

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members
FROM Kevin Neimond, JBC Staff (303-866-4958)
DATE September 20, 2017
SUBJECT Department of Personnel Collections System Replacement Nonmonetary Capital Construction Adjustment Request

Section 24-75-111.5, C.R.S. permits the State Controller to allow agencies to expend moneys differently from the authority granted by an item of appropriation for an information technology capital project if the project that the appropriation was for requires a nonmonetary adjustment for its timely continuation and the nonmonetary adjustment is due to unforeseen circumstances arising while the General Assembly is not meeting. In these instances, a request for a nonmonetary adjustment is approved by the Office of State Planning and Budgeting, submitted to the Joint Technology for consideration, and submitted to the Joint Budget Committee for consideration of the Joint Technology Committee's recommendation. If a majority of the members of the Joint Budget Committee approve the request, a written letter is sent from the Committee to the State Controller authorizing the nonmonetary adjustment.

DEPARTMENT REQUEST: The Department of Personnel seeks an adjustment to the type of system to support the Central Collections Services Program. The Department received an initial appropriation of \$13.9 million cash funds from collection debt repayment fees and receipts for FY 2015-16 for this capital construction project. The Department is now asking to adjust the scope of the project from a custom solution built by a contractor to pre-built solution that will cost \$400,000 to implement and between \$60,000 and \$120,000 per year to maintain. This request was approved by the Joint Technology Committee on September 13th.

STAFF RECOMMENDATION: Staff recommends that the Committee approve the Department's request for a nonmonetary adjustment for this capital construction project. The Committee may wish to adjust the FY 2015-16 cash funds spending authority for this project during the supplemental process in January 2018 to more accurately reflect the costs of the proposed pre-built solution.

STAFF ANALYSIS:

Background

The Department of Personnel works in reciprocity with both state and federal authorities to provide revenue recovery services and comprehensive support for Colorado state agencies, judicial districts, political subdivisions, and institutions of higher education. Per Section 24-30-202.4 (8) (a), C.R.S., the Department of Personnel is permitted to charge a collection fee to the amount of a debt's principal and accruing interest to recover incurred collection costs. The Department currently charges an 18 percent fee.

The Department of Personnel received a one-time appropriation of \$13,911,135 cash funds from collection debt repayment fees and receipts for FY 2015-16 to replace its existing information technology tool supporting collections, the Columbia Ultimate Business Solutions (CUBS) system, with a vendor-hosted system that would fully integrate with the state's current financial system,

CORE. The project was to be implemented over four years on a performance-based contract, and was to be paid for (including ongoing maintenance costs) with the additional revenue generated by the new system.

Issue

The Department selected CGI as the vendor to implement the new collections system and paid the company an initial sum of \$1.5 million from its existing cash funds for the first phase of developing a vendor-hosted solution that was envisioned to ultimately pay for itself with the revenues generated. During beginning work on the project, however, the Department learned that the revenue generated by the vendor-hosted solution was inadequate to support the project. The Department notified the vendor that it would no longer proceed with the project as planned (and as approved by the General Assembly).

Proposed Solution

The Department of Personnel conducted a request for information (RFI) on March 28, 2017 seeking information from the vendor community on options for implementing a collections system that was feasible given existing revenue levels to support such a project. The Department received responses from eight vendors that were able to provide demonstrations of their options to ensure that the tools would meet the agency's business and technical needs.

After reviewing the findings of the RFI process, the Department determined that a pre-built solution for its collections process can be acquired for \$400,000 and implemented by December 31, 2018. Ongoing maintenance costs are estimated between \$60,000 and \$120,000 per year. By comparison, the CGI vendor-hosted solution carried costs of \$7.2 million to build and roughly \$1.7 million per year to maintain and was slated to be completed by March 2017.

The Department of Personnel, using the statutory guidance contained in Section 24-75-111.5, C.R.S., seeks approval from the Joint Budget Committee to adjust the scope of the project from a vendor-hosted solution based on a performance contract payment model to a pre-built solution.

Recommendation

The Joint Technology Committee reviewed the request on September 13th and voted 6 to 0 in favor of the proposal. Given the Joint Technology Committee's positive opinion on the new technical approach put forth, as well as the lower costs associated with the proposal, staff recommends that the Joint Budget Committee send a letter to the State Controller approving this nonmonetary capital construction adjustment.

Staff's recommendation does not come without concerns, however. According to Joint Technology Committee documentation, the Department of Personnel believes that the proper level of market research was not conducted prior to the original request for project funding. This lack of research resulted in the state paying a vendor \$1.5 million for technology that will never be used. Staff posits that a different outcome may have occurred if the Governor's Office of Information Technology were the fund requesting agency and applied more rigorous information technology-focused standards to the project proposal generation phase to complement the business process expertise of the Department of Personnel. As such, staff will continue to work with the Joint Technology Committee to identify policy and/or process changes that can be implemented to ensure that all requests submitted to the General Assembly for consideration have met a minimum threshold for pre-submittal due diligence.