

Stage 1 Business Analysis

General Information

Agency or State Entity Name:

Select

Organization Code:

0

Proposed Start Month/Year:

September,2014

Name of Proposal:

Business Management Review (BMR)

Department Of Technology Project Number:

Submittal Information

Contact First Name:

Williamson

Contact Phone:

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Submission Date:

9/5/2013

Contact Last Name:

Heath

Contact email:

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1.1 Business Drivers

Financial Benefit:

- | | | | |
|-------------------------------------|--------------------|-------------------------------------|--------------------------------|
| <input type="checkbox"/> | Increased Revenues | <input type="checkbox"/> | Better services to citizens |
| <input checked="" type="checkbox"/> | Cost Savings | <input checked="" type="checkbox"/> | Efficiencies to state programs |
| <input checked="" type="checkbox"/> | Cost Avoidance | <input checked="" type="checkbox"/> | Technology refresh |

Mandate(s):

- State
 Federal

1.2 Statutes or Legislation

- New Statutes or Potential Legislation
 Changes to Existing Legislation
 Not applicable

Bill Number:

Legal Code:

Additional Information:

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Business Sponsor and Key Stakeholders

Executive Sponsors

| Title: | First Name: | Last Name: | Business Program Area |
|-----------------|-------------|------------|----------------------------------|
| Deputy Director | Georgia | Samsom | Administrative Services Division |

Business Owners:

| Title: | First Name: | Last Name: | Business Program Area |
|---------------------|-------------|------------|--|
| Division Director | Eva | Dollar | Financial Planning and Business Management |
| Procurement Officer | Ken | Buyer | Procurement Office |
| Branch Chief | Kelly | Boss | Human Resource Management |

Key Stakeholders:

| Title: | First Name: | Last Name: | Business Program Area/Group | External |
|---------------------------|-------------|------------|---|----------|
| Deputy Director | Eva | Tennant | Boarding Division | No |
| Assistant Deputy Director | Chris | Holmes | Residential Operations | No |
| Deputy Director | Don | Drives | Information Technology Division | No |
| Deputy Director | Kent | Eagle | California Department of Human Services | Yes |
| Chief Procurement Officer | Jeff | Fleet | California Department of General Services | Yes |
| Program Budget Manager | Janice | Current | California Department of Finance | Yes |
| Project Director | Linda | Check | FI\$Cal Project | Yes |
| Senior Consultant | Melinda | Simpson | Governor's Office | Yes |

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|-------------------|--------|------------|---|-----|
| Chair | Irene | Washington | Joint Legislative Budget Committee | Yes |
| Senior Consultant | Holden | Erickson | US Department of Justice Office of Attorney General | Yes |

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1.3 Program Background and Context

The California Department of Residential Services (CDRS), through the Boarding Division and the Residential Operations, provides housing and medical care services for approximately 47,000 of the state's aged and disabled in a system of live-in, residential care facilities offering a comprehensive plan of medical, dental, pharmacy services and social activities within a homelike, small community environment. CDRS was recently informed that they would be subject to a 10 percent budget cut effective the following fiscal year.

The CDRS' Administrative Services Division (ASD) provides financial, purchasing, and human resource services with a budget of \$81 million and 540 staff. Within ASD are three business programs, the subject of this analysis:

1. Financial Planning and Business Management,
2. Procurement, and
3. Human Resource Management.

Financial Planning and Business Management is responsible for the CDRS' \$1.6 billion budget and serves as the central coordinating entity for the development, allocation, and management of the department's financial resources. Financial Planning provides a variety of mandatory, periodic, and ad hoc financial and performance measure reports to United States Department of Justice Office of the Attorney General, the Governor's office, Department of Finance, Joint Legislative Budget Committee, and to CDRS' management and executives. Financial Services, an office in Financial Planning and Business Management, also processes financial transactions such as payments to vendors, payments to 5,300 employees for travel, deposits, expenditure transfers and budget transfers. Financial Planning and Business Management interfaces with the Financial Information System for California (FI\$Cal) for all of its administrative and financial services.

The Procurement Office processes purchase orders, invoices, and stock received reports for the food, housing supplies, medical supplies, and services required to operate the residential housing units. The Procurement Office collaborates with the Department of General Services for all purchases and procurements.

Human Resource Management performs personnel administration for the department including the staff planning for all divisions, formulation and development of policies governing position classification and pay structure, payroll and benefits, and labor and employee relations. Human Resources Management integrates with the California Department of Human Resources for their hiring, examinations, and certifications.

The Information Technology Division is responsible for supporting technology to run the CDRS' business operations.

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1.4 Business Problem or Opportunity Summary

Critical fiscal and information issues are impacting the business operations of the CDRS. Poor information has limited management's ability to control and contain the high costs of fiscal and personnel resources required to provide planning and keep positions at the residential housing units staffed as evidenced by the recent high turnover rate in staff and the inability to hire qualified replacement staff in a timely manner. In January 2012, a Bureau of State Audits report on CDRS's operations stated "The Department has not developed sufficiently complete and accurate management information to help it control costs and allocate resources effectively." In response to the Bureau of State Audits' report, CDRS has identified areas for improvement within their business operations and is in the process of making plans to address them.

CDRS is facing critical budgetary, business, and workload issues due to the following limitations and challenges:

Manual Processes – 38 identified Administrative Services Division's (ASD) business processes are manual and paper intensive. These labor intensive processes offer no efficient means to control spending or identify deficiency drivers, and do not allow for easy collection and retrieval of historical data for reporting purposes. Errors due to inconsistent data and duplicate data entry continue to increase. It is costly and inefficient for ASD's employees to perform much of their work using manual processes. Overtime costs in excess of \$800,000 is needed annually to complete planning and budgeting work on time. This problem impacts the ASD's business.

Lack of Integrated Information – ASD uses multiple disparate systems to support various operations of their business and to manage financial, procurement, and human resource business processes. The ability to collect, effectively analyze, and share information that supports decision making processes is compromised. These systems have formed isolated "islands" of data, which has resulted in redundant systems, duplicate data entry, and the need to reconcile the systems to mitigate the increased possibility of errors. This includes the ability to readily retrieve and use historical data to project expenses for budget planning and tracking. Integrated information is also necessary for future interfaces to external systems such as FISCAL. This problem is further discussed in the inadequate reporting capabilities below and impacts the ASD's business processes.

Inadequate Reporting Capabilities – The accuracy, timeliness, and integrity of the information CDRS executives need for decision making is lacking. The current systems provide the ability to collect data, but ASD staff have difficulty retrieving data to provide accurate information for a variety of internal and external reporting purposes. As a result of CDRS' inability to provide accurate information for external reporting purposes, the federal government began assessing CDRS millions of dollars in penalties for not meeting federal reporting requirements since 2008. Additionally, CDRS is unable to meet the mandated reporting requirements of the Department of General Services, Department of Finance and the Department of Human Resources. This deficiency has been noted in the Bureau of State Audits' report discussed above.

Obsolete Technology – The systems that support ASD business processes are based on a 30-year-old technical architecture, developed at a time when there were no commercial-off-the-shelf applications to address its needs. As a result, custom code was utilized to develop systems specifically tailored to CDRS. The code used is being phased out and is no longer being taught in accredited schools causing these outdated systems to become increasingly complex and difficult to maintain. The systems rely on expertise in obsolete programming languages that only a small number of retired programmers know. Due to retirements and the difficulty of replacing staff, ASD is experiencing a knowledge drain that places the systems at risk. Additionally, the current systems do not have the processing capacity to meet the growing needs of the department. The energy cost of operating the

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1.5 Business Problems or Opportunities and Objectives Table

| ID | Problems and Opportunities | ID | Objectives | Metric | Baseline | Target | Measurement Method |
|----|--|-----|---|---|---------------|--------------|--|
| 1 | Efficiencies to program operations: ASD manually processes and matches approximately 2,500 RHU purchase orders (POs) annually which requires over 2,080 hours in overtime by staff. | 1.1 | Reduce staff time necessary to reconcile the RHU Purchase Orders by 25 percent within 18 months of the completion of the BMR. | Average time to reconcile a single PO in minutes. | 20 min | 15 min | Existing PO tracking report. |
| 2 | Efficiencies to program operations: ASD manually processes and matches approximately 2,500 purchase orders (POs) annually which average five data entry errors per PO resulting in 2,080 hours of overtime required to fix the errors. | 2.1 | Reduce the data entry error rate by 75% within 18 months of the completion of the BMR. | Average number of annual data entry errors. | 12,500 errors | 3,125 errors | Existing data entry error log for POs. |
| 3 | Efficiencies to program operations: RHU is unable to make their weekly purchases of medical supplies and services due to inaccurate POs. | 3.1 | Increase the ability of RHU to make weekly purchases of medical supplies and services within 6 months of the completion of the BMR. | Generation of POs. | 30 days | 7 days | Existing PO tracking report. |

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| 4 | <p>Cost savings: ASD manually processes and matches approximately 2,500 purchase orders (POs) annually which average five data entry errors per PO resulting in 2,080 hours of overtime or \$812,056 required to fix the errors.</p> | <p>4.1 Reduce the annual overtime cost by 75% within 18 months of the completion of the BMR.</p> | \$812,056 | \$203,014 | Existing PO reconciliation overtime report. |
| 5 | <p>Cost savings: Although four PYs are dedicated to reconciling the POs, overtime continues to increase 5% each year. Current year overtime expenses exceed 2,080 hours or \$812,056 which is outside of CDRS' budget.</p> | <p>5.1 Eliminate the annual 5% increase in overtime spent for reconciling POs within the first year of the completion of BMR.</p> | 5% | 0% | Existing PO reconciliation overtime report. |
| 6 | <p>Cost avoidance: The ASD's Procurement Office incurs \$500,000 in late payment penalty fees annually from not meeting DGS' mandated reporting deadlines.</p> | <p>6.1 Eliminate the annual \$500,000 late payment penalty fees within the next annual cycle.</p> | \$500,000 | \$0 | Annual late payment penalty fee report. |

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| 7 | <p>Technology Refresh: ASD's Human Resource Management leverages the certificate program being developed by the California Department of Human Resources in conjunction with the California State University system.</p> | <p>7.1 Recruit new talent specific to CRDS' technology needs within 12 months of the certificate program becoming available.</p> | <p>Number of qualified staff trained on CDRS' technology.</p> | 30 | <p>Workload analysis of staff number and skill level.</p> |
| 7 | <p>Technology Refresh: ASD's Human Resource Management leverages the certificate program being developed by the California Department of Human Resources in conjunction with the California State University system.</p> | <p>7.2 Train new talent specific to CRDS' technology needs within 12 months of the certificate program becoming available.</p> | <p>Number of qualified staff trained on CDRS' technology.</p> | 20 | <p>Workload analysis of staff number and skill level.</p> |
| 8 | <p>The ASD's Financial Planning and Business Management program produces 10 external budget reports to the federal government which contain data that does not reconcile and takes 48 hours to extract because duplication exists in four separate systems.</p> | <p>8.1 Upon the completion of the BMR, combine the budget data from the four separate systems into one master reconcilable report.</p> | <p>Number of reports that reconcile the budget data.</p> | 1 | <p>Manually count the number of reports which are produced and contain reconcilable budget data from the time of the initial assessment to the completion of the BMR.</p> |

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| 8 | The ASD's Financial Planning and Business Management program produces 10 external budget reports to the federal government which contain data that does not reconcile and takes 48 hours to extract because duplication exists in four separate systems. | 8.2 | Eliminate the 17 data fields which exist and are duplicated in the four separate systems within 18 months of the completion of the BMR. | Number of duplicate data fields. 17 | 0 |
|---|--|-----|---|---|----------|
| 8 | The ASD's Financial Planning and Business Management program produces 10 external budget reports to the federal government which contain data that does not reconcile and takes 48 hours to extract because duplication exists in four separate systems. | 8.3 | Reduce the time it takes to extract the data for the reports by 50% within six months of the completion of the BMR. | Hours to extract data for reports. 48 hours | 24 hours |

Manually count and validate the number of data fields which are duplicated from the time of the initial assessment to the completion of the BMR.

Existing batch file processing time report.

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1.6 Strategic Business Alignment

Strategic Business Goals

CDRS Strategic Plan

Goal 1 – Efficient, Consolidated, and Reliable Infrastructure and Services
Objective 1.3 – Streamline operations and infrastructure to eliminate costly and unnecessary duplication, increase efficiency, and reduce costs.

Alignment

Goal 1 of CDRS' Strategic Plan focuses on creating efficient, consolidated and reliable infrastructure and services by streamlining operations and eliminating unnecessary duplication to reduce costs. Currently, CDRS has identified 38 manual business processes which contribute to data entry errors and the duplication of data. Additionally, due to data contained in separate systems, information within CDRS cannot be integrated accurately and reliably. As a result, CDRS is unable to meet mandated reporting requirements as highlighted in the recent BSA audit.

The BMR would address problems 1, 2, 3, 4 and 6 stated in Section 1.5 above which is in alignment with Objective 1.3 of its Strategic Goal 1 and which tie back to the narrative in Section 1.4.

CDRS Strategic Plan

Goal 3 – Transform the Way CDRS Does Business
Objective 3.4 – Build capacity—create a flexible and highperforming organization with a motivated, skilled workforce.

Goal 3 of CDRS' Strategic Plan focuses on transforming the way CDRS does business by building its workforce capacity. Currently, ASD's business processes are based on 30 year old legacy systems technology and as a result CDRS is facing hiring, recruiting, and training challenges to find skilled staff to continue the support of the old systems.

The BMR would address this issue through Opportunity 5 in Section 1.5 which is in alignment with Objective 3.4 of Strategic Goal 3 and ties back to the narrative in Section 1.4.

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CDRS Strategic Plan

Goal 4 – Increase Business Efficiencies in Program

Operations

Objective 4.1 – Review current workload and processes and identify areas where changes can be made which will result in reduced overtime costs.

Goal 4 of CDRS' Strategic Plan focuses on increasing business efficiencies in program operations by evaluating workload and processes to reduce the costs spent on overtime. Currently overtime costs are the direct result of correcting data entry and data duplication errors caused by manual processes and data residing in multiple systems.

The BMR would address problems 1, 2, 3, 4 and 6 stated in Section 1.5 above which is in alignment with Objective 4.1 of its Strategic Goal 4 and which tie back to the narrative in Section 1.4.

