.12
FORESTRY COMMISSION	40,367.71	19,662.17	14,421.15	74,451.03
FUNERAL SERVICES	516.24	395.12	54.96	966.32
GAMING COMMISSION	13,539.84	7,957.46	3,325.45	24,822.75
GEOLOGISTS	256.02	185.91	46.15	488.08
GOVERNORS OFFICE	3,471.00	2,599.69	167.82	6,238.51
GRAND GULF MIL MONUMENT	738.69	431.77	178.60	1,349.06
GULFPORT PORT AUTHORITY	0.00	82.17	5.55	87.72
HEALTH DEPARTMENT	140,199.93	97,982.14	51,172.63	289,354.70
HOME CORPORATION	0.00	6.82	0.28	7.10
HOUSE OF REPRESENTATIVES	37,799.08	13,108.47	84.65	50,992.20
HUDSPETH REGIONAL CENTER	66,410.71	28,106.94	17,084.19	111,601.84
HUMAN SERVICES	439,793.14	196,966.98	79,532.70	716,292.82

FY2002 for FY2001 Actual MMRS Charges

	SPAHR5 61617	MERLIN 61618	Dev 61616	Total Invoice
IHL	0.00	293.85	29.95	323.80
INFORMATION TECHNOLOGY SERVICES	11,881.99	35,829.60	2,722.85	50,434.44
INSURANCE	7,462.44	4,347.64	2,106.51	13,916.59
JUDICIAL PERFORMANCE	1,133.22	587.02	34.31	1,754.55
JUVENILE REHAB FACILITY	7,932.52	3,640.28	2,327.27	13,900.07
LEGISLATIVE BUDGET OFFICE	4,025.02	1,370.42	16.78	5,412.22
LEGISLATIVE JOINT OPERATION	0.00	294.49	34.03	328.52
LIBRARY COMMISSION	5,107.87	3,493.28	1,226.45	9,827.60
MARINE RESOURCES	9,728.88	6,646.05	2,998.44	19,373.37
MEDICAID	40,271.17	15,871.18	10,706.68	66,849.03
MEDICAL LICENSURE	2,249.65	1,916.08	447.33	4,613.06
MEMORIAL STADIUM	2,535.05	1,411.86	209.40	4,156.31
MENTAL HEALTH	7,441.47	6,396.94	4,300.75	18,139.16
MILITARY DEPARTMENT	74,464.96	30,837.38	796.13	106,098.47
MISSISSIPPI DEVELOPMENT AUTHORITY	29,937.91	23,224.29	7,498.91	60,661.11
MISSISSIPPI STATE HOSPITAL	175,132.39	75,248.40	52,286.45	302,667.24
MOTOR VEHICLE	931.76	849.63	71.57	1,852.96
MS BUSINESS FINANCE CORP	0.00	36.13	0.33	36.46
NARCOTICS	25,312.71	12,638.47	4,877.81	42,828.99
NORTH MS REGIONAL CENTER	73,050.53	33,285.25	17,502.26	123,838.04
NORTH MS STATE HOSPITAL	14,555.54	6,593.27	2,778.19	23,927.00
NURSING	1,863.51	1,108.70	448.90	3,421.11
NURSING HOME ADMINISTRATORS	444.89	267.44	61.81	774.14
OIL AND GAS	3,475.20	2,646.16	606.57	6,727.93
OPTOMETRY	8.39	66.49	6.87	81.75
PORT HARRISON WATERWAY	440.70	142.06	1,798.46	2,381.22
PEARL RIVER BASIN DEVELOPMENT	67.15	20.93	274.03	362.11
PEARL RIVER VALLEY WATER SUPP	386.13	118.81	1,541.42	2,046.36
PEER	4,906.41	2,112.69	81.00	7,100.10
PERSONNEL BOARD	6,513.90	3,796.97	1,353.01	11,663.88
PHARMACY	1,082.85	1,202.83	220.00	2,505.68
PLANT INDUSTRY	0.00	1,483.92	138.01	1,621.93
PORT OF PASCAGOULA	0.00	10.68	0.14	10.82
PSYCHOLOGY	4.20	41.47	4.12	49.79
PUBLIC EMPLOYEES RETIREMENT	8,910.44	3,808.17	2,180.09	14,898.70
PUBLIC SAFETY	82,200.20	42,956.14	21,631.04	146,787.38
PUBLIC SERVICE COMMISSION	12,721.41	5,256.52	2,205.21	20,183.14
PUBLIC UTILITIES STAFF	2,774.28	1,008.16	513.81	4,296.25
REAL ESTATE APPRAISAL LICENSE	1,040.88	506.81	101.27	1,648.96
REAL ESTATE COMMISSION	1,620.08	912.74	244.62	2,777.44
REGISTRATION FOR FORESTERS	0.00	55.21	5.21	60.42
REHABILITATION SERVICES	60,295.54	144,394.75	33,527.00	238,217.29
RIVER PARKWAY COMMISSION	0.00	36.21	5.12	41.33
SECRETARY OF STATE	9,304.97	6,310.76	1,862.33	17,478.06
SENATE	19,470.35	7,439.96	83.84	26,994.15
SOC WRKS & MARRIAGE/FAM THERAP	465.88	348.65	105.77	920.30
SOIL AND WATER	1,737.60	1,198.79	448.59	3,384.98
SOUTH MS REGIONAL CENTER	68,366.56	27,866.04	12,668.11	108,900.71
SOUTH MS STATE HOSPITAL	12,771.78	6,015.40	2,350.05	21,137.23
STATE AID ROAD	2,921.18	4,101.38	1,134.57	8,157.13
SUPREME COURT	40,598.56	15,454.03	310.05	56,362.64

FY2002 for FY2001 Actual MMRS Charges

	SPAHR5 61617	MERLIN 61618	Dev 61616	Total Invoice
TAX COMMISSION	60,685.87	154,298.70	15,404.10	230,388.67
TELECOMMUNICATION CENTER	0.00	4.62	0.00	4.62
MINNESOTA TOMBIGBEE WATERWAY	0.00	3.03	0.38	3.41
TOMBIGBEE RIVER VALLEY WATER	71.35	25.43	291.16	387.94
TRANSPORTATION	382,901.44	194,149.18	69,041.18	646,091.80
TREASURY	5,414.26	12,608.02	1,327.84	19,350.12
VETERANS AFFAIRS	25,136.43	14,681.50	4,698.46	44,516.39
VETERANS HOME PURCHASE	1,523.55	2,300.58	442.28	4,266.41
VETERANS MONUMENT COMM	0.00	13.18	1.14	14.32
VETERINARY DIAGNOSTIC LAB	2,577.02	2,329.96	595.49	5,502.47
VETERINARY EXAMINERS	688.32	335.93	8.72	1,032.97
WILDLIFE FISHERIES AND PARKS	69,995.04	46,218.80	21,021.90	137,235.74
WORKERS COMPENSATION	6,056.42	2,851.33	1,369.18	10,276.93
YELLOW CREEK PORT	0.00	12.35	0.00	12.35
<i>Total</i>	2,985,200.03	1,772,692.02	706,763.00	5,464,655.05

MEMORANDUM

TO: State Agencies
FROM: Cille Litchfield, Chief Systems Information Officer
DATE: December 14, 2001
SUBJECT: MMRS Costs - Reimbursement for FY2001

The annual invoice for the recovery of the Mississippi Management and Reporting System (MMRS) FY2001 expenditures is enclosed. The invoice states this is "Service for the month of: December 2001", but this is the annual invoice for recovery of the FY2001 expenditures.

The MMRS Steering Committee determined during their meeting of December 13, 2001, that no interest charges would be allocated to State agencies. Additionally, development costs for the GENIE project are not being totally allocated to State agencies. Estimated total charges as reported to the Legislative Budget Office for preparation of FY2002 budgets was \$9,063,478.66. MMRS took steps to cut our development budget and reduce travel before agencies were instructed to cut or reserve their budgets during FY2001. Based on actual expenditures, total eligible charges were \$5,894,547.08. The actual total billed, following the decisions of the MMRS Steering Committee, is \$5,464,654.84.

Please enclose a copy of the invoice with your payment. The payment is to be made to vendor V9913031250.

The following criteria were used in the allocation of the specific charges:

SPAHRS Production Charges

SPAHRS production charges are a direct allocation of all SPAHRS operating costs for FY2001. The following formula, based on "actual" statistics is used in this allocation:

- Agency SPAHRS Points = Total SPAHRS Authorized Positions as of 06/30/2001 + Total Employee Warrants Issued for FY2001 + Total Employee EFTs Issued for FY2001 + Total Contract Worker/WIN Warrants Issued for FY2001 + Total Contract Worker/WIN EFTs Issued for FY2001 + Total Vendor Warrants Issued for FY2001 + Total Vendor EFTs Issued for FY2001 + Total contracts in SPAHRS for FY2001+ Total WINS for FY2001.
- Total SPAHRS Points = Sum (Agency SPAHRS points).
- Agency SPAHRS Percentage = Agency SPAHRS Points / Total SPAHRS Points.
- Agency SPAHRS Charge = (Total SPAHRS operating expenditures for FY2001) * Agency SPAHRS Percentage.

MERLIN Production Charges

Costs associated with the Mississippi Executive Resource Library and Information Network (MERLIN) are

allocated based on a combination of the actual activity as defined for SPAHRS (above) and the FY2001 activity in the Statewide Automated Accounting System (SAAS). The following formula, based on "actual" statistics is used in this allocation:

- Agency SAAS Percentage = $\text{Count (Agency SAAS General Ledger Entries for FY2001)} / \text{Count (Total SAAS General Ledger Entries for FY2001)}$.
- Agency SPAHRS Percentage is the same as described for allocation of SPAHRS production costs.
- Agency MERLIN Percentage = $(\text{Agency SAAS Percentage} + \text{Agency SPAHRS Percentage}) / 2$
- Agency MERLIN Charge = $(\text{Total MERLIN operating expenditures for FY2001}) * \text{Agency MERLIN Percentage}$.

I2K Development Charges

Costs associated with the Image 2000 (I2K) development effort are allocated based on the number of authorized positions for agencies under the purview of the State Personnel Board (SPB). The following formula, based on "actual" statistics is used in this allocation:

- Agency I2K Points = Total SPAHRS Authorized Positions as of 06/30/2001 for SPB purview agencies
- Total I2K Points = Sum (Agency I2K Points).
- Agency I2K Percentage = $\text{Agency I2K Points} / \text{Total I2K Points}$.
- Agency I2K Charge = $(\text{Total I2K development expenditures for FY2001}) * \text{Agency I2K Percentage}$.

Genie Development Charges

Costs associated with the Government E-commerce Network and Imaging Environment (GENIE) development effort are allocated based on the number of payment vouchers issued for FY2001. The following formula, based on "actual" statistics is used in this allocation:

- Agency GENIE Points = Total SAAS PVs issued for FY2001
- Total GENIE Points = Sum (Agency GENIE Points).
- Agency GENIE Percentage = $\text{Agency GENIE Points} / \text{Total GENIE Points}$.
- Agency GENIE Charge = $(\text{Partial GENIE development expenditures for FY2001}) * \text{Agency GENIE Percentage}$.

Summary

I have included a summary report of the statistics used in the allocation processes for your reference. Should you have questions regarding this invoice, please contact me at (601) 359-1433 or by e-mail at litchc@mmrs.state.ms.us.

pc: MMRS Steering Committee