

MMRS Steering Committee September 10, 2001

A called meeting of the Mississippi Management and Reporting System (MMRS) Steering Committee was held at 10:00 AM in the DFA Conference Room, Woolfolk 13th Floor, Jackson, Mississippi, on September 10, 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 May 21, 2001.

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

Mr. Anderson presented agenda item 2:

- Approve recommendation to State Bond Commission regarding extension of the MMRS Revolving Fund repayment deadline by 10 years.

On a motion by Mr. Stringer, seconded by Mr. Litchliter, the recommendation was approved. Mrs. Litchfield will forward the Bond Commission recommendation to Donna Sanford, Director of the Bond Advisory Division at the Department of Finance and Administration, for inclusion on a future Bond Commission agenda. Mr. Stringer stated that he believes it is already time for MMRS to begin to address SPAHRS Phase II Planning. Mrs. Litchfield responded that she would act on this matter.

Mr. Anderson presented agenda item 3:

- Review DMG-Maximus recommendations regarding cost allocations and recovery for SAAS and MMRS Revolving Fund charges.

Mrs. Litchfield presented the results of the report from the engagement with DMG-Maximus. The Committee agreed to forward this report to the PEER committee in response to their comments during their review of MMRS during the fall of 2000 and to publish this document on the MMRS web site. Mrs. Litchfield was instructed to prepare a letter to Dr. Max Arinder, Executive Director of the PEER Committee for Mr. Anderson's signature.

Mr. Anderson presented agenda item 4:

- Approve recommendation to make minor upgrades, not to exceed \$10,000, to SPB's network connections to the Capitol Complex backbone in order to ensure performance of I2K.

On a motion by Mr. Litchliter, seconded by Mr. Anderson, with Mr. Stringer abstaining, the recommendation was approved. Mrs. Litchfield reported that I2K is scheduled to go live in December 2001.

Mr. Anderson presented agenda item 5:

- Approve recommendation to negotiate agreement with ChoicePoint as the lowest and best bidder for Internet based investigative services.

On a motion by Mr. Litchliter, seconded by Mr. Stringer, the recommendation was approved. DFA will be the administering agency for these services once the agreements are in place. Other discussion including questions of privacy issues, how to secure access for these services, appropriate channel of access for these services from the Mississippi.gov portal and contracting concerns due to the number of agreements involved and the number of exceptions taken by ChoicePoint in their response.

Mr. Anderson presented agenda item 6:

- Discuss privacy issues regarding the Mississippi.gov payment engine.

Mrs. Litchfield discussed that the Mississippi Department of Wildlife, Fisheries, and Parks is required to deny issuance/renewal of hunting and fishing licenses to deadbeat parents who have outstanding child support obligations. Mrs. Litchfield expressed concern that all applications via Mississippi.gov where access to services and payment of fees for licenses are involved should involve the same set of checks are required for hunting and fishing license renewal. The sense of the Committee was that an Attorney General's Opinion may be required. Mrs. Litchfield also was instructed to check with the Mississippi Department of Human Services regarding this matter as well as to post an inquiry on the NASCIO list server regarding this matter.

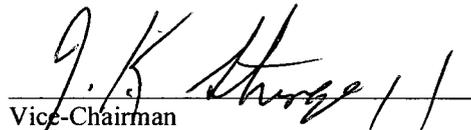
Mr. Anderson asked if there was additional business to come before the Steering Committee. Since there was no further business to come before the Committee, Mr. Anderson moved to adjourn. There was no objection and the Committee adjourned.

Attachments:

- Proposed Bond Commission Resolution
- Review of MMRS Billing/Charge-Back Processes dated June 30, 2001



Chairman
Finance and Administration



Vice-Chairman
State Personnel Board



Member
Information Technology Services

RESOLUTION FOR MMRS

WHEREAS, Section 7-7-3, Mississippi Code of 1972, provides that the State Bond Commission may authorize a non-interest bearing loan to the Mississippi Management and Reporting System Revolving Fund (MMRS) from the State Treasurer's General Fund/Special Fund Pool in an amount not to exceed fifteen million dollars, (\$15,000,000.00) with all interest earned from investment of monies in this fund to be credit to such fund; and

WHEREAS, on April 19, 1993, the State Bond Commission approved a Resolution granting to MMRS an amount not to exceed fifteen million dollars (\$15,000,000.00) for a period not to exceed ten (10) years before repayment of the funds is begun to the General Fund/Special Fund Pool; and

WHEREAS, MMRS desires to extend the time for repayment from a period not to exceed ten (10) years to a period not to exceed twenty (20) years from and after April 19, 1993; and

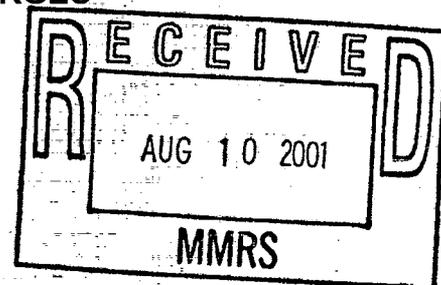
BE IT, THEREFORE, RESOLVED by the State Bond Commission that the time for repayment by MMRS to the General Fund/Special Fund Pool is extended ten (10) years and repayment will begin no later than April 19, 2013.

REVIEW OF MMRS BILLING/CHARGE-BACK PROCESSES

REPORT #1 – REVIEW OF BILLING METHODOLOGIES AND ASSESSMENT OF EQUITY IN USER CHARGES

FY 2001 OPERATIONAL COSTS
FY 2002 DEVELOPMENT COSTS

June 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.

This report summarizes our review of the billing methods currently in use or planned by MMRS for these systems, and comments on the degree to which these methods result in equitable charges to state agencies. A later report included within the scope of this project will address our recommendations for potential enhancements or refinements of these methods.

MMRS' billing methods have undergone similar reviews since their initiation in 1993. Included in these have been various assessments by the Performance Evaluation and Expenditure Review Committee (PEER) and the MMRS Steering Committee. Additionally, an "outside" review was conducted by our firm in 1995. At that time, SAAS was fully operational, while SPAHR and MERLIN were still in development. Accordingly, that review did not address charges for the

operational costs of SPAHRS or MERLIN. Nor did it encompass reviews of I2K and GENIE which have become active projects only in the last year or so.

Since our 1995 review, MMRS' billing/charging methods for SAAS production and support costs, and SPAHRS and MERLIN development costs have changed only slightly. Among other things, this report serves to confirm that MMRS' methods have remained consistent throughout this period, and that the changes that have been made are purposeful and equitable to users. Additionally, this report summarizes our observations with respect to charges for the operational costs of MERLIN and the planned charges for development of I2K and GENIE. Specific plans for recovering the operational costs of I2K and GENIE have not been developed at this point in time, although MMRS anticipates funding I2K entirely through the MMRS Revolving Fund charges to users, and GENIE through a combination of the Statewide Cost Allocation Fund and Revolving Fund charges.

Exhibit A summarizes the primary components of MMRS' charges by system and activity (operation vs. development), and highlights the methods used to determine agency charges. This table is intended to summarize the structure and concepts of MMRS' overall charge-back program. Specific details as to the algorithms utilized in computing agency charges are presented later in this report.

COST IDENTIFICATION PRACTICES

MMRS utilizes the SAAS system to record and report all costs charged to users. Costs are recorded in a series of "Funds" and "Organization Units" that are intended to reflect specific MMRS functions. In particular, staff positions (and hence payroll costs) are assigned to the various funds/organizations. Non-salary costs are charged to funds/organizations based on the nature of each expenditure.

While we did not conduct an audit of MMRS expenditure processes, MMRS position/staffing assignments appear to be appropriate. General operating expenses also appear to be appropriately identified to MMRS' various funds/organization units.

Budgeted expenditures for fiscal year 2002 for each fund and organization are summarized in Exhibit B.

ASSESSMENT/EQUITY ISSUES

Exhibit C presents a tabular description of the bases used in computing all MMRS charges. In the paragraphs that follow, we summarize our findings and

conclusions regarding these methods:

SAAS Production – SAAS production costs are charged to agencies/funds monthly based on counts of general ledger transactions. In specific:

- SAAS production costs for a given month are recorded in Fund # 3130, Organization # 6622.
- For the same month, counts of general ledger transactions for each agency/fund are summarized.
- Each agency's/fund's proportion of SAAS activity is determined by dividing its transaction count by the total of all transaction counts.
- Agency/fund SAAS charges are calculated by multiplying total SAAS production costs for the prior month by each agency's/fund's proportion of SAAS activity.

We noted that this approach does not take into account SAAS activity related to non-general ledger transactions, or to transactions posted to fund # 2999. While including this activity may cause SAAS charges to be more precise, we observed that the requirements for these transactions are generally outside of individual agency control and that only immaterial changes in agency/fund charges result from inclusion of these entries in determining SAAS production charges. Accordingly, we believe that MMRS' current method is reasonable and equitable for all agencies/funds.

SPAHRs Production - SPAHRs operating costs are charged to agencies annually based on a statistic that combines counts of positions, and payroll warrants (of various types) processed. These counts include:

- Authorized positions
- Employee warrants issued
- Employee electronic funds transfers (EFTs) issued
- Contract worker/WIN (Worker Identification Number) warrants issued
- Contract worker/WIN electronic funds transfers issued
- Total number of contracts
- Total number of WINs
- Total vendor warrants and EFTs (for payment of payroll taxes, benefits and other programs for which employees may elect payroll deductions)

As with SAAS production costs, each agency's proportion is determined by dividing its count by the total of statewide counts. Agency charges are calculated by multiplying individual agency proportions by total SPAHRs costs. SPAHRs costs are those recorded in Fund # 3125, Organization # 6630 in the prior year.

In our opinion, the SPAHRS charging method appropriately reflects the balance of MMRS' support for SPAHRS – position counts reflecting human resources functions, and payroll-related warrant counts reflecting payroll activity.

MERLIN Production – MERLIN operating costs are charged to agencies annually based on an equal weighting of agencies' SAAS and SPAHRS proportions. In other words, on an agency's SAAS proportion plus its SPAHRS proportion divided by two. Costs include those recorded in Fund # 3125, Organization # 6640 during the prior year.

We recognize that MERLIN provides a wide range of information retrieval capabilities including data elements originated in both SAAS and SPAHRS. A highly precise charging methodology for MERLIN based on processing of individual reports or queries would be most impractical. Accordingly, we believe that the current method is reasonable, and, over the course of time, equitable to all agencies.

I2K Development – I2K development costs are planned for charging to agencies annually based on counts of positions under SPB purview. For fiscal year 2002, costs are to include those that MMRS estimates it will incur in Fund # 3125, Organization # 6635.

In that I2K is focused on automated support for business processes related to employment applications for positions within state government, we believe that the basis for MMRS' charges is sound and equitable.

GENIE Development – Initially, the plan was to recover GENIE development costs through annual charges to agencies based on the same proportions as are used for SAAS charges. Discussions related to our review, however, have focused on using counts of Payment Vouchers as a more appropriate basis for these charges. This alternative will reflect more specifically on the "work" performed by GENIE – ie, the electronic imaging of documents that are directly related to Payment Vouchers and their processing and storage. Based on these discussions, it is our understanding that MMRS now plans to implement the Payment Voucher basis beginning with charges during fiscal year 2002. In the future, we believe that this approach would also be appropriate for charging GENIE operational costs.

For fiscal year 2002, costs are to include those that MMRS estimates it will incur in Fund # 3125, Organization # 6625.

FEDERAL COMPLIANCE ISSUES

Federal regulations, principally OMB Circular A-87, require that MMRS' charges to agencies conform to various standards for "allowability" and "allocability" in order for them to be eligible for reimbursement by federal grants and programs.

Our review indicates that MMRS' expenditures and charges to users are in general compliance with federal requirements. The only question raised related to the manner in which MMRS treats capital outlay expenditures. Federal guidelines do not allow charging such expenses to federal programs. Rather, they provide for the charging of depreciation expense or a "use allowance" associated with capital items.

Generally, MMRS' annual capital expenditures are less than the sum of amounts expended from the "Administrative" Organization plus the allocation MMRS receives from the Statewide Cost Allocation Plan. Since neither of these costs are charged to agencies, this would indicate that they effectively off-set capital expenditures, and that there is no conflict with federal requirements. However, there may be instances in which major equipment acquisitions exceed this total in a given year. In these cases, it will be necessary for the excessive amount to be adjusted as a credit in the Statewide Cost Allocation Plan. This is a practice that is provided for in A-87. MMRS and other managers in the Department of Finance and Administration are familiar with this procedure, and are prepared to take action as appropriate.

EXHIBIT A

**Mississippi Management and Reporting System
Agency Charge-Back Components and Methodology**

6/29/01

| System | Charges For | | Operational Charges | | | | Development Charges | | | | | |
|--------|------------------------------------|---------------------------------|--|------------------------------|-----------------|-----------------------------|--------------------------|-------------------------------|------------------------------|-----------------|-----------------------------|--------------------------|
| | Operation | Development | Basis for Charges (summary) | Timing of Charges | Costs Recovered | SWCA Fund Supplementa- tion | Interest Charge Included | Basis for Charges (summary) | Timing of Charges | Costs Recovered | SWCA Fund Supplementa- tion | Interest Charge Included |
| SAAS | Yes | Included in Operation Component | General Ledger Transactions | Monthly | Prior Month's | Yes | | | | | | |
| SPAHRS | Yes | Included in Operation Component | Positions + Pay Warrants (see detail) | Annual (Nov, following year) | Prior Year's | No | | | | | | |
| MERLIN | Yes | Included in Operation Component | Combination of SAAS & SPAHRS counts weighted 50/50 | Annual (Nov, following year) | Prior Year's | No | | | | | | |
| 12K | Planned (FY'02) | Yes | | | | | | Authorized pos'ns-SPB purview | Annual (Nov, following year) | Prior Year's | No | |
| GENIE | Planned (P1s- FY '02/Other-FY '03) | Yes | | | | | | Same as SAAS Op. | Annual (Nov, following year) | Prior Year's | Yes | |

EXHIBIT B

**Mississippi Management and Reporting System
Budget - FY 2002**

6/29/01

| <u>FUND</u> | <u>ORGANIZATION</u> | <u>FY 2002 Budget</u> |
|-------------------------------------|----------------------|---------------------------|
| 3125 MMRS Revolving Fund | 6610 Administration | \$ 308,330 |
| | 6625 GENIE | \$ 1,178,615 |
| | 6630 SPAHRS | \$ 2,957,858 |
| | 6635 I2K | \$ 1,303,066 |
| | 6640 MERLIN | \$ 1,325,715 |
| | 6660 E-Government | \$ 907,826 |
| | | <u>\$ 7,981,410</u> |
| 3130 SAAS Production Fund | 6622 SAAS Production | <u>\$ 1,340,000</u> |
| 3143 Statewide Cost Allocation Fund | 6623 SAAS-related | \$ 269,613 |
| | 6625 GENIE-related | \$ 359,002 |
| | | <u>\$ 628,615</u> |
| | | <u>\$ 9,950,025</u> |

EXHIBIT C

Mississippi Management and Reporting System Detailed Charging Bases

6/29/01

| Basis for Charge | Processed During | | Charged To Agency/Fund | Expenditures Charged | | Incurred During |
|--|------------------|---------------|---|--|----------------------|-----------------|
| | Prior Month | As of 6/30/XX | | Fund - 3130 | Description | |
| Count of General Ledger Entries | | | Agency/Fund | Fund - 3130 Org # - 6622 | SAAS Production Fund | Prior Year |
| Authorized Pos'ns + Employee Warrants Issued + | | FY XX | <div style="font-size: 2em;">}</div> Agency | <div style="font-size: 2em;">}</div> Fund - 3125 -- MMRS Revolving Fund Org # - 6630 -- SPAHRS Operations | | |
| Employee EFTs Issued + | | FY XX | | | | |
| Contract Worker/WIN Warrants issued + | | FY XX | | | | |
| Contract Worker/WIN EFTs issued + | | FY XX | | | | |
| Total Contracts + | | FY XX | | | | |
| Total WINS | | FY XX | | | | |
| Total Vendor Warrants & /EFTs* | | FY XX | | | | |
| Percentage of all SAAS Charges | | FY XX | | | | |
| Percentage of all SPAHRS Charges Divided by 2 | | FY XX | | | | |
| Authorized Positions under SPB Purview | | As of 4/30/01 | | | | |
| Counts of Payment Vouchers (PVs) | | FY XX | Agency | Fund - 3125 -- MMRS Revolving Fund Org # - 6625 -- GENIE Development | FY '02 (Estd') | |

SAAS Production

SPAHRS Operating

MERLIN Operating

I 2 K Development

GENIE Development

("XX" = Prior Fiscal Year)

* - Vendor warrants reflect payments for payroll-related taxes, benefits and other programs for which employees can request deductions from gross pay.

With the exception of MERLIN, all Agency/Fund charges are based on the counts for the Agency/Fund divided by the Statewide total of counts. For MERLIN, the Agency charge is based on the formula indicated (SAAS Charge % + SPAHRS Charge % divided by 2).