2.27 Income Support/Case Management Information System

Introduction

The Department of Human Resources, Labour and Employment is responsible for providing a range of programs and services directed to low-income individuals and families to help meet their financial needs. One of its main activities is providing income support to eligible individuals and families. Total budgeted expenditures for the income support program for the 2003-04 fiscal year was approximately $208 million. Given the magnitude of these expenditures, it is critical that the Department have the systems to provide information necessary to analyze, monitor and control income support program activities and related expenditures.

Since the mid 1970's the Department has used the computerized Financial Assistance Computer Terminal System (FACTS) to record income support payments, while documentation of case management activities has been accomplished mainly by way of manual record keeping. In November 2003, Department officials indicated that the FACTS system was used by approximately 550 of its staff located in 46 district offices throughout the Province and its headquarters office in St. John’s, as well as staff from the Department of Health and Community Services. Approximately one million payments are made from the system each year. It was also indicated that the design of the system is obsolete and is a major constraint in improving the efficiency and effectiveness of services to clients. Furthermore, we were advised by officials at the Department that the system is the oldest provincial social security based computer system used by any province in Canada.

In 1988, Government contracted a firm of management consultants to complete an operational review of the then Department of Social Services. One area identified during the review was that the Department should proceed with a plan for the design, implementation and use of a comprehensive management information system to address income support and case management. At that time, the Department was responsible for the Income Support Program as well as programs for Youth Correction, Family and Rehabilitation, and Child Welfare. After six years of development, and after spending $10.3 million, the project was terminated in 1995.

In 1999, the Department commenced the development of a new system to address income support and case management. At that time, the Department was responsible for the Income Support Program as well as the Employment and Career Services Program. After five years of development, and after spending $5.6 million, the project is still not fully completed.

2.27 Income Support/Case Management Information System

Scope and Objective

In November 2003, we completed a review of the development, by the Department of Human Resources, Labour and Employment, of a comprehensive management information system to address income support and case management. The objective of our review was to determine what progress had been made in developing such a system.

Conclusions

Since 1988, the Department has made two attempts to complete the development of a comprehensive management information system for its income support program and case management. However, at the time of our review in November 2003, no such system was in place.

The latest attempt to develop a new system commenced in October 1999 and was estimated to cost $4.3 million and be fully functional in October 2002. As at November 2003, thirteen months after the original estimated completion date, only one of the expected seven modules was fully functional across the Province. Furthermore, as a result of a change in the project scope and expenditures not included in the original estimate, in November 2003 the Department indicated that the project development cost was expected to be $7.9 million; however, officials indicated that additional costs associated with the implementation of the system and the final date of completion had not been determined.

As at November 2003, the estimated additional annual cost to operate the new system would be $1.15 million. When the project was initially approved, it was estimated that the additional annual costs to operate the system would be $700,000. This represents an annual increase in operating costs of $450,000 or 64% over the original estimate.

The Department contravened the *Public Tender Act* when it purchased software licences costing approximately $105,000 without calling a public tender. The Department also contravened the *Public Tender Act* by not informing the Minister of Government Services of the exception. Therefore, the House of Assembly was not informed of this exception.

Government announced a departmental reorganization in February 2004; however, Departmental officials indicated that there would be no delays in system implementation resulting from this reorganization.

Findings and Recommendations

Background

Since 1988, the Department of Human Resources, Labour and Employment has made two attempts to complete the development of a comprehensive management information system to address income support and case management. The introduction of such a system is

intended to allow more efficient delivery of services and to redirect greater staff resources towards assisting clients in securing and maintaining employment.

In 1989, Treasury Board approved the development of the Integrated Delivery System (IDS). The IDS was a computerized information system intended to support the information needs of the then Department of Social Services. The IDS was estimated to cost approximately $3.7 million (for software development only) and was expected to be completed within four years. After six years of development, and after spending $10.3 million (including $2.2 million for microcomputer hardware and software, and $300,000 for training), the project was terminated in 1995. By that time, cost estimates for hardware, software development, staff training and operation had increased to $47.9 million, with projected completion in 1997.

In 1997, the Department developed a new service delivery vision. This service delivery vision included:

- delivery of its income support program through a telephone application and assessment process conducted at regional service centres;
- delivery of an employment and career services program through a network of local offices supported by regional service centres; and
- a new case management and pay system designed to facilitate efficient delivery of the income support, and employment and career services programs.

This service delivery vision was approved by Cabinet in 1998 and in June 1999 xwave Solutions (xwave) was engaged to prepare a preliminary project scope for the computerized system included in the vision. xwave was paid $42,000 to complete this work. However, no funding to proceed beyond this preliminary project scope work was provided in 1999-00.

During the 2000-01 fiscal year, Cabinet approved the implementation of the Department's service delivery vision, subject to the identification of funding. xwave was again contracted to initiate development and implementation of the new computerized system. At that time, the estimated project cost was $4.3 million and was scheduled to be fully completed by October 2002.

The new system was to provide for the Department's income support and case management lines of business. The system was to be comprised of the following seven modules to facilitate the delivery of the Department's programs:

- Client Registration;
- Income Support;
- Service Authorization and Invoice Processing;
- Expenditure Monitoring;
- Accounts Receivable;
- Compliance/Verification; and
- Employment and Career Services.

Status

Figure 1 provides information regarding the original $4.3 million estimated project cost for developing and implementing the system, the $7.3 million revised estimated project cost as at November 2002, and the total actual costs to date and projected cost to complete as of November 2003 which totalled $7.9 million.

Figure 1

Original and Revised Estimated Costs
($ Millions)

Type of Expenditure	Original Estimate (October 1999)	Revised Estimate (November 2002)	Actual Costs (November 2003)	Projected Costs from November 2003	Total Estimated Projected Cost
Development Costs:					
Professional Services	$2.5	$3.6	$3.1	$0.7	$3.8
Departmental Staff	0.4	0.7	0.5	0.3	0.8
Sub-total	2.9	4.3	3.6	1.0	4.6
Computer Hardware and Software	1.4	3.0	2.0	1.3	3.3
Total	**$4.3**	**$7.3**	**$5.6**	**$2.3**	**$7.9**

Source: Departmental of Human Resources, Labour and Employment

A total of $2.9 million of the $3.0 million increase in the estimated project cost to November 2002 related to such issues as changes to the original scope of the project, including the addition of the Department of Health and Community Services (to enable that Department's Community Health Division to also use the system), as well as revised infrastructure requirements and additional licencing requirements due to a greater number of anticipated users.

Included in the actual expenditures of $5.6 million are expenditures totalling $600,000 which were never included in the $7.3 million estimate. As a result, the total estimated project development cost has risen to $7.9 million.

Our review of the development and implementation of the project indicated the following:

- The $7.9 million projected cost at November 2003 was for the development of the system only and did not include additional costs associated with the implementation of the system. Furthermore, at that time the final date of completion of the system had not been determined.

- Although the Department spent $5.6 million as at November 2003 on the system development and implementation, not everything included in the initial $4.3 million estimate was completed. The original plan for the project, dated 29 October 1999, provided for the development of the seven project modules which were to be operational across the Province 22 months after commencement date. The project commenced in January 2001 and, therefore, was scheduled to be completed in October 2002. However, as at November 2003, only one of the seven modules is operational across the Province and no date had been determined as to when the system would be fully completed.

  Figure 2 provides information on the status of the project as at November 2003. As the Figure indicates, 13 months after the estimated completion date of October 2002, only the Client Registration module is functioning Province-wide.

Figure 2

Project Status
November 2003

Module	Purpose	Status
Client Registration	Main departmental data base for recording all client information and activity within the overall system.	Functioning Province wide.
Income Support	Eligibility determination, calculation of entitlement amount, benefit payment.	Under final testing at pilot project site - Stephenville Crossing.
Service Authorization and Invoice Processing	Issuing authorizations for goods and services to be provided to clients and payment of related invoices.	Under final testing at pilot project site - Stephenville Crossing.
Expenditure Monitoring	Budgeting, expenditure reporting and projection.	Under final testing at pilot project site - Stephenville Crossing.
Accounts Receivable	Record overpayments, make recoveries from active clients, record other payments received.	Under final testing at pilot project site - Stephenville Crossing.
Compliance/Verification	Verification of client eligibility on an ongoing basis, monitoring of long-term computer pay cases.	Not operational.
Employment and Career Services	Used in conjunction with other programs and systems in the administration of assistance provided to individuals to attain and maintain employment.	Deferred – implementation date yet to be determined.

Source: Department of Human Resources, Labour and Employment

Discussion with officials at the Department indicated that a final decision on a strategy to roll out the project on a Province-wide basis had not been made.

- Not all costs incurred by the Department in developing this system are included in the actual costs. For example, the Department did not make any attempt to identify costs for personnel from other Government departments and allocate those costs to the project.

- In 1999 the Department estimated that it would cost an additional $700,000 a year to operate the new system. However, at November 2003, the estimated additional annual cost to operate the new system had increased to $1.15 million, an increase of 64%.

Compliance with the *Public Tender Act*

The *Public Tender Act* requires the Department to invite tenders where the cost of goods and services is more than $10,000 or a public work is more than $20,000. The *Act* provides exceptions where tenders may not be required to be invited and in these cases the Minister of Government Services must be informed. The Minister in turn will table a report in the House of Assembly. The *Public Tender Regulations* outline requirements that have to be followed when issuing a tender, opening a tender and documentation required to be maintained.

The *Act* also requires that, where the cost of goods and services is $10,000 or less or public work is $20,000 or less, the Department shall either obtain quotations from at least three suppliers or establish for the circumstances a fair and reasonable price.

Our review of the purchase of two software licences by the Department indicated that the Department contravened the *Public Tender Act* by not calling tenders for this purchase. Details are as follows:

- In November 2000, xwave was contracted to develop the new computerized system. The system was developed at xwave's offices. Although the original project design specifications did not make reference to the Department's responsibility to either provide computer equipment or acquire software to facilitate development, the Department of Health and Community Services loaned a server to xwave. In addition, during the development work, the Department of Human Resources, Labour and Employment provided a second server to xwave.

- xwave advised the Department that neither of the two computer servers Government had provided had valid copies of Oracle software and requested that the Department acquire licensed copies of this software.

- In May 2003, the Department entered into a three-year lease agreement for the purchase of two Oracle software licenses costing $105,000. The required public tender was not called for this purchase. Furthermore, the Minister of Government Services was not informed of the purchase exception as required under the *Act* and therefore the House of Assembly was also not aware of this exception.

In addition to the *Public Tender Act* contravention, Department officials could not provide an adequate explanation as to why they were required to provide the servers and related software for use by xwave in the system development.

Recommendations

The Department of Human Resources, Labour and Employment should:

- *expedite the completion of a comprehensive management information system to address income support and case management requirements;*
- *identify and monitor all project costs; and*
- *comply with the* Public Tender Act.

Department's Response

The Department of Human Resources, Labour and Employment agrees with the recommendations contained in the draft report, noting the pace of development of the new system will, to a large degree, be determined by the ability to ensure continuity of client service, which is paramount, as well as availability of funding.

The development of a new computer system to replace the current Financial Assistance Computer Terminal System (FACTS) is a large and complex undertaking which has a significant impact on the income support services that the Department provides each month to more than 28,000 families across the province, affecting 9 - 10% of the province's population in any one month. The Department has worked closely with its computer consultants, with Treasury Board and with other government departments to ensure the best possible system solution is developed and put into place while continuing to use and maintain FACTS in the interim to deliver income support benefits and services without interruption to clients.

A number of changes in the project direction during the system development phase have led to increased project costs and longer time frames. These changes include the following:

- *A partnership with the Department of Health and Community Services to operate some of its systems and HRLE's systems on a shared computer equipment infrastructure which, while increasing project equipment costs, meant lower overall equipment costs for the two departments.*

- *An increased emphasis on the testing and reconciliation of computer systems to ensure the accuracy of income support payments for HRLE clients and to minimize possible disruptions in client service. This resulted in a longer testing period than originally anticipated.*

- *A slower pace of new system roll out to department offices to accommodate staff training and familiarization with the new systems so as to reduce possible negative impacts on client service.*

In November 2003 the new system had been implemented on a pilot basis in only one office. The Department is pleased to report now that the system has been implemented in all offices in the Department's Western Region, and implementation in Avalon Region offices begins February 2005 and is expected to be completed by June 2005. Implementation in the Department's offices in the Central and Labrador Regions will be done in the new fiscal year. The Department is also pleased to report that six out of the seven modules in the system have been completed and implemented in the Western Region. Plans are in place to implement these modules in remaining offices by the end of next fiscal year. Confirmation of the scope for the seventh module, Employment and Career Services, is currently being addressed.

As noted in the draft report, the November 2003 projected cost did not include costs associated with implementation of the new system. Usually, additional funding is not provided for implementation and the Department therefore typically redirects existing departmental funding in order to cover costs associated with training staff. The same practice was used to cover costs associated with personnel from other departments. The Department will include implementation costs and other related costs in future project estimates.

The estimated increase to $1.15 million in operating costs was due to additional equipment to allow Health and Community Services systems to operate on shared computer equipment infrastructure. The Department will review reporting of operating costs by the two departments to more accurately represent the allocation of costs for the different systems.

Regarding the purchase of two Oracle software licences in May 2003, the Department notes that it worked closely with the Government Purchasing Agency throughout this process. Due to an administrative oversight, this purchasing exception was not reported to the Minister of Government Services until January 2004. The House of Assembly was made aware of the exception in the Report of Public Tender Exceptions dated January 2004 prepared by the Government Purchasing Agency in compliance with the requirements of the Public Tender Act.

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The Department considers it provided an adequate explanation as to why it was required to provide servers and related software for use by xwave in the system development phase; it is normal practice for departments to provide additional computer equipment needed during the course of a major systems development.

In summary, while this is the second attempt to develop and implement a new income support system, the Department has been successful in putting the new system in place in the Western Region and there are definitive plans for the rollout to other regions in the new fiscal year. Given the importance of income support benefits in providing basic services to low income families, the rollout pace must continue to accommodate system testing and staff training requirements in order to ensure that service delivery to clients is not adversely affected.