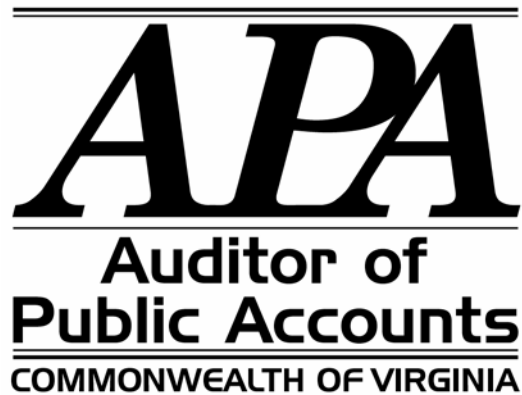


DEPARTMENT OF SOCIAL SERVICES

PUBLIC-PRIVATE PARTNERSHIP

AUGUST 2005



AUDIT SUMMARY

The Department of Social Services is pursuing a public-private partnership to develop an integrated system for the delivery of their services. However, we have concerns that they do not have an adequate strategic plan that supports how they need to operate in the future and they should re-sequence the partnership initiative to wait until this is done.

We addressed deficiencies in their strategic plan in prior audit reports and have historically been critical of their ability to successfully design and develop new systems. In addition, the Joint Legislative Audit and Review Commission (JLARC) has been reviewing Social Services for the past year and plans to issue their report and recommendations in October 2005. We believe JLARC's in-depth analysis may support significant changes that Social Services needs to contemplate. Finally, Social Services is performing business process re-engineering simultaneously with the public-private partnership. We believe they should complete their re-engineering efforts first, so they can adequately describe to vendors how they plan to work in the future. Otherwise, we believe the public-private partnership vendors will not have sufficient information to develop sound detailed plans or may be constantly reacting to changes in processes.

We recommend that Social Services finishes their strategic planning process to include: analyzing and defining their role in the social service delivery process; determining how they should work and be structured; analyzing redundant eligibility processes and duplicate information; and defining their new organization. We further suggest that they consider JLARC's report, which may raise further concerns about Social Services' ability to adequately plan and manage a large scale systems effort. Social Services should take caution and set a clear direction for their organization before continuing their plans for the public-private partnership.

-TABLE OF CONTENTS-

	<u>Pages</u>
AUDIT SUMMARY	
INTRODUCTION	1
OBJECTIVES, SCOPE, AND METHODOLOGIES	1
HISTORY AND BACKGROUND	1-3
RECOMMENDATIONS	3-4
INDEPENDENT AUDITOR’S REPORT	5
AGENCY RESPONSE	6
AGENCY OFFICIALS	7

INTRODUCTION

The Department of Social Services is pursuing a public-private partnership to develop an integrated system for the delivery of their services. They have sought and received approval and support for this project from the Secretary of Health and Human Services, the Commonwealth's Chief Information Officer, the Virginia Information Technologies Agency (VITA) Project Management Division, and the Information Technology Investment Board. In addition, the federal government agreed with the project, but required Social Services to select at least two vendors for the detailed analysis phase.

Social Services initially received one unsolicited proposal from CGI-AMS and then invited other vendors to submit competing conceptual designs. Three additional vendors submitted designs and made verbal presentations to a public-private partnership sub-committee about how their system would function. By October 3, 2005, Social Services plans to decide whether to continue with the project and if so, will select at least two of the vendors to enter a detailed design phase. In this phase, the vendor will learn more about how Social Services operates and develop their conceptual designs further. Social Services expects this phase to last at least 12 months, at which time it will consider the detailed plans and possibly award a contract.

OBJECTIVES, SCOPE, AND METHODOLOGIES

The objectives of this report are two-fold: 1) to provide a brief history of the Social Services public-private partnership; and 2) to make recommendations to Social Services and VITA concerning the status of this project. We are aware that the Joint Legislative Audit and Review Commission (JLARC) is currently conducting a study and plans its release in October 2005.

Our audit was performed for the period November 2004 through August 2005; however, we will continue to audit the partnership until Social Services implements the system. Our audit includes reviewing documents submitted to the VITA Project Management Division, reviewing documents used to manage the project, meeting with project personnel, and attending Goal 3 committee meetings and business process re-engineering briefings.

HISTORY AND BACKGROUND

Social Services initiated a public-private partnership to develop their Integrated Social Services Delivery System. The system seeks to provide for one-time entry of data, streamline processes for quicker service delivery, and provide a method to share data in a secure manner with other users, managers and, where appropriate, customers. Social Services wants an integrated system to lower systems development and maintenance costs, improve the state's ability to provide future services, and allow local agencies to operate more effectively.

Social Services laid out an aggressive timeline to achieve these goals and included multiple sub-projects to occur simultaneously, including an IT customer satisfaction survey, master customer ID (including SPIDER), simplified sign-on, and most recently, a statewide business process re-engineering. Each sub-project has a scheduled completion date, which coincides with the selecting of vendors for a detailed design phase in October 2005. Social Services expects the detailed design to take 12-14 months, ending with contract negotiations and the signing of a comprehensive agreement to enter into a public-private partnership with one of the vendors. Upon signing the comprehensive agreement, the selected vendor will begin building and implementing the system.

The public-private partnership has an anticipated cost of \$128 million. Social Services derived this figure based on a survey of costs of other states that had recently replaced systems and pursued integration projects. Their study was limited to the TANF, FS, OASIS, and a few major social services systems. Social

Services verified the information by comparison to the State of North Carolina's original estimates for rewriting their social services system, which they have yet to implement. Social Services plans to update their original estimate sometime in the fall of 2005 in order to provide information to federal agencies, but acknowledges that a true understanding of the cost will not be available until the end of the detailed design phase.

Social Services is completing a business process re-engineering effort facilitated by a consulting firm, First Data Government Solutions. The first phase, known as the "As Is" phase, involved a comprehensive study of the current processes at state and local social service offices. This process seeks to gain an understanding of and document the current social services business processes. A report dated May 24, 2005, includes the results and findings of the "As Is" phase.

The consultant and Social Services staff completed the second phase or "To Be" phase in August 2005 and have only provided initial presentations giving a high level glimpse of what the social services system should look like in the future. The consultant will make available a detailed report of the "To Be" phase sometime in early September 2005. The next steps will involve developing a change management plan for the "To Be" model with implementation over a three to five year period.

In addition, we are aware that JLARC is currently conducting a review of the operation and performance of Virginia's social services system that resulted from a 2004 General Assembly request. This study involves a system-wide review addressing both operational and management aspects of the state and local departments. The report will be released in October 2005.

The schedule below shows a high-level timeline of all these activities and their overlap. As shown below, in October 2005, Social Services plans to select at least two vendors to proceed with a detailed proposal, the business process re-engineering will enter its change management phase, and the JLARC report will be issued.

Timeline	Public-Private Partnership	Business Process Re-Engineering	JLARC Study
September 2004			Study start
November 2004	Receive unsolicited proposal		
February 2005	Receive four conceptual proposals		
March 2005 to May 2005	Conduct conceptual design analysis and review	Conduct "As Is" Phase	
May 2005 to September 2005		Conduct "To Be" Phase	
October 2005	Seek approval to proceed to detailed review and select vendors to perform detailed proposal	Begin Change Management Phase	Study report presented
October 2005 to December 2006	Vendors perform detailed proposal phase		
April 2007 or thereafter	Award contract to final vendor		

We believe Social Services should re-sequence their scheduled activities in October 2005 to provide an opportunity for management to review and react to JLARC recommendations and the “To Be” analysis before entering the detailed proposal phase of the public-private partnership. We recommended the following schedule; however, Social Services should perform analysis to determine the most appropriate dates:

Timeline	Public-Private Partnership	Business Process Re-Engineering	JLARC Study
October 2005			Study report presented
October 2005 to December 2005		Review and compare “To Be” phase recommendations and JLARC Study Develop a long-term strategic direction to address both documents	
December 2005		Begin change management phase, including any required legislative changes, if necessary	
March 2006	Seek approval to proceed to detail review and select vendors to perform detailed proposal, if conceptual model remains valid		
March 2006 to June 2007	Vendors perform detailed proposal phase		
October 2007 or thereafter	Award contract to final vendor		

RECOMMENDATIONS

Our fiscal year 2004 audit report noted Social Services’ inability to properly plan their systems development projects and consider changes in the delivery of social services. At that time, we recommended Social Services link its business plan and information technology strategic plan and involve as many stakeholders as possible. To date, Social Services has yet to connect these two plans. They are continuing to use their old information technology strategic plan to support their need for a new system while currently working through a business process re-engineering effort.

Social Services is undergoing two reviews that we believe will help define the future organization and require Social Services full consideration before proceeding with a public-private partnership. One of the reviews is an internal business process re-engineering effort done with the aid of a consulting firm, First Data Government Solutions. The other review is a legislative study by JLARC. Both reviews are nearly complete.

In their internal business process re-engineering effort, Social Services has taken a critical review of their organization, including their structure and relationship with local government offices. We reviewed re-engineering documents and believe they provide a good baseline for completing a comprehensive strategic

plan. Although the “To Be” phase report is not yet finished, if done properly it will reveal significant policy issues that Social Services must address. Addressing these issues and making tough changes will require strong leadership, a willingness to admit that things need to change, and a commitment at all levels that changes will happen.

The JLARC study resulted from a 2004 General Assembly request, which directed a review of the operation and performance of Virginia’s social services system. The study is a system-wide review, addressing both operational and management aspects of state and local departments. The review is currently on-going and has examined the following:

- the adequacy of the state’s supervision, specifically as it supports local operation and performance;
- the operation and performance of local departments in administering social services programs;
- funding levels and budget and financial management processes;
- the adequacy of human resources support; and
- whether information technology infrastructure and management processes facilitate local program administration.

In addition, the study examines whether the current structure and allocation of responsibilities optimizes the operation and performance of the social services system. To accomplish its objectives, the study team conducted a comprehensive survey and case studies of local departments. Their final report is due for release in October 2005. We believe that JLARC’s analysis may result in recommendations to improve the management and operations of the social services system.

Social Services assisted JLARC’s review and is aware of their reporting schedule, but despite this, has continued with their public-private partnership efforts. A public-private partnership results in a long-term commitment with a vendor, and in Social Services’ case, this arrangement will be costly. However, the result of not doing anything and continuing operations as usual will be costly as well.

Armed with their internal re-engineering, JLARC’s recommendations, and approval to pursue a public-private partnership, Social Services has a unique opportunity to make sweeping changes that will improve processes and the delivery of services. All levels of government agreed that things need to change and therefore, support these initiatives. Consequently, Social Services must be careful not to rush the process by simply integrating their current processes and developing a system that does not support where they need to go in the future.

We recommend that Social Services finish their strategic planning process to include: analyzing and defining their role in the social service delivery process; determining how they should work and be structured; analyzing redundant eligibility processes and duplicate information; and defining their new organization. We further suggest that they consider JLARC’s recommendations since their report may introduce further changes in the way Social Services operates. Social Services should take caution and set a clear direction for their organization before continuing their plans for the public-private partnership.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

August 24, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

Our office monitors the status of major systems development projects within the Commonwealth to help eliminate costly systems development and implementation failures.

We have completed an interim review of the **Department of Social Services' Public-Private Partnership** to integrate their systems. We conducted our overall review in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

We found that the Department has prepared and submitted many of the project management documents required by the Virginia Information Technologies Agency and has received approvals to proceed with the project. However, we have concerns that they will enter a public-private partnership detailed design phase without addressing some key fundamental issues. First, they have not aligned their information technology plan with a business plan as recommended in our 2004 Social Services audit report. Second, the Joint Legislative Audit and Review Commission (JLARC) has been reviewing Social Services for the past year and are scheduled to issue their report and recommendations in October 2005. We believe JLARC's in-depth analysis may support significant changes that Social Services needs to contemplate. Third, Social Services is currently performing an internal business process re-engineering effort. We believe that they should complete their re-engineering efforts first, so they can adequately describe to the vendors how they plan to work in the future.

We discussed this report with Social Services management at an exit conference on August 30, 2005.

AUDITOR OF PUBLIC ACCOUNTS

KKH:kva



COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

September 15, 2005

Mr. Walter J. Kucharski
Auditor of Public Accounts
James Monroe Building
Richmond, VA 23219

Dear Walt:

This is in response to our meeting on August 29 with members of your staff and your recommended revised timeline for our PPEA/BPR project.

We concur with your recommendation to move forward with both projects in a more deliberate fashion, taking into consideration the results of the JLARC study of the operations and performance of the social services system. While we are not sure of what recommendations will result from that study, it is likely that those recommendations may cause VDSS to modify some of its short and intermediate term objectives, although we continue to have confidence in our overall strategic direction. Having said that, we would like to revisit our scheduled activities after the JLARC report is issued and propose a new schedule which, in all likelihood, will closely track the schedule that you have proposed. We are committed to the long term goal of developing an integrated social service delivery system within the scope of our business process reengineering effort and understand that moving forward without considering the information being developed by JLARC would not be prudent at this time.

Please let me know if you have any questions, and thank you for taking the time to talk with me and to provide us with your recommendations.

Sincerely,

A handwritten signature in cursive script, appearing to read "WGH".

Wallace G. Harris
Chief Operating Officer

c: Anthony Conyers
Gordon Ragland
Buz Cox

Ray Goodwin
Dottie Wells
Harry Sutton

DEPARTMENT OF SOCIAL SERVICES

Anthony Conyers, Jr.
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