



THE PRINCE GEORGE'S COUNTY GOVERNMENT
Office of Audits and Investigations

May 3, 2018

M E M O R A N D U M

TO: Derrick L. Davis, Chair
 Public Safety and Fiscal Management (PSFM)

THRU: David H. Van Dyke, County Auditor *DHV*

FROM: Mukund Agashe, Staff Auditor (Operating Budget) *MA*
 Canjor Reed, Staff Auditor (Capital Improvement Program) *CR*

RE: Office of Information Technology (OIT)
 Fiscal Year 2019 Budget Review

Budget Overview

The FY 2019 Proposed Budget for the Office of Information Technology is \$33,997,500, a decrease of \$3.4 million, or 9.1%, under the FY 2018 Approved Budget. The decrease is largely due to a reduction in I-Net supported hardware upgrades, and a reduction in staff augmentation services to align with OIT's planned work program for FY 2019. The Office's expenditures are primarily funded by office automation charges and other revenues in the Information Technology Internal Service Fund. A General Fund transfer of \$2,000,000 is also proposed for FY 2019.

Budget Comparison – Information Technology Internal Service Fund (1900)

Approved Fiscal Year 2018 to Proposed Fiscal Year 2019

Category	FY 2017 Actual	FY 2018 Approved	FY 2018 Estimate	% Change - Est vs App	FY 2019 Proposed	\$ Change	% Change
Compensation	\$ 5,851,662	\$ 6,291,600	\$ 6,232,600	-0.9%	\$ 7,054,200	\$ 762,600	12.1%
Fringe Benefits	3,624,344	4,631,500	4,577,200	-1.2%	4,336,200	(295,300)	-6.4%
Operating Expenses	18,117,808	22,474,000	19,082,600	-15.1%	19,607,100	(2,866,900)	-12.8%
Capital Outlay	-	4,000,000	2,774,900	-30.6%	3,000,000	(1,000,000)	-25.0%
Total	\$ 27,593,814	\$ 37,397,100	\$ 32,667,300	-12.6%	\$ 33,997,500	\$ (3,399,600)	-9.1%

Authorized Staffing Count - Information Technology Fund

	FY 2018 Approved	FY 2019 Proposed	Change Amount	Percentage Change
Full-Time	70	70	0	0.0%
Part-Time	4	4	0	0.0%
Total	74	74	0	0.0%

Revenue Sources

- Funding for the Office is generated from the following sources:
 - Office Automation Charges \$24,257,000
 - I-Net Receipts 7,400,000
 - General Fund Transfer 2,000,000
 - Agency Charges – GIS 340,500
 - Total \$33,997,500**

- Office Automation Charges: OIT charges each agency a “fixed-charge” per year to provide information technology services. For FY 2019, the Office of Management and Budget proposed an interim methodology for allocating office automation charges to each agency, based on the number of positions funded for each agency in the Approved FY 2018 General Fund budget. (For a detailed list of charges by agency, see Attachment A).

- I-Net Receipts: A portion of the Public, Educational, and Government Access Channels (PEG) fees collected by Comcast and Verizon to operate I-Net.

- Agency Charges - GIS: For Geographic Information Systems (GIS) services provided to the Maryland-National Capital Park and Planning Commission (budgeted as a project charge to the M-NCPPC).

Staffing Changes and Compensation

- Information Technology Internal Service (1900) funds are provided for 70 full-time positions, the same as the FY 2018 approved level. In addition, funding is provided for four (4) part-time General Clerk positions in the Proposed FY 2019 Budget.

- In addition to the 70 full-time positions, OIT staff includes 118 contract positions. (See page 4 of the responses to the First Round Questions for a list of the outsourced positions.)

- As of March 2018, the Office reported eleven (11) full-time and four (4) part-time vacant positions. In FY 2019, three (3) of these positions will not be funded. The remaining twelve (12) positions are in various stages of recruitment.

Fringe Benefits

- Fringe benefits are proposed to decrease by \$295,300, or 6.4%, under the FY 2018 approved level to align with anticipated costs.
- A five-year trend analysis of fringe benefit expenditures is included below.

Fringe Benefits Historical Trend					
	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Proposed
Fringe Benefits	\$4,042,830	\$4,322,789	\$3,624,344	\$4,577,200	\$4,336,200
As a % of Compensation	65.8%	74.7%	61.9%	73.4%	61.5%
Annual % Change		6.9%	-16.2%	26.3%	-5.3%

Operating Expenses

- In FY 2019, total operating expenses are proposed at \$19.6 million, a decrease of \$2,866,900, or 12.8%, below the approved FY 2018 level.
- The accompanying table compares the FY 2019 Proposed Budget operating expenditures with the FY 2018 Approved Budget operating expenditures. In five (5) of the categories, the FY 2019 Proposed Budget increases planned spending over the FY 2018 budget. In eight (8) of the categories, the FY 2019 Proposed Budget level remains unchanged compared to the FY 2018 budget. FY 2019 expenditures decrease in three (3) categories.

Operating Objects	FY 2018 Budget	FY 2019 Proposed	FY 2018 - FY 2019	
			\$ Change	% Change
Operational Contracts	\$ 7,419,500	\$ 8,606,900	\$ 1,187,400	16.0%
Data-Voice	154,200	240,200	86,000	55.8%
Interagency Charges	88,400	102,700	14,300	16.2%
Printing	500	700	200	40.0%
Gas and Oil	2,700	2,800	100	3.7%
Training	42,600	42,600	-	0.0%
Allowances	14,400	14,400	-	0.0%
General Office Supplies	42,800	42,800	-	0.0%
Membership Fees	5,000	5,000	-	0.0%
Mileage Reimbursement	800	800	-	0.0%
Equipment Lease	70,000	70,000	-	0.0%
Telephone	202,600	202,600	-	0.0%
Travel:Non-Training	2,000	2,000	-	0.0%
Vehicle Equipment Repair/Maintenance	34,800	27,300	(7,500)	-21.6%
General & Administrative Contracts	2,674,000	1,145,500	(1,528,500)	-57.2%
Office and Operating Equipment Non-Capital	11,719,700	9,100,800	(2,618,900)	-22.3%
TOTAL	\$ 22,474,000	\$ 19,607,100	\$ (2,866,900)	-12.8%

- The most significant dollar increase between the FY 2019 Proposed Budget and the FY 2018 Approved Budget is in Operational Contracts (\$1.2 million increase), largely due to the enhanced Managed Services contract which includes additional professional network support, asset specialist, and additional resources required to move data from the County Mainframe system to the Data Warehouse.
- The most significant dollar reductions between the FY 2019 Proposed Budget and the FY 2018 Approved Budget is in Office and Operating Equipment Non-Capital (\$2.6 million decrease), due to a reduction in I-Net supported upgrades for hardware, server, network and storage equipment, and General and Administrative Contracts (\$1.5 million decrease) due to a reduction in administrative and technical staff augmentation.
- FY 2019 Operating expenses are comprised of the following major items:
 - Office and Operating Equipment Non-Capital (\$9.1 million), which includes:
 - Microsoft Enterprise Software License Renewal (\$1.8 million);
 - I-NET Equipment and Initiatives (\$800,000);
 - Palo Alto – subscriptions and maintenance to support enterprise firewall (\$500,000);
 - Kronos ETS implementation maintenance (\$450,200);
 - Maintenance on the Avaya Telephone System (\$400,000);
 - Premium Smartnet Maintenance on Cisco hardware (400,000).
 - General and Administrative Contracts (\$1.1 million), which includes:
 - Administrative and Technical Staff Augmentation (\$300,000);
 - Telecommunications Transmission Facility Coordinating Committee (TTFCC) consulting support (\$360,000);
 - On-Line Learning Management System and Instructor-Led Training (\$123,500);
 - Legal Services for Cable Franchise Negotiations (\$114,000)
 - Operational Contracts: (\$8.6 million), which includes:
 - Managed Services (\$2.8 million)
 - Staffing for the I-Net Program (\$1.6 million)
 - Data Center Facilities Management (\$1.6 million)
- The Proposed FY 2019 beginning fund balance for the Information Technology Internal Service Fund is a deficit of \$1,518,927. In FY 2019, proposed revenues are sufficient to cover proposed expenses; therefore, the use of fund balance is not anticipated, leaving a deficit of \$1.5 million in the fund as of June 30, 2019. The Office previously reported that increased General Fund contributions over several years will be necessary to reduce the deficit in the fund balance. (See Attachment B – Fund Operating Summary)

Highlights

- The Office reported the following key accomplishments for FY 2018:
 - Implemented Phase I of the countywide scanning and document management initiative, which included installing Enterprise Content Management software. Phase II of this initiative will begin in FY 2019 and includes implementing the solution with the agencies.
 - Upgraded the County’s security package to ensure new threats are addressed and are compliant with the International Organization for Standardization (ISO) 27001 Information Security Management Standards.
 - Designed and created a state of the art training room at the new Wayne K. Curry Administration Building.
 - Implemented the Infotech-myPolicies software application which helps to manage the governance process and will enable OIT to efficiently meet project management and business analysis requests and requirements for various projects.
 - Purchased software which reduces the number of phishing e-mails significantly. OIT also purchased software that protects against ransomware, provides data security, and auditing. The Office reported that their ability to detect/recover from stolen data and/or ransomware has greatly improved as a result.
- The Office reported the following initiatives for FY 2019:
 - Countywide Computer Refresh – The Office reported plans to conduct a four (4) year phased computer refresh beginning in FY 2018. Funding in the amount of \$4 million was included in the Approved FY 2018 budget to refresh approximately 2,000 computers. Funding in the amount of \$3 million is included in the proposed FY 2019 Budget to replace approximately 1,500 additional computers.
 - The estimated cost per laptop is approximately \$2,000. The Office reports that the County is paying an additional \$140 per computer as a result of using a County-Based-Small Business instead of purchasing the machines directly from Dell. Details of the estimated cost are provided on Page 2 of Responses to the Second Round Questions.
 - The following is the proposed 4-year computer refresh plan:

Phase #	Fiscal Year	Proposed # of Computers to be refreshed	Proposed Funding Amount	Agencies
1	2018	2,000	\$ 3,750,000	OIT, Community Relations, Office of Ethics, Office of Finance, OHRM, DPIE, DPWT, Health Sheriff, State's Attorney, OMB, County Executive
2	2019	1,500	\$ 2,750,000	TBD - 2019 priorities are being established
3	2020	2,000	\$ 3,750,000	TBD - 2020 priorities are being established
4	2021	1,500	\$ 3,000,000	TBD - 2021 priorities are being established

- The FY 2018 Approved and FY 2019 Proposed budgets also include \$250,000 reserved for emergency equipment replacements.
- Kronos Workforce Timekeeper Central Implementation: The Office plans to complete implementation of new timeclock software and hardware in the upcoming fiscal year. Funding in the amount of \$450,200 is included in the Proposed FY 2019 Budget. The Office is reporting that the total cost to implement this system is \$843,700.
- Enterprise Resource Planning (ERP)/SAP – A \$73.7 million multiyear project funded through the Capital Improvement Program (CIP). See the Capital Improvement Program section of this report for more details.
- Office Automation Charges/Showback: IT chargeback/showback is an accounting strategy that applies the costs of IT hardware, software, cloud services, or shared services to the business unit in which they are used. OIT is in the process of developing an in-house system to track and account for showback, in order to design a critical path forward to charge County agencies for IT usage. As previously reported, the Office of Management and Budget implemented an interim methodology for FY 2019 office automation charges. Under this methodology, the office automation charge is \$3,110 per funded position in the Approved FY 2018 budget for all County Agencies except the Police Department and the Office of the Sheriff. For the Police Department and Office of the Sheriff the charges are \$4,544 due to increased costs for video storage, security, and the computer refresh. Details of the Office Automation Charges, by Agency, are provided in Attachment A.
- I-Net – All County high schools (with the exception of Dr. Henry Wise High School) currently have high speed network connection. The Office reported that there is no funding or a plan in place to provide connections to the middle or elementary schools that are not currently connected to a high speed network. A list of all of the public and charter schools that do not have high speed connections are provided on page 12 of the First Round of Responses.
- The Office reported that it faces several critical issues or decisions beyond FY 2019, including:
 - Aging Infrastructure:
 - Servers and switches throughout the County are coming to (or are at) the end of life and will need to be refreshed.
 - Desktops/Laptops – These computers are at the end of support and need to be refreshed. Windows 7 will also be at the end of support in 2020 and computers will need to be migrated to Windows 10.
 - Storage Solutions for Videos – With the increasing use of body cameras, dashboard cams, license plate readers and cameras, the amount of digital content being generated is becoming difficult to manage locally. Storage requirements have been growing exponentially and will continue to grow annually. The Office will explore the possibility of storing the videos in the Cloud, on premise or a hybrid solution which will be reliable and secure.

- Critical planning for the County’s ERP Cloud Migration - The Office recognizes limitations and costs associated with on-going on premise (hosted) SAP computing solutions, and will seek expert advice and guidance from a partner with a proven record of successful cloud migration. The efforts will focus on SAP related workload assessment, strategy, and required planning for migration service delivery based on the best fit scenario from the assessment.

Capital Improvement Program (CIP) Overview

- The proposed CIP FY 2019 budget funding request in the amount of \$11.3 million, which is a decrease of \$3.63 million under the Approved FY 2018 budget. The categories of proposed expenses are as follows:

Software	\$1.1 Million
Potential System Enhancements	\$3.7 Million
Hosting	\$1.4 Million
Program Management	\$2.0 Million
Other Expenses	\$3.1 Million

- The FY 2019 funding source is 100% General Obligation Bonds in the amount of \$9.25 million.
- **Enterprise Resource Planning (ERP)** – A \$73.7 million multiyear project that provides funding to purchase, develop, and implement software to support the automation and modernization of the business process for the County. A summary of the implementation cost by fiscal year, as reported in the CIP Budget, is provided in the table below.

FY	Total Project Cost	Increase (Decrease)	Total Expended (to date)**	Estimated Completion Date
2008*	\$ 6,000,000	N/A	N/A	June-10
2009*	\$ 7,300,000	\$ 1,300,000	N/A	June-10
2010*	\$ 5,600,000	\$ (1,700,000)	N/A	June-10
2011*	\$ 15,200,000	\$ 9,600,000	N/A	June-13
2012*	\$ 2,600,000	\$ (12,600,000)	N/A	June-17
2013*	\$ 2,600,000	\$ -	\$ 784,573	June-17
2014	\$ 42,336,000	\$ 39,736,000	\$ 19,182,835	October-16
2015	\$ 53,974,000	\$ 11,638,000	\$ 33,671,678	October-16
2016	\$ 61,974,000	\$ 8,000,000	\$ 42,041,181	October-16
2017	\$ 69,653,000	\$ 7,679,000	\$ 57,790,381	October-16
2018	\$ 73,742,000	\$ 4,089,000	\$ 62,441,259	June-19
2019	\$ 73,742,000	\$ -	\$ 73,742,000	June-19

*Originally included as a project in the Office of Central Services' Capital Improvement Program as the *Administrative Information Systems* project.

**Total Expended is the cumulative project costs as of the end of the fiscal year. FY 2018 and FY 2019 Total Expended is an estimate per Attachment 7 of the 1st Round responses.

- The Office reported that the following SAP modules were successfully implemented in FY 2018.

<u>Module Name</u>	<u>Implementation date</u>
Budget Planning	Jan-18
Work Order Maintenance	Feb-18
Treasury and Debt Management	Feb-18
SuccessFactors Performance and Goal Management	Mar-18
Learning Management Solution	Mar-18

- A custom developed Debt Management solution for the Office of Finance is expected to go live in July 2018. No additional funding for the ERP/SAP initiative is anticipated at this time.
- Tax and Revenue Management (TRM) – The Executive Steering Committee agreed in 2016 that the Office of Finance’s Tax and Revenue Management implementation would be removed from the SAP program’s Master Statement of Work. As a result of the change in scope, the project budget was reduced by approximately \$7.5 million. The proposed FY 2019 CIP budget includes \$600,000 for a feasibility study to determine the best method to address this process.
- FY 2019 funding will be used to complete all remaining aspects of this project including the Human Capital Management module, the Central Services service repair and maintenance request processing module, and the Budget and Planning Solution module.

Attachments: Attachment A – Office Automation Charges by Agency
Attachment B – Information Technology Internal Service Fund

OFFICE OF INFORMATION TECHNOLOGY (OIT)
OFFICE AUTOMATION CHARGES

Agency/Branch	Approved FY 2018	Proposed FY 2019	\$ Increase/ (Decrease)	% Change
Board of License Commissioners	22,400	21,800	(600)	-2.68%
CCOP	12,800	6,200	(6,600)	-51.56%
Central Services	582,900	730,800	147,900	25.37%
Circuit Court	903,100	422,900	(480,200)	-53.17%
Community Relations	119,500	167,900	48,400	40.50%
County Council	384,400	398,000	13,600	3.54%
County Executive	82,100	112,000	29,900	36.42%
Corrections	1,285,600	2,027,500	741,900	57.71%
DoE	1,094,600	979,600	(115,000)	-10.51%
DPIE	1,026,700	892,500	(134,200)	-13.07%
DPW&T	945,500	1,219,000	273,500	28.93%
Elections	149,200	56,000	(93,200)	-62.47%
Family Services	239,700	77,700	(162,000)	-67.58%
Finance	456,700	192,800	(263,900)	-57.78%
Fire / EMS	2,771,800	3,252,800	481,000	17.35%
Health	1,773,600	662,400	(1,111,200)	-62.65%
Homeland Security	159,500	671,700	512,200	321.13%
Housing & Community Development	66,900	84,000	17,100	25.56%
Office of Ethics and Accountability	4,100	18,700	14,600	356.10%
Office of Law	199,400	167,900	(31,500)	-15.80%
OHRM	453,000	211,500	(241,500)	-53.31%
OMB	114,100	80,800	(33,300)	-29.18%
Orphan's Court	8,400	21,800	13,400	159.52%
Personnel Board	6,300	6,200	(100)	-1.59%
Police	6,348,700	9,415,600	3,066,900	48.31%
Sheriff	951,800	1,685,900	734,100	77.13%
Social Services	10,000	71,500	61,500	615.00%
Soil Conservation	9,600	46,600	37,000	385.42%
State's Attorney	867,300	534,900	(332,400)	-38.33%
Economic Development Corporation (MOU)	20,000	20,000	-	0.00%
TOTAL	21,069,700	24,257,000	3,187,300	15.13%

OFFICE OF INFORMATION TECHNOLOGY (OIT)
INFORMATION TECHNOLOGY INTERNAL SERVICE FUND - 1900
FUND OPERATING SUMMARY

Description	FY 2018 Budget	FY 2018 Estimated	FY 2019 Proposed	Dollar Change	Percentage Change
Revenues:					
Agency Charges	\$ 21,069,700	\$ 20,339,700	\$ 24,257,000	3,187,300	15.1%
I-Net Receipts	7,000,000	7,000,000	7,400,000	400,000	5.7%
I-Net Fund Balance	8,430,600	4,430,800	-	(8,430,600)	-100.0%
Agency Charges - GIS	340,500	340,500	340,500	-	0.0%
General Fund Transfers	556,300	556,300	2,000,000	1,443,700	259.5%
Total Revenues	<u>\$ 37,397,100</u>	<u>\$ 32,667,300</u>	<u>\$ 33,997,500</u>	<u>\$ (3,399,600)</u>	-9.1%
Expenditures:					
Compensation	\$ 6,291,600	\$ 6,232,600	\$ 7,054,200	\$ 762,600	12.1%
Fringe Benefits	4,631,500	4,577,200	4,336,200	(295,300)	-6.4%
Operating Expenses	22,474,000	19,082,600	19,607,100	(2,866,900)	-12.8%
Capital Outlay	4,000,000	2,774,900	3,000,000	(1,000,000)	-25.0%
Total Expenditures	<u>\$ 37,397,100</u>	<u>\$ 32,667,300</u>	<u>\$ 33,997,500</u>	<u>\$ (3,399,600)</u>	-9.1%
Beginning Fund Balance	\$ 144,893	\$ 2,911,873	\$ (1,518,927)	\$ (1,663,820)	-1148.3%
Excess Revenues over Expenditures	\$ -	\$ -	\$ -	\$ -	N/A
Fund Bal. Appropriated	(8,430,600)	(4,430,800)	-	8,430,600	-100.0%
Ending Fund Balance	<u>\$ (8,285,707)</u>	<u>\$ (1,518,927)</u>	<u>\$ (1,518,927)</u>	<u>\$ 6,766,780</u>	-81.7%