

## MMRS Steering Committee

A called meeting of the Mississippi Management and Reporting System (MMRS) Steering Committee was held at 9:00 AM in the 13<sup>th</sup> Floor Conference Room, Woolfolk Building, Jackson, Mississippi, on May 20, 2008.

A quorum being present, J. K. "Hoopy" Stringer, Jr., Chairman, called the meeting to order.

The following members attended:

J. K. "Hoopy" Stringer, Jr., Chairman  
Executive Director, Department of Finance and Administration  
David L. Litchliter, Member  
Executive Director, Department of Information Technology Services  
Cille Litchfield, MMRS Administrator (non-voting)  
CSIO, Department of Finance and Administration

Others in attendance included:

Ted Foster, Deputy Executive Director, Department of Finance and Administration  
Becky Thompson, MMRS/MAGIC Project Manager  
Gayle Chittom, MMRS Policy and Planning Director  
Clyde Murrell, MMRS Applications Manager

The following member joined at agenda item number 3:

Don Thompson, Vice-Chairman  
Executive Director, State Personnel Board

Mr. Stringer called for agenda item number one: Review and approve minutes for the December 21, 2007, meeting.

On a motion by Mr. Litchliter and seconded by Mr. Stringer, the minutes were approved as presented.

Mr. Stringer called for agenda item number two: Approve Governance model changes – MAGIC Task Force and Advisory Work Groups. Mrs. Litchfield summarized the changes in the governance model. Summary of changes and an updated version of the changes are attached to these minutes.

On a motion by Mr. Stringer and seconded by Mr. Litchliter, the changes were approved as presented.

Mr. Stringer called for agenda item number three: ITS Project 37633 - Approve Amendment #1 Salvaggio Teal and Associates for time and materials work to develop requirements, support the RFP issuance and evaluation of bids for the Grants Operation And Lifecycle Solution (GOALS) project at an estimated maximum price of \$209,110. Mr. Stringer asked the projected length of time required to install the software and bring the system live once awarded. Mrs. Litchfield replied that the estimated implementation time is six months.

On a motion by Mr. Litchliter and seconded by Mr. Thompson, the Amendment was approved as presented.

Mr. Stringer called for agenda item numbers four through seven:

Agenda Item number four: ITS Project 37571 - Approve acquisition of a Storage Area Network (SAN) to replace the existing SAN that is out of warranty for a cost not to exceed \$125,000. There was no discussion on this item.

Agenda item number five: ITS Project 37648 – Approve Amendment #5 for the extension of the end date for use of remaining services authorization for Tier Technologies from 08/31/2008 to 06/30/2010

(end of ASP agreement term) to provide support for ITS EPL catalog implementation and expansion of Round-Trip capabilities. There was no discussion on this item.

Agenda items number six: ITS Project 37659 – Approve Amendment #1 for the extension of the end date for use of remaining services and implementation of Protégé depreciation and surplus property modules from 12/31/2008 to 12/31/2011 (end of ASP agreement term). There was no discussion on this item.

Agenda item number seven: ITS Project 37363 – Approve potential acquisition of CA Clarity as the lowest and best (only) bid for the implementation of an Integrated Help Desk, Issue Tracking, and Project Management Solution to replace MMRS' implementation of GroupSoft Service Desk at a 5-year ASP life cycle cost not to exceed \$500,000. This proposal includes installation services, training, and a \$54 per month license cost for every named user. Clarifications regarding this proposal are still underway. This request for approval is under the condition that the decision, following review of clarifications, is made to award this agreement. This is also subject to the successful negotiation of a contract. There was no discussion on this item.

On a motion by Mr. Thompson and seconded by Mr. Litchliter, agenda items four through seven were approved as presented.

Mr. Stringer called for agenda item number eight: Other Procurement Items (priority order):

ITS Project 37431 – Xerox Printer Replacement – Hardware, Software, and Services – Mrs. Litchfield stated that two bids were received and are being evaluated. This is a shared project with DFA's Office of Information Technology. We expect to issue an intent to award by June 30, 2008.

ITS Project 36680 – Building and Real Estate Information Collaborative Knowledge Solution (BRICKS) – Software and Services – Mrs. Litchfield reported that the requirements for BRICKS have been turned over to ITS to begin that segment of the procurement process. BRICKS implementation will include two phases. Phase I will be construction project management and real property management for the Bureau of Building; Phase II will be facilities management for Capitol Facilities. The existing APPLS application for real property management will be retired with the implementation of BRICKS.

ITS Project 37635 – MAGIC Software – The MAGIC Taskforce elected John Allison, Commissioner for the Department of Banking and Consumer Finance as Chairman and Liz Welch, Deputy State Treasurer as Vice-Chairman. Advisory workgroup sessions continue. The software RFP is targeted for release in the fall of 2008.

ITS Project 37634 – GOALS Software and Services – Linda Coulter from STA is leading this effort in partnership with the State team. Advisory workgroup sessions continue. Agency buy-in is very good. Additionally, the specific requirements of the Mississippi Accountability and Transparency Act (MATA) and the Federal Funding Accountability and Transparency Act (FFATA) cannot be accomplished without GOALS. Target for release of this RFP for software and services is also the fall of 2008. Mrs. Litchfield provided the Committee with a copy of the projected procurement schedules for BRICKS, MAGIC, and GOALS to support the concerns about overlapping deadlines and commitments and resource constraints.

ITS Project 37577 – Payment Manager (MS.GOV Refresh) Replacement - Mrs. Litchfield reported that MMRS has turned over the payment processing requirements to ITS and are waiting for additional information from the ITS team to understand overall "next steps".

Mr. Stringer called for agenda item number nine: MAGIC

Mrs. Litchfield discussed the FY2010 planning for MAGIC. She reported that Mr. Stringer's recommendation is that escalation authority be requested for the expected costs for FY2010 and beyond. Staffing projections for FY2010 (in two phases) include 52 positions. Of these, two will be requested as permanent PINs with the others being escalated and filled according to demand for skill sets. Of the 50 positions included in the projected number of escalated PINs, four of these are MMRS positions that are presently escalated through the escalation authority of ITS. We would want to move those positions to DFA to not have to pay the 10% administrative fee required under the authority at ITS.

Mrs. Litchfield expects that FY2010 costs, assuming that escalation authority is approved and the decision made to move forward, will be for somewhere between \$20M-\$30M. Included in this estimate are start up costs for personnel, rent, hardware, software, implementation services, and IV&V services.

Mrs. Litchfield also reported the need to begin in-depth meetings with ITS for hardware and system software needs analysis and planning. Mr. Litchlitter asked who needed to be the contact for this. Mrs. Litchfield responded that we would like Mitchell Bounds to be the primary contact and Laura Pentecost the secondary contact. Mr. Litchlitter said he would support this request and give direction to the ITS staff accordingly.

Mr. Stringer called for agenda item number ten: 2008 Legislative Session

Mrs. Litchfield discussed the impact of the 2008 Legislative Session. System and process changes are required for the following bills passed during this session:

- a. HB 0042 – Increase maximum available under Health Flexible Spending Account
- b. HB 0101 – Mississippi Accountability and Transparency Act (FFATA)
- c. HB 1482 – Employer Assisted Housing
- d. SB 2977 – Workers' Compensation Changes
- e. SB 2988 – Mississippi Employment Protection Act

Mrs. Litchfield requested assistance in getting decisions moved forward regarding SB 2988. Specific issues include boilerplate language for bid specifications and contracts and execution of the appropriate Memorandums of Understanding for e-verify. The Committee stated that the Special Assistant Attorney General's assigned to each agency (Romaine Richards, Bob Fagan, and Donna Rogers) are to be the contact points for this. Mrs. Litchfield stated she would coordinate bringing these individuals together so that this effort can move forward.

Mr. Stringer called for agenda item number eleven: Other Projects

Mrs. Litchfield reported briefly on other projects in process.

- a. Fiscal Year End / Conversion – everything is on track for FY2009 conversion;
- b. PayMode Cities/Counties – pilot project with five counties is being targeted as vendor file cleanup continues and procedures established for maintaining vendor file integrity;
- c. PayMode Invoicing – January 1, 2009 Expansion – targeting January 1, 2009, to open PayMode invoicing to all PayMode vendors for all agencies;
- d. Fleet (Protégé) transition to full operations; complete change orders – The Bureau of Fleet Management in fully functional. Change orders and final issues are being tested and closed.
- e. Asset Management (Protégé) - continued data cleanup in process;
- f. Depreciation – annual operations; Protégé enhancements/change orders are in process; Mr. Stringer requested that Mrs. Litchfield work with Kym Wiggins to outline the positive impact of use of Protégé and the supporting process revisions has worked for the State for fleet management, asset management, and is planned to work for surplus property management;
- g. Surplus Property (Protégé) implementation project – planning is underway;
- h. IACH/OFAC – Homeland Security related requirements; planning and analysis is in process;
- i. TIPRA – Reported that one chamber of Congress has proposed a 1 year delay (1/1/2011) for implementation;
- j. WebProcure – Meetings have begun with ITS to plan for bringing the EPLs into WebProcure. Discussions with what to do about MDOT integration are still pending based on the outstanding questions surrounding the potential sale of the WebProcure and related product sets by Tier.

Mr. Stringer called for agenda item number twelve: MAXIMUS Cost Allocation Review Report

Mrs. Litchfield reported that MAXIMUS has completed their work. There were no findings of significance and MAXIMUS does not recommend a change in the billing methods until we move to MAGIC. Recommendations were made for how expenses are reported for evaluation in the statewide cost allocation plan. A copy of the report is included with these minutes.

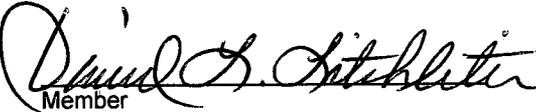
Mr. Stringer called for agenda item number thirteen: Use of outside Counsel for GOALS and MAGIC

The Committee is receptive to the idea of use of outside counsel in negotiation of contracts for both the GOALS and MAGIC engagements and software. Several options were discussed. No decisions were made.

There being no further items of business, Mr. Stringer asked for a motion for the meeting to be adjourned. On a motion made by Mr. Litchliter and seconded by Mr. Thompson, the meeting was adjourned.

  
Chairman  
Finance and Administration

  
Vice-Chairman  
State Personnel Board

  
Member  
Information Technology Services

## **Proposed MAGIC Governance Changes**

- Removed the language that stated that the MMRS Steering Committee may replace any Advisory Work Group member if they miss more than two (2) consecutive meetings.
- Removed the language that stated that if a Task Force member wishes to delegate a meeting to someone, other than their official designee, they must notify the MMRS CSIO within five (5) working days before the meeting.
- Removed the language that a Task Force member or designee can not be a member of an Advisory Work Group
- Add language that the Task Force meetings will follow Roberts Rules of Order and require a quorum of seven voting members present for each meeting.
- Removed the language that stated that Task Force meetings will be held on a monthly basis.
- Removed the language that stated that the Advisory Work Group members must complete an agreement form.



## GOVERNANCE – Rules for MAGIC

Effective 05/12/2008; V# 2

### Definition and Purpose

This document defines the organizational structure and decision-making process for the development and implementation of Mississippi's Accountability System for Government Information and Collaboration (MAGIC). MAGIC is the State's Enterprise Resource Planning (ERP) project for the consideration and possible replacement of the state's accounting system (SAAS), human resource and payroll system (SPAHRs), and data warehouse (MERLIN). The goals of this document are to:

- establish the powers and duties of the MMRS Steering Committee as the executive sponsor;
- create and establish the duties of the MAGIC Inter-Agency Task Force
- create and establish the duties of Advisory Work Groups for each of the five components that define the scope of MAGIC (Finance, HR/Payroll, Procurement, MAGIC+, and Enterprise Readiness);
- create an on-going staffing plan for the implementation of MAGIC; and,
- establish a staffing plan for maintenance of the existing applications through conversion to MAGIC.

### SECTION 1

- (1) The Mississippi Management and Reporting System (MMRS) Steering Committee, as established by the legislature in the Mississippi Code of 1972, Annotated, Section 7-7-3(5), and consisting of the executive directors of the Department of Finance and Administration (DFA), the State Personnel Board (SPB) and the Department of Information Technology Services (ITS) shall be the Executive Sponsors for MAGIC.
- (2) The MMRS Steering Committee shall be responsible for promoting MAGIC in a public and legislative forum and to ensure the coordination and cooperation among state agencies, boards, and commissions in the procurement, development, and implementation of MAGIC.
- (3) The MMRS Steering Committee shall approve the selection or appointment of:
  - a) The MAGIC Inter-Agency Task Force as described in Section 2 below. The MMRS Steering Committee may replace any agency that fails to participate in two (2) consecutive Task Force meetings.
  - b) Agency representatives to the MAGIC Advisory Work Groups for each of the MAGIC components of Finance, HR/Payroll, Procurement, MAGIC+, and Enterprise Readiness.
- (4) The MMRS Steering Committee shall have sole oversight authority for MAGIC through directives and guidance administered to the MAGIC Inter-Agency Task Force.
- (5) The MMRS Steering Committee may convey authority to the MAGIC Inter-Agency Task Force for the management and direction of the project.



## GOVERNANCE – Rules for MAGIC

Effective 05/12/2008; V# 2

### SECTION 2

(1) The MAGIC Inter-Agency Task Force, hereafter known as the "Task Force", is created to serve as the MAGIC steering body. The Task Force shall consist of upper management representatives from fifteen (15) state agencies, boards, or commissions of varying size and mission to ensure balance, integration, and coordination in meeting objectives. Each representative shall be entitled to one (1) vote. The MMRS CSIO shall serve as the facilitator in a non-voting capacity. The Office of the State Auditor and the Performance Evaluation and Expenditure Review (PEER) Committee will be represented in an advisory (non-voting capacity) role. The initial Task Force shall consist of the following:

- a) The Deputy Director for Administration of the Department of Finance and Administration or his designee;
  - b) The Deputy State Personnel Director of the State Personnel Board or his designee;
  - c) The Executive Director of the Joint Performance Evaluation and Expenditure Review Committee or his designee (advisory only);
  - d) The Internal Support Director of the Department of Information Technology Services or his designee;
  - e) The Deputy Commissioner for Revenue of the State Tax Commission or his designee;
  - f) The CSIO of the Department of Human Services or his designee;
  - g) The Policy Advisor for Financial Affairs of the Office of the Governor or his designee;
  - h) The Deputy State Auditor or his designee (advisory only);
  - i) The Deputy State Treasurer or his designee;
  - j) The Executive Director of the Legislative Budget Office or his designee;
  - k) The Deputy Director for Administration for the Department of Transportation or his designee;
  - l) The Chief of the Bureau of Administration of the Department of Mental Health or his designee;
  - m) The Executive Director of the Department of Banking and Consumer Finance or his designee;
  - n) The Executive Director of the Mississippi Emergency Management Agency or his designee; and
  - o) The Deputy Director of Administration for Mississippi Public Broadcasting or his designee.
- (2) The Task Force member or designee must complete and sign the "MAGIC Task Force – Agreement Form." This form will serve as the official agreement between the Task Force member and MMRS.
- (3) If the Task Force representative or the chosen designee is unable to attend a scheduled meeting, that agency will be not be allowed to vote during said meeting.
- (4) Members who are absent for two (2) consecutive meetings may be replaced by another state agency, board, or commission representative at the discretion of the MMRS Steering Committee.



## GOVERNANCE – Rules for MAGIC

Effective 05/12/2008; V# 2

- (5) Within sixty (60) days after official sanction of this document by the MMRS Steering Committee, the Task Force facilitator shall call an organizational meeting of the Task Force for the election of a chairman and other officers from the membership. The Task Force shall adopt rules that govern the time and place for meetings and govern the manner of conducting its business. Meetings shall be held in accordance with the Roberts Rules of Order and the Open Meetings Law, Mississippi Code of 1972, Annotated, Section 25-41-5 and require a quorum (seven voting participants) present...
- (6) Minutes of each meeting shall be maintained. Administrative tasks in support of the Task Force shall be performed by MMRS.
- (7) The Task Force, with the aid of the MAGIC Advisory Work Groups, shall be responsible for developing recommendations for the MMRS Steering Committee pertaining to the full life cycle effort of the MAGIC project beginning with planning, and extending to analysis/software selection, integration, conversion, and deployment. Included, but not limited to, are the following responsibilities:
  - a) Legislative communication and planning;
  - b) Approval of "go/no go" decision points for proceeding from one major effort to the next;
  - c) Oversight of procurement of software, hardware, and vendor participation;
  - d) Oversight of MAGIC development, project management, and implementation;
  - e) Approval of recommendations for priorities, funding plans, budget plans, communication plans, and plans for public awareness;
  - f) Coordination and integration of related programs to maximize available resources, reduce conflicts and inconsistencies; and,
  - g) Facilitation of conflict/dispute resolution.

### SECTION 3

- (1) The MAGIC Advisory Work Groups, hereafter known as "AWGs", are created for each of the five (5) components of Finance, HR/Payroll, Procurement, MAGIC+, and Enterprise Readiness.
- (2) Each AWG shall consist of between fifteen (15) and thirty (30) representatives from state agencies, boards, and commissions of varying size and mission to ensure balance, integration, and coordination in meeting objectives. Representatives shall be subject matter experts pertaining to the specific AWG function. Each AWG shall be under the direction of the MAGIC Team Lead assigned to the specific function. There shall be no designees allowed for members of AWGs.
- (3) Within sixty (60) days after official sanction of this document by the MMRS Steering Committee, the MAGIC Project Director shall call an organizational meeting of the five (5) AWGs to establish expectations and objectives. The MMRS MAGIC Team Lead will serve as facilitator. The MMRS MAGIC Team Lead will designate a MMRS Staff Member(s) to serve as the official documenter. The MMRS MAGIC Team Lead, working with the AWG, will set rules to establish the time and place for meetings and govern the manner of conducting its business. A quorum shall not be required for AWG meetings;



## GOVERNANCE – Rules for MAGIC

Effective 05/12/2008; V# 2

however, meetings shall be held in accordance with the Open Meetings Law, Mississippi Code of 1972, Annotated, Section 25-41-5, and minutes shall be maintained for each meeting.

- (4) Each AWG shall be responsible for developing recommendations for presentation to the Task Force pertaining to the full life cycle effort of software development for the specific MAGIC function, beginning with planning, and extending to analysis/software selection, integration, conversion, and deployment. Responsibilities include, but are not limited to, the following:
- a) supporting the MMRS Steering Committee and the MAGIC Task Force in promoting MAGIC;
  - b) providing Project information to management and staff of all affected agencies, boards, and commissions;
  - c) assisting in the requirements definitions to ensure that the needs of all state agencies, boards, and commissions are identified and addressed; and,
  - d) providing input and recommendations for setting priorities, project staffing needs, milestones, timelines, and other items as requested by the MAGIC Team Lead.

### SECTION 4

- (1) The MAGIC Project Director and the MMRS CSIO, with the approval of the Task Force and the MMRS Steering Committee, shall establish within MMRS, an organizational structure for managing the Project. Management of the organization shall be the responsibility of the MAGIC Project Director. The organizational structure may include, but not be limited to, the following areas:
- a) Planning and Project Management Consultants/ Independent Verification and Validation (IV&V);
  - b) Implementation Services Consultants;
  - c) Policy and Document Management;
  - d) Communications;
  - e) Personnel Management and Recruitment;
  - f) Procurement and Contract Management; and
  - g) Five (5) functional teams, each headed by a MAGIC Team Lead, for project management of the individual components of Finance, HR/Payroll, Procurement, MAGIC+, and Enterprise Readiness.
- (2) The Project Director shall work with the Information Technology Professional Development Committee to clarify positions and determine the skill sets required for each position.
- (3) Consultants shall be acquired following the standard procurement practices as published and administered by ITS, under the authority provided by the Mississippi Code of 1972, Annotated, Sections 25-53-1 – 25-53-201.
- (4) DFA, SPB, ITS, and any other state agency, board, or commission may be requested to provide full-time or part-time personnel and technical support necessary and sufficient to effectively and efficiently meet the staffing requirements of the MAGIC project.

### SECTION 5



## GOVERNANCE – Rules for MAGIC

Effective 05/12/2008; V# 2

- (1) The MMRS CSIO shall establish the staffing plan to facilitate the ongoing and effective maintenance of SAAS, SPAHRS, MERLIN, and associated systems currently in use by the State, until such time they are converted and implemented as MAGIC.
- (2) The MMRS CSIO may negotiate contractual agreements for skilled technical or functional services, as regulated by the Public Employee Retirement System, ITS, and/or the Personal Services Contract Review Board, as an adjunct to permanent employment staff, for the maintenance of existing applications.

## MAGIC/ GOALS / BRICKS – Project Draft Timeline

Task	MAGIC Dates	GOALS Dates	BRICKS Dates
1. Draft requirements from DFA to ITS	8/1/08	7/25/08	05/09/08
2. Submit ad by noon	8/15/08	8/8/08	05/29/08
3. Advertise RFP – 1 <sup>st</sup> ad date	8/19/08	8/12/08	06/03/08
4. Publish RFP	8/22/08	8/15/08	06/03/08
5. Advertise RFP – 2 <sup>nd</sup> ad date	8/26/08	8/19/08	06/10/08
6. Conduct mandatory vendors' conference	9/4/08	8/28/08	06/17/08
7. Vendor questions due	9/9/08	9/2/08	06/24/08
8. Submit responses to ITS for approval	9/11/08	9/4/08	07/08/08
9. Responses to vendor questions	9/19/08	9/12/08	07/15/08
10. Proposals due	10/16/08	10/9/08	07/22/08
11. Initial validation	10/20/08	10/13/08	07/23/08
12. Evaluation & scoring: compilation of cost data; evaluate business proposals; reference checking; solicit clarifications	11/3/08	10/23/08	08/18/08
13. Vendor onsite presentations (Begin Date)	12/4/08	11/20/08	08/22/08
14. Submit BAFO to ITS	12/5/08	11/21/08	08/27/08
15. Issue BAFO	12/19/08	12/5/08	08/29/08
16. BAFO Responses	1/9/09	12/19/08	09/03/08
17. BAFO Evaluation	1/16/09	1/5/09	09/05/08
18. Present Vendor Recommendation to Task Force	1/20/09	1/6/09	-----
19. Present Vendor Recommendation to MMRS Steering Committee	1/23/09	1/8/09	09/09/08
20. Determine awarded vendor	1/23/09	1/8/09	09/09/08
21. Contract Negotiations	1/23/09 - ?	1/08/09 - ?	09/09/08 - ?
22. ITS Board Presentation	2/19/09	1/15/09	09/18/08
23. Project initiation			

**Notes:**

The following holidays occur during this project timeline: September 1, 2008, November 11, 2008, November 27-28, 2008, December 24- 25, 2008, January 1, 2009, January 19, 2009 and February 16, 2009.

**STATE OF MISSISSIPPI**  
**DEPARTMENT OF FINANCE**  
**AND ADMINISTRATION**  
**MISSISSIPPI MANAGEMENT AND**  
**REPORTING SYSTEM (MMRS)**

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**Review of MMRS Cost Determination**  
**and Cost Recovery Practices**

**April 30, 2008**

# **REVIEW OF MMRS COST DETERMINATION AND COST RECOVERY PRACTICES**

**April 30, 2008**

## **INTRODUCTION**

MAXIMUS, Inc. has conducted a review of the methods used by the Mississippi Management and Reporting System (MMRS) to determine and recover the costs it incurs in operating and supporting various statewide financial/administrative systems.

This report summarizes our review of MMRS' expense identification practices; its methods for determining charges to agencies; and its approaches to actually billing agencies. It also incorporates an assessment of the impact of recently revised federal reporting requirements for direct-billed services such as MMRS, and a discussion of the federal-related issues that MMRS will need to address as it continues work on its current Enterprise Resource Planning (ERP) initiative.

Currently, MMRS is responsible for the following systems:

- The Statewide Automated Accounting System (SAAS).
- The Statewide Payroll and Human Resources System (SPAHRs).

Additionally, MMRS operates and supports a number of systems that interface with or expand the functionality of SAAS and SPAHRs:

- SAAS-related –
  - The Government E-commerce Network and Imaging Environment (GENIE) – a facility intended to support electronic requests for purchasing authority approval for goods and services that fall within the purview of the Office of Purchasing, Travel, and Fleet Management (OPTFM) of DFA and require approval of the Public Procurement Review Board (PPRB).
  - WEBPROCURE – a web-based application that handles the complete order to receipt cycle for state agencies buying from competitive and negotiated contracts under the purview of OPTFM. This is being expanded to include the state contracts under purview of the Department of Information Technology Services (ITS).
  - PAYMODE – electronic invoicing by vendors and electronic payment and remittance processing by state agencies.
  - E-Payment Services – processing of electronic payments to state agencies via credit cards, charge cards, debit cards, electronic checks or other electronic payments.

- PROTÉGÉ – an asset management system that is used by the State Auditor for property tracking and by DFA in preparing data on property and depreciation expense.
- SPAHRS-related –
  - Image 2000 (I2K) – a workflow and document management system that supports the recruitment and selection processes of the State Personnel Board.
  - Access Channel for Employees (ACE) – allows employees to access payroll-related information through the web.
  - Mississippi Enterprise Learning Management System (MELMS) – supports employee education processes.
- The Mississippi Executive Resource Library and Information Network (MERLIN) is a web-enabled data warehousing and reporting tool that incorporates data originated in both SAAS and SPAHRS.

Of these systems, all are fully implemented and operational, although during fiscal year 2007 a second phase of the WebProcure facility was implemented. Additionally, a number of applications are currently in some stage of development:

- PROTÉGÉ – substantial additional functionality is in the early stages of planning and implementation related to Surplus Property and depreciation accounting.
- BRICKS – a construction/facilities management system being planned and acquired for the Bureau of Buildings and the Office of Capitol Facilities.
- GOALS – a grants planning and reporting application intended to interface with SAAS and other financial applications.

To the extent that the costs of these projects can be expensed (see later discussion of GASB Statement No. 51), they will be charged to agencies on a basis matched to the benefit they derive. In some cases, general or special revenues may be made available for these kinds of projects. In these cases, the proper appropriation is charged for costs incurred consistent with state statutes.

Any of the MMRS applications can, from time-to-time, require modifications or enhancements that are also charged to agencies.

MMRS has also initiated work on a new ERP system designated as MAGIC. To date, this effort has included only planning activities that have been designated for charging to agencies using the same methodology as is employed for MERLIN.

## **COST IDENTIFICATION PRACTICES**

MMRS is an organizational component of the Department of Finance and Administration. It utilizes the SAAS system to record and report all costs incurred in conducting its operations. Costs are recorded in either the SAAS Production Fund (#3130) or the MMRS Fund (#3125) and in a series of "Organization Units" (Orgs) as follows:

- #6610 - MMRS Administration.
- #6622 - SAAS Production Operations \*.
- #6623 - SAAS-related systems (GENIE, WebProcure, PayMode, etc.).
- #6630 - MMRS-related systems (I2K, ACE, MELMS, etc.).
- #6640 - MERLIN.
- #6650 - MAGIC.
- #6660 - BRICKS.

\* Expenditures from the SAAS Fund are recorded only in Organization Unit #6622.

Also, MMRS may, from time-to-time, expend monies from the Statewide Cost Allocation Fund (#3143) in support of some special initiative or requirement. This is the fund to which agencies' recoveries of federal indirect cost claims are deposited. Costs recorded in this fund may be included in agency charges, or used as supplementation of other MMRS funds.

MMRS management maintains appropriate controls to assure that costs are effectively recorded in the proper Funds and Orgs. Staff positions and payroll charges are generally assigned to the units corresponding to the systems they support. General operating expenses are also appropriately identified to the various Funds/Orgs. Management and supervisory costs are separately accumulated in the Administrative Org.

## **DETERMINATION OF AGENCY CHARGES**

Costs accumulated in the various Funds and Orgs are distributed to agencies and specific funds based on a series of statistics that reflect the efforts expended by MMRS and benefit derived by each agency.

The paragraphs that follow summarize the statistics used for each of the individual distributions: (Note that reference to "agencies" also denotes the specific "funds" within the agencies.)

- SAAS production costs include operation of GENIE, WebProcure, and PayMode. They are distributed based on counts of general ledger transactions processed.

- Each agency's proportion of SAAS activity is determined by dividing its transaction count by the total of all transaction counts.
- Agency SAAS charges are calculated by multiplying total SAAS production costs for the prior month by each agency's/fund's proportion of SAAS activity.
- SPAHRS operating costs include the cost for SPAHRS, itself, plus the costs of I2K, ACE and MELMS. They are distributed based on a statistic that is the summary of the number of positions and payroll-related transactions for each agency. The counts include:
  - Authorized positions.
  - Employee warrants issued.
  - Employee electronic funds transfers (EFTs) issued.
  - Contract worker/WIN (Worker Identification Number) warrants issued.
  - Contract worker/WIN electronic funds transfers issued.
  - Total number of contracts.
  - Total number of WINs.
  - Total vendor warrants and EFTs (for payment of payroll taxes, benefits and other programs for which employees may elect payroll deductions).
  - Total number of MELMS class registrations.
  - Total number of MELMS courses offered.

As with SAAS, each agency's proportion of SPAHRS activity is determined by dividing its total count by the total of all counts, and, agency charges are calculated by multiplying total SPAHRS production costs by each agency's proportion of SPAHRS counts.

- WebProcure/PayMode implementation costs are distributed based on counts of Requests for Authority to Purchase (P1s) processed plus Purchase Orders (POs) issued. Again, each agency's charge is calculated by multiplying total costs by its percentage of total P1 plus PO counts.
- PROTÉGÉ asset management implementation costs are distributed to agencies using the same statistics as are employed for WebProcure/PayMode.
- MERLIN costs are distributed to agencies based on an equal weighting of their SAAS and SPAHRS proportions. In other words, on an agency's SAAS proportion plus its SPAHRS proportion divided by two.
- MAGIC planning costs are distributed to agencies based on the same statistics as are used for MERLIN.
- MMRS Administration costs are also distributed to agencies based on the MERLIN statistics.

Assembly and summarization of these statistics are largely a manual processes that involve gathering counts of transactions, positions, etc from MMRS-generated reports and entry to spreadsheets that perform actual computation of the agency distributions. This is particularly tedious for computation of the SPAHRS distributions, in that ten separate statistics are required. As a part of our review, we examined alternative methods/statistical bases that could moderate the effort required for this process. In specific, we tested using fewer statistics or different combinations of statistics that would ease the workload on MMRS while not materially impacting agencies vis-à-vis the amounts currently billed to them. For example, we evaluated basing SPAHRS charges only on position counts, or positions plus warrants/EFTs only, or dropping off the MELMS counts. Altogether, we examined five or six separate options. In any of the 'scenarios' we reviewed, there were always a number of agencies for which charges either increased or decrease by significant amounts (more that \$20,000 per year). Accordingly, we concluded that it is not possible to alter the SPAHRS distribution methodology without causing an undesirable agency impact. Given the extent of this impact, and the fact that the SPAHRS distributions must be calculated only on an annual basis, we concluded that it is not advisable to attempt changing the SPAHRS methodology at the current time.

Exhibit A depicts the bases used for MMRS cost distribution, as well as the timing of billings for all MMRS system components.

### **BILLING METHODS**

MMRS bills agencies for its services in two distinct billing cycles:

- SAAS production costs are billed monthly and are based on the actual expenditures incurred in the preceding month. In certain cases, adjustments in actual costs are made to accrue annual or quarterly payments to vendors, or to incorporate delayed vendor invoices.
- MMRS fund billings to agencies are calculated based on the prior year's actual expenditures, and billed in equal quarterly installments during the succeeding fiscal year. These billings include charges for:
  - SPAHRS production.
  - SAAS-related enhancements.
  - MERLIN.
  - MMRS Administration.
  - MAGIC.

Each of these activity areas is billed based on the separate statistical bases described in the previous section.

## **FEDERAL COMPLIANCE AND REPORTING ISSUES**

Federal regulations, principally OMB Circular A-87, require that MMRS' charges to agencies conform to various standards for "allowability" and "allocability" in order for them to be eligible for reimbursement by federal grants and programs. Additionally, they must reflect actual utilization of a service. Variances between actual costs and actual billings must be reconciled at least annually, with adjustments made to federal programs for any billings in excess of cost.

Our review indicates that MMRS' expenditures, charges to users and billing methodologies are in general compliance with federal requirements. Federal reviewers have never questioned MMRS' charges to agencies. In previous years, MMRS costs and billings have been reported to the Division of Cost Allocation as a component of Section II (Direct Billed Costs) of the Statewide Cost Allocation Plan (SWCAP). The information provided included a simple statement of costs and revenues, and identification of the amount of over or under-recovery. Any resulting over or under-recoveries were adjusted through Section I (Allocated Costs) of the SWCAP since they were always been less than \$500,000. This is an accepted method of adjustment per OMB Circular A-87.

During the last year, states in the southeast have received notification from the Division of Cost Allocation (DCA) that reporting standards for Direct Billed Services are being changed to require more specific reporting of the costs and revenues by individual billed services, rather than overall fund totals. The federal negotiator responsible for Mississippi has not specifically asked for this level of reporting for MMRS. While MMRS does not rank as a major internal service fund, it would be prudent for MMRS to be prepared to adapt its annual federal reporting to match the new requirement when asked.

Accordingly, we have reviewed the costs and revenues for fiscal year 2007, and have prepared a pro forma version of the format we recommend for federal reporting beginning with that year. While SAAS, as a separate fund, has been separately reported in prior federal submissions, we have included it in our sample. This is to reflect a more complete view of MMRS activities, and to facilitate a potential transition to a consolidated system and funding environment under MAGIC during the next several years. The suggested reporting format is included as Exhibit B.

Given the more detailed nature of federal reporting, it is possible that the negotiator may question a few items that are discussed in the following points:

- **Depreciation Expense** – it is possible that a federal reviewer may ask for more specific identification of assets and verification that depreciation expenses are assigned to the appropriate service(s). In fiscal year 2008 all depreciation expense was treated as an MMRS Administrative cost. While this may be proper in any material respect, MMRS should review future

assignments/allocations of depreciation expense and identify major assets to the service or services they support.

- One-Year Lag in Billings for MMRS Services – as noted earlier, MMRS uses the costs incurred for MMRS services in one year as the basis for agency billings in the following year. On the whole, this method tends to keep MMRS charges to agencies relatively stable and significantly reduces the chances of large over or under-recoveries. Federal reviewers have accepted this method for on-going operations. They may, however, be concerned with enhancement efforts or similar initiatives that are performed in a given year but billed to federal programs in a subsequent period. They may, for instance, argue that a federal program that did not exist last year (or had significantly different FFP last year) would be unfairly charged in the new year. This should not be a primary issue based on any of MMRS' recent activities. However, the MAGIC project may represent materiality levels that could invite federal attention. (See also the following point.)
- With regard to system enhancements, certain provisions of the Governmental Accounting Standards Board Statement No. 51 (Accounting and Financial Reporting for Intangible Assets) may have an impact on MMRS. The Statement (GASB 51) is discussed at greater length in the later section on MAGIC impacts. However, among other things, it suggests that system enhancement-related costs should be capitalized if the enhancement increases the functionality of the system, increases the efficiency of the system, or extends the life of the system. The recent implementation of Phase II of WebProcure may qualify under these criteria. With MAGIC in the center of MMRS' plans, we do not believe that other 'enhancement' issues will surface in the near-term. Accordingly, we do not anticipate that the DCA would focus on this issue or move to disallow any MMRS charges. However, we thought it appropriate to bring this to management's attention.
- Adjustments for Over-Billings – we are not aware of any circumstance under which any of the recent federal reporting changes would alter the method MMRS uses to adjust for over (or under-billings), namely off-setting adjustments in Section I of the SWCAP.

#### **POTENTIAL IMPACT RELATED TO MAGIC**

The MAGIC system was begun during fiscal year 2007 and is now in the early stage of the "Requirements Definition" process. For FY 2007 MAGIC-related costs are now being recovered through MMRS based on the same distribution statistics as are used for MERLIN and MMRS Administration. For fiscal years 2008 and 2009, up to the point that "development" activities begin, the same recovery method is planned.

We believe that this approach is reasonable and appropriate in the context of the requirements of OMB Circular A-87 as well as the Governmental Accounting

Standards Board's Statement No. 51, published in June 2007. The statement (GASB 51) addresses standards related to "Accounting and Financial Reporting for Intangible Assets". GASB 51 recommends expensing costs related to planning for new systems, and identifies requirements definition as a planning activity. Development costs, however, are to be capitalized and amortized. "Development" activities are defined to include design, coding, hardware installation and testing. In instances in which commercial software is employed, a commitment to purchase or license a particular software product is identified as the point at which development begins.

Recent correspondence from the DCA indicates that GASB 51 should be used as a guideline for expensing or capitalizing systems efforts. Accordingly, since A-87 deems capitalized costs to be unallowable, MMRS will, at the appropriate point in the MAGIC project, need to forestall billing agencies for MAGIC development costs as they are incurred. At that point, the development costs should be accumulated for later recovery as an amortized expense after MAGIC is operational. In other words, the cost of developing MAGIC should be summarized and spread over the number of years that MAGIC is intended to be in operation. This "spread" (or amortization expense) could then be charged to agencies through MMRS billings.

Since MMRS will not be able to bill agencies (or, at least federal funding sources) for MAGIC development, it will be necessary for funding to be provided by alternative sources – general appropriations or other financing. As MMRS begins to recover the costs of MAGIC operation, its charges should also include the amortization of the development costs in order to assure that federal programs pay their appropriate share of the full cost of the system. MAGIC operational charges should include the amortization charge whether or not MMRS is required to repay the appropriations or loans advanced to it.

In order to effectively determine the costs of MAGIC development, a formalized set of accounting standards should be put in place. All costs related to MAGIC, or any of its major components, should be captured in specially designated "projects" (perhaps Org Codes). This would include payments to vendors as well as the salaries and benefits of staff assigned to the MAGIC effort. The DCA may also require that MMRS administrative or indirect cost be allocated to MAGIC on some realistic basis. Accordingly, care should be taken in designing the MAGIC management and accounting structures in order to minimize the costs that must be amortized.

Strategies related to accounting for MAGIC development may include consideration of defining sub-sets or components of MAGIC that may be placed into operation on a phased basis. Provided that a component is "free-standing" (i.e.; it can continue to be used even if other components of MAGIC are not put into operation), it should be possible to separately account for and amortize this component, thereby accelerating the point in time when recovery of amortized costs can begin.

## **SUMMARY AND RECOMMENDATIONS**

MMRS cost recovery has become a mature business process that operates stably and consistently on a routine basis. Except as discussed below, we have not identified any discrepancies between MMRS' cost recovery approaches and sound business practices or the requirements of OMB Circular A-87.

Our recommendations include the following:

- Be prepared to convert the annual SWCAP Section II reporting format to the one described in Exhibit B (i.e.; to report revenues and costs by service/system). While we do not believe that reporting in this format should be problematic, we recommend that not voluntarily convert the report format until it is requested by the DCA negotiator. At the point of such a request, however, a timely response will be viewed positively.
- Carefully consider the requirements of GASB 51 in accounting for any future system enhancements, particularly if any occur prior to implementation of MAGIC.
- Assign responsibility for assembling cost distribution statistics used to determine agency charges to appropriate staff resources. While these processes are not specifically over burdensome, management level personnel should not serve as the primary responsible party. Utilize the documentation already developed by the MMRS manager to facilitate this transition and to cross-train back-up staff. Also, consistent with priorities for MAGIC, consider identifying and implementing methods of further automating statistics accumulation processes.
- Develop strategies for recovery of MAGIC-related costs early in the process of developing this new system. As discussed earlier GASB 51 and, derivatively, A-87 stipulate specific treatment of costs and recoveries at different stages of the MAGIC project. MMRS can minimize the negative impacts on cash-flow (for itself and the State, generally) with careful planning. It can also reduce the potential for federal questions related to billings of MAGIC costs.
- Over the longer term, develop plans early for recovery of MAGIC's operating costs in order to assure that they are fair and equitable for agencies, and that they respond to GASB 51 as well as the DCA's more detailed reporting requirements.

**EXHIBIT A**

**Mississippi Management and Reporting System  
Agency Charge-Back Components and Methodology**

4/10/2008

Fund	Org	System	Charges For			Operational Charges				SWCA Fund Supplementation	Interest Charge Included
			Production Services	Development Costs	Basis for Charges	Timing of Charges	Costs Recovered				
SAAS - 3130	6622	SAAS, including WebProcure, Paymode operational costs	Yes	Included in Operation Component	General Ledger Transactions	Monthly	Prior Month's		No	No	
MMRS - 3125	6623	SAAS, GENIE, PayMode, PROTÉGÉ, etc. enhancements	No	Enhancements	Various statistics as applicable to nature of enhancements (see Note #1)	Annual (Billed Quarterly)	Prior Years		Yes	No	
MMRS - 3125	6630	SPAHRs, MELMS, I2K, ACE	Yes	Included in Operation Component	# of Positions + Payment Counts (see Note #2) + # of Contracts + # of WINS + MELMS Registrations + MELMS Courses	Annual (Billed Quarterly)	Prior Years		No	No	
MMRS - 3125	6640	MERLIN	Yes	Included in Operation Component	Combination of SAAS & SPAHRs counts weighted 50/50	Annual (Billed Quarterly)	Prior Years		No	No	
MMRS - 3125	6650	MAGIC	No	Planning, only	Combination of SAAS & SPAHRs counts weighted 50/50	Annual (Billed Quarterly)	Prior Years		No	No	
MMRS - 3125	6610	MMRS Admin.	No	No	Combination of SAAS & SPAHRs counts weighted 50/50	Annual (Billed Quarterly)	Prior Years		No	No	

**NOTE #1:**  
For FY 2008 Enhancements for WebProcure & Paymode will be billed based on counts of POs issued and P1s processed.

**NOTE #2:**  
Items included in Payment Counts

- Employee Warrants issued
- Employee EFTs issued
- Contract Worker/WIN Warrants issued
- Contract Worker/WIN EFTs issued
- Vendor Warrants issued (what vendors?)
- Vendor EFTs issued (what vendors?)
- Travel Warrants issued?
- Travel EFTs issued?
- MELMS Registrations
- MELMS Courses Offered

**EXHIBIT B**

**State of Mississippi  
Mississippi Management and Reporting System  
Fiscal Year Ended June 30, 2007  
Reconciliation to A-87 Retained Earnings Balance**

**PROFORMA**

State Fiscal Year 2007							SAAS Fund
MMRS Revolving Fund							
SPAHRs	MERLIN	MAGIC	ADMIN	SAAS-Related	TOTAL		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,700,000	\$ 1,100,000	\$ 500,000	\$ 1,050,000	\$ 212,717	\$ 5,562,717	\$ 5,562,717	\$ 2,038,756
			\$ 573		\$ 573	\$ 573	
			\$ 7,150		\$ 7,150	\$ 7,150	
\$ 2,700,000	\$ 1,100,000	\$ 500,000	\$ 1,057,723	\$ 212,717	\$ 5,570,440	\$ 5,570,440	\$ 2,038,756
\$ 2,689,016	\$ 1,058,063	\$ 528,399	\$ 919,422	\$ 395,180	\$ 5,590,081	\$ 5,590,081	\$ 2,020,652
			\$ 125,000		\$ 125,000	\$ 125,000	
\$ 2,689,016	\$ 1,058,063	\$ 528,399	\$ 1,044,422	\$ 395,180	\$ 5,715,081	\$ 5,715,081	\$ 2,020,652
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,689,016	\$ 1,058,063	\$ 528,399	\$ 1,044,422	\$ 395,180	\$ 5,715,081	\$ 5,715,081	\$ 2,020,652
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 10,984	\$ 41,937	\$ (28,399)	\$ 13,301	\$ (182,463)	\$ (144,641)	\$ (144,641)	\$ 18,104
\$ 10,984	\$ 41,937	\$ (28,399)	\$ 13,301	\$ (182,463)	\$ (144,641)	\$ (144,641)	\$ 18,104
\$ 448,169	\$ 176,344	\$ 88,067	\$ 153,237	\$ 65,863	\$ 931,680	\$ 931,680	\$ 336,775
\$ (437,186)	\$ (134,407)	\$ (116,466)	\$ (139,936)	\$ (248,326)	\$ (1,076,321)	\$ (1,076,321)	\$ (318,671)

BEGINNING BALANCE AT 7/1/2006  
 ADDITIONS:  
 Billings (See Note below)  
 Refunds  
 Imputed Interest  
 Capital Leases  
 Other  
 Total Revenues  
 ALLOWABLE COSTS:  
 Expenditures  
 Depreciation  
 SWCAP (if not in the expenses)  
 Total Expenditures  
 UNALLOWABLE COSTS:  
 Capital Expenditures  
 Interest Expense  
 Other  
 Total Unallowables  
 ALLOWABLE EXPENSE  
 ADJUSTMENTS:  
 General Revenues  
 Equipment Transfers  
 Other  
 Total Adjustments  
 A-87 INCOME/LOSS  
 A-87 BALANCE AT 6/30/2007  
 60 DAY WORKING CAPITAL ALLOWANCE  
 EXCESSIVE BALANCE

NOTE: Most data in this schedule is taken from FY 2007 financial reports. However, the amounts of "Billings" for each of the MMRS Revolving Fund systems are provided here only for purposes of illustration.