

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

**RESPONSE
TO THE
PROJECT SLIM REPORT**

JUNE 1992

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ARIZONA DEPARTMENT OF ECONOMIC SECURITY
1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Fife Symington
Governor

JUN 10 1992

George Leckie
David St. John
Project SLIM
1700 W. Washington, 3rd Floor
Phoenix, Arizona 85007

Dear Mr. Leckie and Mr. St. John:

My executive management staff have reviewed the SLIM Report of the Department of Economic Security (DES) and we found it laying a good foundation for the improvement in client services and management accountability. We welcome the opportunity to build on that foundation by presenting our comments for the final report. Our response contains an executive summary that addresses the major themes discussed in the report and a specific assessment of the proposals presented for implementation.

I am pleased to report that DES management experienced a collaborative relationship with the members of the Project SLIM Team. Clesson Hill has been a strong team leader and Steve Rossi, Gail Paren, Doug Kluender, George O'Neil, Fred Meister, and Karen Halloway worked hard to understand the agency and to propose ways to improve it. We look forward to continuing our working relationship.

I want to also recognize the SLIM Team for recommending the reinvestment of some of the cost efficiencies back into the agency to improve service delivery and accountability. As you know, however, we are concerned about the SLIM Report displaying cost avoidance as part of cost savings. Please consider showing cost avoidance in dollars and staff as separate totals.

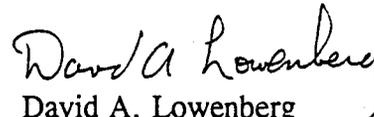
There are 55 recommendations contained in the Project SLIM Report. From a management perspective, the implementation workplan needs a lot more analysis before it can be finalized and I believe the SLIM Team agrees. We need to further delineate the development requirements, start-up costs, and workload priorities to refine the project timetable. This iterative process will also enable the SLIM Team to update the cost-benefit schedule.

My most immediate problem is staff morale because many employees are fearful they will not have their jobs, especially at the Arizona Training Program in Coolidge. We must reassure our employees that they are our most important resource by compensating them fairly and giving them opportunities to remain gainfully employed.

George Leckie
David St. John
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In closing, we really appreciate the SLIM Steering Committee for volunteering their time to serve the state of Arizona. We certainly are aware of the responsibility which the committee members have accepted and the impact that their recommendations could attain on caring for our clients and their families.

Sincerely,


David A. Lowenberg
Acting Director

DAL:llg

Enclosure

c: Don Reck, Chair
Project SLIM Steering Committee
Project SLIM Team
Charline Franz

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

RESPONSE TO THE PROJECT SLIM REPORT
June 1992

Executive Summary Part I

Automation Requirements Part II

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PART I. EXECUTIVE SUMMARY/ General Themes:

PROCESS:

The Arizona Department of Economic Security (DES) agrees with the goals of Project SLIM to improve overall management structures in state government and improve service quality through cost-effective productivity measures. DES finds these goals compatible with the mission of this agency "to enable Arizonans to maintain or move toward economic and social self-sufficiency through an integrated service delivery system."

In many cases the recommendations found in the DES Project SLIM report represent a commitment to improvement over a significant period of time and will not, therefore, result in an immediate savings to the state.

In some cases, the SLIM recommendations present the opportunity for policy decisions that will affect the future of service delivery and service to clients and customers for years to come. These are decisions that will need to be made during the planning for implementation regarding the level of quality of service acceptable to the people of Arizona. At the center of this issue is the question of whether savings should be reinvested in quality or amount of services. For example, is a seven percent error rate in eligibility determination for Aid to Families with Dependent Children acceptable to Arizona, given the fact that each percent in error rate equates to \$856,255 in misspent state dollars, or should Arizona reinvest in staff and technology to further reduce the error rate?

On the whole, the DES management and staff found the experience with the DES Project SLIM Team to be positive. The DES Project SLIM Team approached DES, the state's largest and perhaps most complex organization, with a positive attitude and maintained a courteous demeanor even during some lively debate.

The SLIM Team interviewed a large number and broad range of staff and management in its exploration of issues and brought to the table not only a fresh perspective but also a willingness to listen to and learn about the concerns and ideas of the employees of DES.

The department believes that if the Project SLIM Team had had a longer period for its review many of the areas of concern contained within the report and the response could undoubtedly have been resolved to both groups' mutual satisfaction.

POSITIVE ISSUES:

One of the advantages of the Project SLIM process, in addition to providing for a fresh look at the organization, was the fact that the team members were not hindered by the history of potentially controversial issues. In a number of cases these represent major policy issues for the State of Arizona and will require discussions and negotiations among the Executive Branch, the Legislative Branch, local governments, advocates, clients, families, community leaders, or other state agencies. Among such issues raised in the DES SLIM Report are:

Closure of the Arizona Training Program at Coolidge (ATPC) and the Arizona Training Program at Tucson (ATPT) (pages 158 and 166).

- * DES agrees from a quality of life standpoint that our clients should be placed in the least restrictive, community based placement. This change in placement will require significant planning and discussion as well as Legislative approval. In addition, the state must find an alternative use for at least the ATPC since it is a major employer in Pinal County, ensure a smooth transition for clients and address the needs of employees.

Centralization of responsibility for vocational rehabilitation and employment and training programs for persons with developmental disabilities in the DES Rehabilitation Services Administration (page 187).

- * DES agrees with the intent of this recommendation which is to ensure that the department maximize all available federal funds. Many of the Vocational Rehabilitation programs in the Rehabilitation Services Administration are matched at 80% with federal funds.
- * However, both the RSA and the DDD staff will need to work through a number of issues with contract providers, clients, families and the

federal government to ensure that current clients do not see a reduction in service as a result of this recommendation being implemented.

- * As indicated in Part III, DES does not agree with the savings projected by SLIM.

Recommendation to review the potential for transferring fingerprinting responsibilities for DES employees and contract providers from DES to the Department of Public Safety (page 229).

- * DES agrees with this recommendation in principle but will need to discuss this with the Department of Public Safety and request a change in statute if the recommendation proves to be cost effective.

Project SLIM appears not to have simply been looking for FTE reductions throughout DES, but rather has, in some cases, recommended procedural changes that will allow staff to spend more time working directly with clients and will improve the quality of service that clients receive. For example:

Reduce Service Plan reviews for persons with developmental disabilities from the current quarterly requirement and integrate Individual Program Plans (IPP) with the Service Plan to eliminate redundancy in paperwork (page 173).

- * DES agrees with this recommendation, however, the agency would prefer to review service plans semi-annually rather than annually as proposed by Project SLIM, because, despite the fact that many other states perform annual review, DES believes this would represent less than optimum care of the clients.

Eliminate monthly reporting for all Food Stamp recipients (page 111).

- * Because monthly reporting has been demonstrated by other states not to significantly impact error rates and because eliminating this requirement will be less intrusive on clients, DES agrees with the recommendation.

This should also decrease the rate of growth for additional Eligibility Interviewers in the future.

Provide applicants for Aid to Families with Dependent Children (AFDC), Food Stamps, General Assistance and Medical Assistance with a check list of the necessary information and documentation needed to process their applications prior to an interview for eligibility determination (page 73).

- * Although this will increase the workload for clerks at the front desk of eligibility offices and require additional staff in these positions, DES agrees with this recommendation because it will improve client services.

The DES SLIM Team also has made a number of recommendations, many of a fairly technical nature, that should expedite work processes and decision making in the agency.

Integrate the information systems used to store and process information related to eligibility for the medical, general, emergency assistance programs with that used for the Food Stamps and AFDC cases (page 91).

- * DES has submitted an Advanced Planning Document (APD) to the Health Care Financing Administration (HCFA) for approval and 50% federal match on the automation development of MEDICS. This system will also significantly improve the eligibility determination processes for medical assistance for the Arizona Health Care Cost Containment System.
- * The ability to proceed with this development depends not only on federal approval, however, but also on state appropriation in SFY 1993.

Create a position within the Family Assistance Administration (FAA) to review and challenge the Office of Program Evaluation error findings (page 139).

- * DES is planning to implement this recommendation on July 1, 1992, as part of the department's reorganization. The office will include audit, risk analysis, loss control, data security, program evaluation and venture team. It will also be responsible for tracking quality assurance functions performed by program operations throughout the agency.

Move the SEES process forward to within 48 hours of the applicant's interview and make other improvements in the quality assurance process for eligibility determination (page 197).

- * DES agrees with these recommendations and plans to pilot the program in eastern Maricopa County. Additional automated systems modifications and upgrades to training materials will be required before this can be implemented.

Shift emphasis from lengthy examinations by auditors to shorter up-front fiscal monitoring procedures to identify improper accounting practices and recommend changes to limit improper or incorrect billing (page 206).

- * Although DES agrees with the intent of this recommendation, additional discussions will be required during the implementation phase to ensure that the department does not abandon its fiduciary responsibility for audits.

SLIM also recognized DES' own history of self-initiated management and work flow improvements. Some of the Team's recommendations build on these previous or current improvements.

Reorganize the Department of Economic Security to eliminate unnecessary management levels and to streamline reporting relationships (page 48).

- * DES had been in the process of a management review at the time that Project SLIM was initiated in the department. The Director's Office and the SLIM Team were able to mutually benefit from ideas shared during this process.

- * DES proposes to redirect one of the positions recommended for elimination by Project SLIM to reinvest in this function because it will decrease the potential for federal sanctions due to error rates.

Disband Service Review Committees in the Division of Developmental Disabilities and eliminate weekly Service Review Committee meetings. DDD case managers should be given authority to approve or disapprove services for clients assigned to their caseload (page 180).

- * DES agrees with SLIM that it is reasonable and appropriate to allow case managers to authorize services up to a certain level clearly defined in policy and procedure since they are most familiar with the needs of the client.
- * This must be accompanied, however, with a quality/utilization management system with clearly defined prior authorization procedures, statewide service level guidelines and assessment tools and appropriate automation support.

In a number of cases the Project SLIM Team addressed areas of improvement related to accountability within the organization. DES strongly supports accountability in the public sector and has emphasized this issue in its strategic plan for the last few years.

BASE I training for eligibility workers should be expanded to four weeks and incorporate instruction on all 14 chapters of the FAA policy manual as well as material contained in the LAB program guide (page 154).

- * DES agrees with this recommendation and believes it will improve the ability of the eligibility interviewers to more accurately perform their work.

Establish a Quality Review Office to provide oversight authority for all similar evaluation units. The office will combine all existing multi-program review units. Activities of other review units which focus on only one program or administration will be coordinated through the new office (page 191).

Although the department has some concerns regarding certain specific recommendations from Project SLIM that will need to be worked out during the implementation, on the whole, the agency agrees with the elevation of certain client service areas to a higher level in the organization, elimination of one of the administrative support divisions, and improved coordination of functions of a similar nature.

ISSUES OF CONCERN:

Although the DES realizes from its discussions with the members of the Project SLIM Team that the contents of the report are considered to be preliminary recommendations and that the SLIM Team expects that during the next phase the agency will need to evaluate these recommendations to determine if they are truly cost-beneficial, there are several overriding issues throughout the report that will significantly impact the future of this agency and the clients whom DES serves.

On page 41 of the DES Project SLIM report, the document states that **the State of Arizona can save \$19.7 million as a result of implementing all of the recommendations in the Project SLIM report.** DES is concerned that the above statement not be set in concrete because further analysis is required in terms of start-up automation costs and other priorities facing DES.

One of the elements of unidentified additional cost relates to the numerous recommendations from SLIM that the proposed staff reductions or reassignments can occur only after appropriate automation support is in place.

- * It appears to DES that in several instances the Project SLIM Team calculated the cost savings of the staff reductions but did not include the expenditures that would be necessary to develop and implement the automation prior to these staff reductions, for example:

Implement changes in the eligibility application process for an annual savings of \$1,681,000 (See Exhibit 13) (page 74).

- * The Exhibit details the FTE savings but does not include the automation enhancement and training, which is not a significant cost, that will need to occur to allow these changes to be implemented.

The SLIM report states that the "annual savings totals for this and all associated finance recommendations do not reflect implementation costs. Most of these costs will involve significant automation enhancements specified in the recommendations. These enhancements range from minor modifications of existing systems to the development of new systems" (page 250).

- * Despite this caveat, the SLIM report identified a total of \$711,000 state reduction primarily due to the staffing reductions. These appear not to be net reductions since automation costs have not been included.
- * DES does not fault the Project SLIM Team for not providing the costs of all recommended automation development because that would be impossible to do at this time; however, DES thinks that it is critical to point out that the "savings" of \$19.7 million includes neither these development costs nor the costs of hardware and software once the programs are implemented. The MEDICS development alone, which SLIM recommends, will cost \$8 million during development of which \$4 million is state cost. An additional \$1.2 million in state dollars will be required for facilities upgrade.

DES is also concerned that in several instances where "savings" are referenced, the actual result of the recommendation would be to reduce paperwork obligations of direct care staff and thus allow them to spend more time in face-to-face contact with clients. This is particularly true with recommendations for the Division of Developmental Disabilities (DDD) found in Section 4 of the report. Given the strong consensus of many that DDD case managers need to be able to spend more time in direct client contact, DES advises against identifying any "savings" in this area. Rather the state should consider reinvesting these funds in the Division of Developmental Disabilities for the improvement of care for clients and automation development to improve accountability.

The closure of the Arizona Training Program at Coolidge and the Arizona Training Program at Tucson with result in a state dollar reduction of \$4.6 million (page 41).

- * DES would want to make sure that before such "savings" were certified, that all additional costs relating to increasing the ratio of case managers, improving the training and working conditions of case managers, developing and licensing new home and community based settings, and other factors related to deinstitutionalization had been taken into consideration.

Project SLIM recommends that the DES budget development process be decentralized, the Budget Office be reduced in size and restructured and that automation be enhanced to accomplish these changes. The projected cost savings by Project SLIM is \$47,000 state (pages 427 and 432).

- * The costs associated with automation development were not included by Project SLIM; therefore, the long term cost benefit of this proposal cannot be determined. The department does, however, agree in principle with decentralizing certain budget functions and increasing information, authority and accountability throughout the agency.

In addition to these issues relating to unidentified increased costs for automation development, upon which a number of recommendations hinge, DES also will need to carefully review with the Project SLIM Team the implementation schedule.

Although it is not readily apparent from Exhibits 4 and 5 on pages 41 and 42, DES realizes that it is not the intent of Project SLIM that all activities identified to begin implementation in "month 1" actually start in July 1992.

Therefore, even if the savings identified as "reductions" on page 41 were actual net rather than estimates without cost of implementation included, which they are not, the reductions identified for projects identified as taking less than 12 months would not be realized in the first year of implementation.

Other factors which DES and Project SLIM need to consider in developing a more comprehensive implementation schedule include:

Many of the recommendations contained in Section 6 of the report relating to the business and finance functions of the department are to reduce or reallocate staff based on the assumption that automated systems will be developed prior to these staff reductions or reallocations.

* While the department agrees in principle with many of the recommendations, it must caution that:

-- The inefficiencies which SLIM found in these areas can be corrected with automation development; however, it takes staff away from their current duties to design and manage new systems. Additional support through increased staff or outside consultants will be necessary during the implementation phase in order to develop the automated systems recommended by SLIM. This will initially increase rather than decrease costs for the department. These initial increases in costs have not been considered by SLIM in their calculation.

-- The business and finance area of the department is currently under very tight timeframes to deliver on critical priorities including changes to operations and the Financial Management Control System (FMCS). These include responses to seven management studies being performed by the Office of the Auditor General, completing five audits, and modifying FMCS to meet changing Department of Administration requirements.

* Decisions will need to be made as to the order of priority for the department and how the implementation schedule from Project SLIM will fit into that priority. The work currently underway can result in financial losses or sanctions from federal agencies if not completed timely and accurately.

DES realizes that this is only the diagnostic phase; however, there are several other implementation issues that will need to be taken into consideration. These include:

- * Commitments to the Department of Administration to develop appropriate interfaces to Arizona Financial Information System (AFIS) II and Human Resources Management System. These can neither be delayed nor fully predicted as part of the implementation schedule.
- * Commitments to the Department of Health Services to fully implement the required Title XIX provisions of mental health services to the Seriously Mentally Ill (SMI). This will impact the department and some of the client groups which it serves.
- * Subject to approval from the Executive and Legislative Branch, assisting the Arizona Health Care Cost Containment System (AHCCCS) with the implementation of a statewide consolidation of eligibility determination for the Medically Needy/Medically Indigent AHCCCS program. This recommendation was also contained in the Project SLIM report on AHCCCS.
- * Commitments to federal agencies to remain on schedule on several critical federally approved and funded automation projects including statewide automation of the Child Support Enforcement Program (due date April 1994), Performance Modifications to the Arizona Technical Eligibility Computer System (AZTECS) system (due date June 1993), development and implementation of an automated collections system for Unemployment Insurance Tax (due date approximately August 1994), and revamping of the ASSISTS system for the Division of Developmental Disabilities within the next two to three years. Even if program staff were available for all of the system design work, there is a limited number of resources available in the department's Office of Data Administration to accommodate simultaneous additional systems development.

Finally, DES is committed to working on these issues during the implementation planning phase with the Project SLIM staff. Other critical factors such as minimizing

employee disruption, ensuring they are fully educated to the process and know what to expect and having procurement code and administrative rules processes in place to expedite changes will need to be taken into consideration.

AUTOMATION REQUIREMENTS
YEAR 1

Recommendation	State \$ Reduction	Requires Automation	Automation Cost Included
1-A: Agency Organization Structure	\$ 0	No	N/A
2-A: Eligibility Application Processing	0	Yes	No
2-C: Agency Eligibility Error Reduction	201,000		
2-D: Food Stamp Monthly Reporting	216,000	No	N/A
2-E: FAA Policy Unit Reorganization	83,200	No	N/A
2-F: FAA Local Office Organization	216,400	No	N/A
2-G: FAA District Office Organization	251,100	No	N/A
2-H: Review of QC Error Rates	0	No	N/A
3-A: Establishment of FAA Training Site in Tucson	51,800	No	N/A
3-B: FAA Employees Who Fail BASE I Training	0	No	N/A
3-C: FAA District Training Coordinators	104,700	No	N/A
3-D: Enhancement of FAA BASE I Training	0	No	- But requires increase of-\$269,000 for expanded training.
4-C: Service Plan and Individual Program Plan	0	No	No
4-D: Service Review Committees	0	No	No
4-E: Vocational Rehabilitation Services	4,417,800	No	N/A
5-A: Quality Review Organization	0	No	N/A
5-C: Contract Provider Audits	0	No	N/A
5-D: Internal Audit Reviews	0	No	N/A
5-E: Internal Audit Reorganization	3,600	No	N/A
5-F: Venture Team	0	No	N/A
5-G: Reorganization of OSI	10,400	No	N/A
5-H: Internal Affairs Investigation Supervisor	19,900	No	N/A

AUTOMATION REQUIREMENTS
YEAR 2

Recommendation	State \$ Reduction	Requires Automation	Automation Cost Included
5-B: FAA Quality Assurance 6-F: Travel Advances 6-G: Travel Claims 6-N: Organization of Accounts Payable Functions 7-A: Unemployment Benefit Appeals	\$ 0 15,000 21,000 21,000 0	Yes Yes Yes No No	No No No N/A N/A
Year 2 Number of Improvements: 5	\$ 57,000	# Requiring automation development to achieve: 3	Cost unknown

AUTOMATION REQUIREMENTS
YEAR 3

Recommendation	State \$ Reduction	Requires Automation	Automation Cost Included
2-B: Medical Assistance Eligibility Determinations 4-A: Close ATPC 4-B: Close ATPT 6-K: DDD Bill Payment 6-O: Collection of Overpayments 6-P: Organization of Accounts Receivable/ Collections Functions 6-S: Budget Process	\$ 410,000 4,000,000 600,000 192,000 164,000 41,000 47,000	Yes No No Yes Yes No Yes	No N/A N/A No No N/A No
Year 3 Number of Improvements: 7	\$ 5,454,000	# Requiring Automation Development to Achieve: 4	Cost unknown

PART III: DETAILED RESPONSE

SECTION 1

AGENCY ORGANIZATION STRUCTURE

The Director's Office in the Arizona Department of Economic Security (DES) has been in the process of an organizational review for several months and has worked with the Project SLIM Team on agency reorganization issues. DES agrees in principle with the recommendation of Project SLIM to reorganize the department in order to improve communications and elevate critical programs to a direct reporting relationship with the Director's Office. DES further agrees that accountability and communication will be enhanced by organizationally restructuring certain functions of a similar nature.

DES agrees with the SLIM recommendation to allow maximum flexibility in the organization of the Director's Office. This recognizes that, in reality, there are relatively few instances where policy direction and decision do not affect or are not impacted by the administrative operational realities of the agency, and allows the Director sufficient time to represent the agency and its clients and programs with the community, local government officials, the Legislature, federal officials, business community and media personnel.

DES agrees with expanding the number of program divisions to six and agrees with the identification of programs to be elevated to division status. Each of these program areas - child support enforcement, aging and adult services, and community services is large and complex and warrants an elevated status. DES had identified these changes as part of its own reorganization.

DES does not agree, however, with the SLIM recommendation to combine the administrations of the Family Assistance Administration (FAA) and Disability Determination Services Administration (DDSA) under a single administrator within the new Division of Eligibility Assistance (Division of Benefits and Medical Eligibility). FAA performs eligibility functions related essentially to poverty programs--Aid to Families with Dependent Children (AFDC), General Assistance, Food Stamps, and Emergency Assistance--while DDSA, which is 100% federally funded, performs federally required medical assessments to verify functional eligibility for social security benefits under the federal Social Security Administration. Each of these two operations--FAA and DDSA--is large, has a significant budget, reports to different

federal authorities and has distinctly different and complex federal and state requirements.

Furthermore, the department is maintaining the Office of Program Evaluation (OPE) in the new Division of Benefits and Medical Eligibility, referred to in the SLIM document as the Division of Eligibility Assistance, to provide for federally required reviews to improve timeliness and accuracy and reduce errors. This should be administered separately from the eligibility determination function to ensure appropriate checks and balances. The result is three administrations--FAA, OPE, DDSA--which DES believes is an appropriate span of control to effectively manage operations given the complexity of each of the three functions.

DES also disagrees with the single administration approach for the new Division of Aging and Community Services. The functions of the Community Services Administration (CSA) are much broader than just the aging population. It is responsible for the community network in Arizona relating to hunger, homelessness, and other similar services that also serve younger individuals, children, and families. The Aging and Adult Administration, on the other hand, works primarily with Title III Older Americans Act and state identified activities. While it is true that older people may need the services of CSA, not all CSA recipients will qualify for Aging and Adult services. Each of these program areas has a significant advocacy group who will not respond well to the apparent loss of attention and priority. In addition, Title III of the Older Americans Act implies that the state's Aging and Adult Program be a single designated administration within the state. Also, the complex specialized functions would be very difficult to spread across units.

DES supports the Project SLIM recommendations to:

- Create Child Support Enforcement as a separate division.
- Abolish the Division of Management Review.
- Move Internal Affairs, Affirmative Action, Appeals/Appeals Board and Legal Services to the Director's Office.
- Relocate the Research Administration.
- Relocate the Office of Special Investigations
- Establish a single, central administration for evaluation, management review, audit, and quality assurance functions. This administration will include Internal Audit, Data Security, Risk Analysis, Loss Control, Evaluation, and the Venture Team.

SECTION 2

FAA ELIGIBILITY ASSISTANCE

A. Eligibility Application Processing

The Project SLIM Team spent considerable time researching, observing, and assessing the department's eligibility determination processes for cash and medical assistance programs. This is undoubtedly one of DES' more complex areas of work and is regulated by a myriad of federal regulations. It also represents the area of greatest state and federal expenditure, considering both staff resource costs and benefits/services through both DES and the Arizona Health Care Cost Containment System Administration (AHCCCSA).

Due to the high cost of this area of work and the direct impact Family Assistance Administration (FAA) processes have on clients through the timely and accurate determinations for eligibility, DES has over the last few years engaged in its own reviews to improve work effectiveness and efficiency:

- SLIM mentions the Local Office Procedure (LOP) review completed in 1988. Prior to LOP, the AFDC error rate was 14%. Today, due largely to LOP, the AFDC error rate is 7.1%. Timeliness has improved in AFDC and food stamps from an all-time low of 55% in 1981 to 98% - 99% today. For every percent improvement in error rate in AFDC the state avoids an erroneous cost of \$856,255.
- In 1989, DES reduced the size of the combined multiple program application form from 32 pages to 11 pages thus improving both the applicant and worker processing time.
- In 1991, DES initiated development of the Arizona Technical Eligibility Computer System (AZTECS) Performance Modification system which will improve automation by speeding up overall computer processing time.
- In October 1992, DES will begin MEDICS, which will create an automated eligibility determination for the Medical Assistance Only

(MAO) applicants for AHCCCSA. This, however, is dependent upon federal approval and a \$1.6 million appropriation from the Arizona State Legislature for SFY 1993 for system development and facilities upgrade to support the new Central Processing Unit (CPU) and Direct Access Storage Device (DASD) necessary to operate the system.

- Project SLIM makes reference to a pilot inquiry process initiated in April 1992 to electronically access other automated systems. This process, called PASS, will be implemented statewide if determined beneficial.

Project SLIM is correct that the eligibility determination process could be expedited if Eligibility Interviewers (EIs) entered information directly into the computer system. SLIM also observed, but did not comment on the need to improve the computer response time which is critical to support eligibility determination activity.

DES has struggled for years with timely funding for increased capacity for its mainframe system to which AZTECS is linked. Historically, additional CPU and DASD have been acquired through the Advanced Planning Document (APD) process which requires prior federal approval from DES' cognizant federal agencies for each step of a new development process including planning new development, Requests for Proposal (RFPs), contracts for development assistance, contracts for hardware and software and end-line user equipment for staff. Although federal policy states that approvals will occur within 30 days, they never have -- typically a federal approval takes four to eight months, with six months being average for each step in the process. Once approved, however, some development efforts receive enhanced federal match of 90%(F), 10%(S).

Waiting for federal approval and attempting to coordinate federal approval with the state appropriation process, required for the matching funds, results in excessive delays and renders department management incapable of responding appropriately to the strains that caseload growth or labor saving enhancements place on the mainframe systems.

The additional requirement to also seek approvals from the Arizona Department of Administration further adds to the delays.

During the period of July 1989 to September 1991 the DES mainframe ran at an average of 90% of total capacity with peak demands commonly reaching 100%, unheard of by industry standards--resulting in slow end-user response time. DES should plan for new CPU expansions when the system is operating at approximately 70% and should install CPU expansion capacity when the system is running at an average of 80 to 85%.

DES suggests that Project SLIM recommend a revolving fund be established to allow DES timely access to funds for mainframe expansion. Such a fund could be replenished with federal funds when federal approvals are received.

Given the above caveat, DES concurs with the recommendation to enter applicant information directly into the computer when feasible; however, it should be noted the system will require enhancements to provide a truly interactive interview environment. This will require funds for additional development.

In addition, the workbook cannot be eliminated. When AZTECS was first implemented, the application was 32 pages long and was in alignment with the AZTECS screens. This lengthy application was determined to be a barrier to program participation. The result was to divide the application into an application form and agency workbook. The information in AZTECS is insufficient to meet federal documentation standards without use of the workbook.

DES concurs with the recommendation to have Front Desk Clerks provide applicants with a check list of necessary information needed to process applications prior to the interview; however, it should be noted additional staff will be needed at the front desk to avoid long lines of applicants in the lobby. The department suggests this recommendation be expanded to indicate that savings from other areas be used to fund sufficient front desk staff.

DES also agrees that FAX machines would expedite the eligibility process, but the SLIM report lacks the cost of start up which includes equipment (FAX), systems enhancements, and revisions to procedural handbooks and training materials.

DES agrees with the remainder of the SLIM recommendations regarding the issues of scheduling and use of EI time. DES looks forward to working through the feasibility of these recommendations with SLIM during the implementation phase. Even with these improvements, however, DES continues to believe that:

- Staffing levels will need to increase due to increasing caseloads. Since 1989, caseloads in AFDC, Food Stamps and MAO have increased almost 100%. Although DES has managed to significantly reduce error rates and increase timeliness during this period, eventually the department will reach a point of diminishing returns. DES would like to work with SLIM on issues related to caseload ratios and caseload growth.
- Given the linguistic plurality of Arizona, the Department of Administration (DOA) Personnel System should recognize and provide a pay differential for bilingual staff in certain state service positions such as eligibility interviewing. These staff could then be scheduled better to improve the office work flow. DES has requested this consideration from the DOA but has received a negative response.
- SLIM supports DES-FAA in the development and expansion of informational video or front-end kiosk systems in local offices to explain benefits and programs to applicants. This development will further free-up staff from redundant informational activities.

B. Medical Assistance Eligibility Determinations

DES thinks it makes good management sense to adopt the SLIM recommendation to pursue federal approval to implement the MEDICS project. MEDICS will automate a high volume, labor intensive eligibility process that is currently an inefficient manual operation. DES has requested that the Arizona State Legislature add \$1.6 million to the SFY 1993 appropriation for state match and facilities upgrade for MEDICS. DES has submitted its APD to the federal Health Care Financing Administration (HCFA). A 50% federal match for development will be available upon federal approval. The APD and development require approval from and coordination with AHCCCSA as the state cognizant agency with HCFA.

DES is also submitting the attached revised Exhibit 16 to SLIM to update the APD information based on the new submittal (see last page of this section). Lack of sufficient state funds and federal approval in previous years resulted in DES moving the initiation date from January 1991 to October 1992.

DES further suggests that the state may want to consider consolidating all AHCCCSA acute care eligibility in the Department of Economic Security. Currently, Arizona's fifteen counties process eligibility for the state-funded Medically Needy/Medically Indigent (MN/MI) program. DES understands that the AHCCCSA Project SLIM Team made such a recommendation.

C. Agency Eligibility Error Reductions

DES agrees with the Project SLIM recommendations and, as cited in the previous section on "Eligibility Application Processing," has aggressively pursued error rate reduction.

DES must again state, however, that ultimately an increase in FTE is required to ensure sufficient staff resources to implement these recommendations. In SFY 1992, DES will expend \$750,000(T) [\$253,500(S); \$253,500(F); \$243,000(O)] in overtime payments to staff to attempt to keep up with timely processing of applications. Since overtime pay is largely time and a half according to the Federal Fair Labor Standards Act (FLSA) and State Personnel Rules, DES believes this expenditure is a cost inefficiency that could be better applied to dollars for increased FTE.

There is a delicate balance between timeliness and error rate. Eligibility Interviewers emphasize timeliness, at management direction, to avoid court ordered penalties. Without sufficient staffing, this creates a Catch-22 for the agency which is not reflected in the Project SLIM report.

Additional Comments: SLIM states on page 104 that no information is available to determine if AFDC ineligibles would be eligible for other medical assistance programs offered by AHCCCS. This is not information that would be known to DES but may be available from AHCCCS Quality Control staff.

The information on page 104 relating to the DES error rate does not fully demonstrate the magnitude of the caseload and staffing impacts. Since 1988, the DES error rate for AFDC has improved 5 to 7% while caseload/applications have increased 155% and staffing EI only increased about 50%. By also avoiding being held in contempt of court on timeliness issues, DES estimates that the improvements mentioned here and in the previous section have avoided costs to the state of \$5 million to \$10 million.

D. Food Stamps Monthly Reporting

DES agrees with the recommendation to eliminate monthly reporting in all food stamp cases and pursue the Kentucky model within three years on AFDC reporting.

The description of the benefits to be achieved, however, indicate a savings of 54 Eligibility Interviewers (EIs) and postage and forms. It should be noted that clients will continue to be required to report changes when they occur. Clients must be provided a non-MR change report and postage paid envelope. When the client returns the report, the agency must supply the client a new one for future reporting. The SLIM report does not address this cost; therefore, the suggested savings will not be totally realized. DES agrees that future need for additional EIs may be reduced by adjustment to the workload standards used in developing budget requests.

The implementation lacks the cost of start up which includes client education and revisions to policy manuals, procedural handbooks, and training materials. These issues will need to be addressed with Project SLIM during implementation.

E. Family Assistance Administration Policy Unit Reorganization

The DES disagrees with most of the recommendations in this section and believes that there may have been a miscommunication between SLIM and DES staff.

The Family Assistance Administration interfaces with three separate federal agencies each of whom has its own set of regulations. This, not the DES Policy Units, may result in inconsistencies. Federal agencies will, on occasion, issue retroactive policy and all medical assistance policy material must be approved by AHCCCS prior to issuance to field staff. Again, this, not the DES Policy Units, results in retroactive policy changes which may be viewed from a field perspective as "untimely." Field staff

are not always aware of the complexities of the federal/state relationship and may, therefore, have inadvertently misled Project SLIM.

The findings suggest that review of the other unit's work results in inefficient use of staff resources, yet without this review inconsistent policy clarifications will increase. Even if the policy units were combined, the highly specialized nature of the information would require differentiation of function and therefore the units would still be required to review each other's work to ensure consistency where possible.

The SLIM recommendation to eliminate the two Grade 21 positions and reclassify two existing Policy Specialists to Social Service Administrators with the added responsibility of supervision could result in the delay of issuance of policy material and decreased quality. DES would prefer to reevaluate this recommendation after MEDICS implementation.

DES would like to reemphasize its recommendation, which SLIM has identified on page 118, that to improve service to customers in field offices and improve accuracy and timeliness by EIs, funds be appropriated to place policy material on-line and eliminate the dependency on Forms Management and the Print Shop which now require two months lead time for issuance of material. This will expedite policy change transmittals to the field, reduce workload on the DES Division of Business and Finance, and reduce paper processing to FAA field offices.

DES does not agree with SLIM that this should wait until MEDICS is completed on April 1, 1995. AFDC/Food Stamp on-line policy is not dependent on MEDICS; only MAO is.

The Management Evaluation (ME) process is required under Food and Nutrition Service (FNS) regulations. FAA is responsible for overseeing and implementing FNS regulations. ME must take its direction from the FAA Administrator who sets the priorities for this unit. DES does not agree with the recommendation to transfer this function to the Quality Review Office, but would prefer to include their activities in the overall Quality Review Accountability Annual Report.

F. FAA Local Office Organization

DES agrees with the recommendations to realign staffing in Family Assistance Administration (FAA) local offices:

- If Assistant Local Office Managers are eliminated, appropriate funding should be identified to reduce and maintain the size of a local office structure to no more than six units and appropriate Quality Assurance Specialists should be authorized to ensure continual quality monitoring and training (refer to SLIM recommendation entitled, "FAA Quality Assurance"). There are currently five local offices which exceed six units. A single unit of Eligibility Interviewers is responsible for \$3-4 million in AFDC, food stamps and AHCCCS benefits per year. DES believes that large offices put too many public dollars at risk. Properly staffed management ratios is a must.
- The inconsistencies in structure will continue unless the same recommendation applied to Casa Grande is implemented in four additional offices. These offices are Avondale, Flagstaff, Yuma, and Coolidge. The recommendation should be to employ an Administrative Support Supervisor in each of these offices.

These modifications are necessary to ensure quality and accuracy. The savings from SLIM's proposed staff reductions will, therefore, not be as great but this change will have long-term benefit.

G. FAA District Office Organization

Although DES agrees with SLIM's recommendation to eliminate District Training Coordinators and Quality Assurance Supervisors, the department believes that SLIM has incorrectly concluded that these changes will eliminate the need for Assistant District Managers (ADM) and District Program Specialists (DPS). If the ADM and DPS were also eliminated, Program Managers would have to assume added responsibilities for:

- Development and implementation of quality enhancement plans.
- System hardware troubleshooting.
- EEO complaints.
- Client complaints.
- Participation in community activities.
- Coordination of client services among various program divisions within state and county agencies.
- Planning, monitoring, managing and directing one of state government's largest organizations.

To perform such functions without adequate staff support will impede, not improve, management and communication. The current function of the Program Manager is to manage day to day operations, implement corrective action plans, improve client access to service, and respond to the community and advocates on behalf of staff in the District.

Reduction in support should not occur just as DES is taking on additional eligibility functions. DES agrees that this be reconsidered after MEDICS is on-line and other eligibility changes have occurred.

H. Review of QC Error Rates

DES agrees with the recommendation to hire one (1) FTE to be dedicated to ensuring error rates determined by quality control staff are, in fact, errors. DES proposes to redirect one of the positions recommended for elimination by Project SLIM to accomplish this.

**The Medical Eligibility Determination and
Information Control System
(MEDICS)**

Purpose : To provide automated Medical Eligibility Determination of Department of Economic Security clients seeking medical assistance from the Arizona Health Care Cost Containment System (AHCCCS).

System Development : The Arizona Department of Economic Security, in cooperation with the Arizona Health Care Cost Containment System. The Advance Planning Document (APD) describes a Modified Approach to System Transfer, as the plan for development.

Project Schedule :

Phase I - Systems Requirements Definition and External Design. Six months; October 1992 - March 1993.

Phase II - Software Development, Testing, Documentation, Pilot System. Twelve months; April 1993 - March 1994.

- User Training, Implementation, Conversion. Twelve months; April 1994 - March 1995.

Post Development - Depreciation on EDP Equipment will be distributed over a 60 month period, with the final payments made in March 1998. These costs are included in the APD budget request.

Project Budget : The estimated total cost is \$7,526,975, assuming a 50/50 FFP rate. Details as follows:

Cost Category	Total	HCFA FFP	State Cost
Development/ Transfer	\$4,857,993	\$2,428,996	\$2,428,996
EDP Equipment	\$2,227,169	\$1,113,584	\$1,113,584
Interest on EDP Equipment	\$ 441,813	\$ 0	\$ 441,813
MEDICS TOTAL	\$7,526,975	\$3,542,580	\$3,984,393

Budget Estimates Revised May 1992.

SECTION 3

FAA TRAINING

A. Establishment of FAA Training Site in Tucson

DES agrees to the SLIM recommendation to locate another Family Assistance Administration (FAA) BASE Training program in Tucson to reduce travel costs for employees travelling to Phoenix.

B. FAA Employees Who Fail BASE I Training

DES agrees with the recommendation to restrict external hires to persons scoring 85 or above on the State Personnel Screening and Certification process; however, this should not apply to promotional hiring lists so as not to discourage career development for clerical staff already working for the agency.

The department agrees that if an Eligibility Interviewer (EI) on promotional probation fails BASE I, the employee be reverted to his former classification, not terminated.

It should be noted that only applicants for EI positions in Districts I and II are scored based on written and oral examinations.

C. FAA District Training Coordinators

DES agrees with the SLIM recommendation to abolish seven (7) of the District Training Coordinator positions and use funds from the remaining two (2) Training Coordinator positions to provide supervisory training in the Family Assistance Administration.

D. Enhancement of FAA BASE I Training

DES agrees with SLIM's recommendation to expand BASE I training from three weeks to four weeks, incorporate instruction on all 14 chapters of the FAA Policy Manual and include material in the Life After BASE (LAB) program guide.

SECTION 4

DEVELOPMENTAL DISABILITIES

A. Closure of the Arizona Training Program at Coolidge

From a professional program service standpoint, the department agrees that the 181 persons currently residing at the Arizona Training Program at Coolidge (ATPC) could reside in community settings.

SLIM's recommendation is consistent with DES policy to place people in the least restrictive appropriate setting possible. In general, clients residing at the ATPC are long-term residents with an average age of 40 years and functional levels and medical conditions comparable to persons with developmental disabilities residing in home and community based settings. Given that, however, the ATPC is "home" for 181 people who rely on the permanency of this institution. It is therefore critical to begin careful planning early to ensure a smooth transition for these people.

The advent of Title XIX Long Term Care in Arizona in 1988 has highlighted the administrative difficulties and financial drain of attempting to maintain federal certification for the larger and older institutions such as the ATPC. It has certainly not been the intent of either DES or the state to develop a "dual system" of care which the SLIM report has identified.

The ATPC is a major employer in the Coolidge/Randolph area of Pinal County. Of the 486 permanent staff members employed at ATPC, 286 live in Coolidge. Closure of the ATPC would create an adverse economic impact on that community as it is not reasonable to assume that all 286 persons could find employment with vendors or otherwise be absorbed into the local labor market. This is a factor not just for the ATPC employees but also the merchants and city government of the area. DES and the state must engage in thorough planning and ensure that consideration be given to the ATPC staff who may require assistance with employment.

Coolidge and the surrounding communities should not be expected to absorb 181 new clients with developmental disabilities in group homes in such a small residential area. In addition, medical resources may not be adequate in the Coolidge area to handle intensive medical needs of some of these individuals. Therefore, careful planning on

the part of the state will be required to develop residential settings compatible with clients' and families' needs. The planning must further consider ways to minimize the disruption and psychological impact on individuals who have been at ATPC for 10-20 years.

In addition, alternative use planning for the ATPC must be based on a broad coalition of interests that include several Pinal County communities and elected officials. Economic development should be part of the state's plan related to closure of the ATPC.

DES must also point out that the savings projected by Project SLIM for closure of the ATPC may need to be refined to account for such issues as changing staff ratios required by many clients moving to the community, start up costs for vendor and state operated facilities, recruitment and licensure of additional adult developmental homes. DES believes that some of the savings in the transition years would be absorbed by such costs and therefore the real benefit will be post-transition cost avoidance. The department cannot verify these cost figures and therefore would need to readdress them during the planning phase.

Finally, approval of the Legislature is required to close the ATPC. The Legislature would probably want to first see a fully developed economic plan that is acceptable to the City of Coolidge as well as a plan for the clients and involvement of families in the closure process.

B. Closure of Arizona Training Program at Tucson

The same concerns and issues as previously discussed regarding the closure of the ATPC apply to the SLIM recommendation to close the Arizona Training Program at Tucson (ATPT). Again, DES does support the recommendation but significant planning with clients, vendors, families, and the local government is required for the transition to occur. DES is also concerned that the "savings" are overstated and will need to rework these assumptions during the planning phase.

C. Service Plans and Individual Program Plans for Developmentally Disabled Clients

The department agrees with the intent of the recommendation from Project SLIM that updating service plans every 90 days is not the most efficient use of case manager time. DES does not agree, however, that an annual review is sufficient and proposes instead a semi-annual update. The service plan review is an integral part of case management responsibility to ensure that services being provided are appropriate and that regular contact with clients is maintained. Approval from AHCCCS will be required and a demonstration waiver update will need to be submitted. DES also agrees to integrate the Individual Program Plans (IPP) with the information in the service plan. The department further proposes to phase in this change with case managers in order to allow the department time to validate that clients are receiving appropriate services.

It is inaccurate to state there will be "savings" in dollars since what is being reflected in the recommendation is a refocusing of a finite number of hours available to existing numbers of case managers to do those tasks they are currently unable to do. The department believes that any savings in hours realized from changing the Service Plan and IPP requirements should be reinvested back into existing case managers to spend more time with clients thereby resulting in a more accurate assessment of needs and services provided. If this were done, there would be no "savings" in case manager positions or dollars.

D. Service Review Committees

DES agrees with SLIM that it is reasonable and appropriate to allow case managers to authorize services up to a certain level clearly defined in policy and procedure since they are most familiar with the needs of the client. However, this must be accompanied by a quality assurance/utilization review (QA/UR) management system with clearly defined prior authorization procedures. The costs of a QA/UR system have not been included in the SLIM benefit analysis.

DES also believes that in implementing these recommendations SLIM should consider the department's need to:

- Develop and finalize statewide service level guidelines and assessment tools.
- Retrofit the computer system to track service authorization, deny unauthorized claims and produce utilization reports which can be integrated with budget accounts.
- Develop a system to focus resources on those clients with specialized or high acuity needs (e.g., R.N. medical case management).

In addition, if Service Review committees are disbanded, additional review requirements currently exist both in Arizona Long Term Care System (ALTCS) rule (R9-28-511.C.) and in the ALTCS Program Management Manual (323.2). To fully comply with the intent of the recommendation would require additional rule changes and the approval of the AHCCCSA.

E. Vocational Rehabilitation Services for the Developmentally Disabled

Although DES agrees with the SLIM recommendation to mainstream vocational rehabilitation services for persons with developmental disabilities, it is unrealistic to project a \$4,417,800 savings for this proposal without further investigating the number of individuals who would qualify for the state/federal Vocational Rehabilitation Program. If this total amount is reduced from the budget and the projected savings are not realized, then the department would not have the funding to continue services for the current clients.

DES estimates at least a six month planning phase prior to implementation. It would be important to ensure adequate time is taken to transition the individuals so as not to create any hardship for these clients or their families.

DES will ensure that Rehabilitation Services Administration (RSA) and the Division of Developmental Disabilities work jointly to plan the transition. During this time, RSA will review individuals who would qualify for the state/federal Vocational Rehabilitation funding and those who will require continued support with state funding. This will allow a clear projection of any savings which can be realized without jeopardizing services for individuals with developmental disabilities.

SECTION 5

QUALITY REVIEW/AUDIT/INVESTIGATION

A. Quality Review Organization

The department agrees with the recommendation of Project SLIM to consolidate multi-program accountability functions in a new Office of Quality Review and is planning this as part of the reorganization effective July 1, 1992. This office will be located in the Division of Administrative Services and will include the following units:

Internal Audit

Risk Analysis

Loss Control

Data Security

Venture Team

Program Evaluation

The other units identified on page 193 of the SLIM report will remain in their present location in the organization because they are single purpose reviews only, but they will receive oversight from the Office of Quality Review.

B. FAA Quality Assurance

The DES agrees with the SLIM recommendations regarding improvements to the FAA Quality Assurance process.

Federal regulations provide specific time frames for determining eligibility but do not require an agency to deem an applicant eligible if the time frame is not met. Project SLIM should be aware that emphasis on timelines is driven by the McCowen vs DES court suit settlement which requires the department to presume eligibility for the food stamp program if food stamp determinations are not made according to federal regulation time frames.

The recommendations to have Quality Assurance (QA) Specialists report to Local Office Managers and to redefine the role of these staff cannot be fully implemented since all offices do not have appropriate QA Specialists. DES suggests this

recommendation be expanded to indicate that savings from other areas be used to fund sufficient QA Specialists.

The implementation lacks the cost of start up which includes systems modifications and revisions to procedural handbooks and training materials. This will need to be further discussed with Project SLIM during implementation.

C. Contract Provider Audits

Although DES agrees with the intent of Project SLIM's recommendation to prevent contract problems through monitoring, DES is not certain that the calculation used by the SLIM Team of three days per monitoring activity would be long enough to achieve the projected savings. DES would like to further discuss the implementation strategies and staffing methodologies with the Project SLIM staff.

D. Internal Audit Reviews

The department concurs with the recommendations of Project SLIM to move audit disposition coordination activities to Internal Audit in the Office of Quality Review and to request a desk audit of the Division of Business and Finance Administrative Assistant III who is currently responsible for monitoring the funding and corrective actions associated with the DES Single Audit conducted by the Auditor General's Office.

The department will also need to reevaluate the new workload imposed on the Chief Auditor during implementation to determine if additional support will be required.

E. Internal Audit Reorganization

Project SLIM proposes to reduce the number of audit supervisors and increase the number of auditors in the department so that DES can perform more audits and reduce administrative costs.

The 41% "management cost" identified by SLIM is somewhat misleading because it includes the five audit supervisor positions, which are all "working" supervisors who perform audits.

Although DES agrees with the need for an improved career ladder, both of the grade 21 positions recommended by SLIM would require the creation, through the Department of Administration (DOA), of an entirely new "auditor" service grade that does not presently exist. DES, therefore, proposes that those two positions be grade 22 audit managers, such as exist presently in the Department of Transportation internal audit structure, and already exist in the DOA classification structure.

DES is concerned that with the emphasis on accountability, increasing audit capabilities will require additional discussions with Project SLIM during implementation.

F. Venture Team

DES Management has found the Venture Team concept a useful tool in internal management review. Upon implementation of the program, DES provided a full briefing of the agency functions to the Venture Team Board members and recommended a number of areas for the Board's consideration.

When the DES Venture Team process was initiated, the Business and Finance section of the agency was receiving the most criticism of any area of the department--both from within the agency and from the Legislature, providers, vendors and other persons doing business with DES. That criticism has abated--in no small part due to a number of improvements that the agency has made.

Even though the areas studied were not those of major expenditures, Venture Team nonetheless paid for itself and identified over a quarter of a million dollars in cost avoidance. DES believes this is significant.

The Venture Team staff review their work with managers of areas under study and senior management for accuracy of content and interpretation. No report is approved and finalized by the Board until management has signed off on its accuracy. In addition, the Venture Team staff produce a tracking report so that action plans and implementation steps can be monitored by the Director's Office. To date, all recommendations by the Venture Team are scheduled for implementation unless DES has been unable to identify resources.

DES agrees that the Venture Team should also explore programmatic areas of the agency but wishes to point out that:

- Project SLIM has just completed a review of eligibility determination functions (FAA) and the Division of Developmental Disabilities (DDD).
- The Auditor General, as part of the DES Sunset Review, is reviewing DDD and Child Support Enforcement (CSEA).
- The Legislature recently completed a review of Child Welfare (Child Protective Services), DDD, and CSEA.

DES agrees with the recommendation to move the Venture Team unit to the Office of Quality Review and is doing so as part of the department's reorganization. DES is unclear though why SLIM recommends reducing the size of the Venture Team Board to three members. There are currently, by statute, five private sector business members appointed by the Governor and five public sector managers appointed by the DES director.

G. Reorganization of OSI

The DES agrees with certain recommendations relating to the reorganization of the Office of Special Investigations (OSI) and, additionally, offers some alternatives that the department believes will further enhance the operations.

The department agrees with the SLIM recommendation to one (1) Administrative Support Supervisor in Tucson and one clerical position. There is a seasonal clerical position (Grade 8) in the Tucson office. This clerical position should be converted to a permanent Grade 11 Information Processing Specialist (IPS) II. This position will be responsible for fingerprint services, reception duties, and support to the other clerical positions. In the first quarter of this year, OSI Tucson attempted to operate without this position and without the Administrative Support Supervisor I. The result was that the hours of fingerprinting available to the public were cut by fifty percent. Complaints were received from the public, the provider community, and other program divisions of DES. Errors increased, backlogs developed, and investigators had to cover phones and assist with printing, which is not a good use of their time or qualifications. Using a seasonal clerical is inefficient, because staff do not remain long in these types of positions and the agency must repeatedly train new employees.

DES agrees that the Program and Project Specialist position should be abolished; however, DES maintains that given that Fraud Operations will have clerical staffing, it may be appropriate to consolidate and abolish one Administrative Support Supervisor II as recommended.

DES agrees that one IPS II position should be added to the Tucson office, that one vacant Investigations Supervisor I should be filled, that one Investigator II position should be added to the Forgery Unit, that the administrative unit should be reorganized, and that three clerical positions should be reassigned to the Phoenix Fraud Unit.

Computer access has been a problem since the inception of the automated fraud tracking system. There has never been sufficient terminals availability. Recently, OSI has been able to obtain enough terminals to equip all management, supervisory, and clerical staff. Terminals are strategically placed in key metropolitan offices for field investigators. The completion of the original plan of an interactive computer system is needed.

DES agrees with SLIM's recommendation that Field Operation cases be opened by investigators and their reports completed without typing. This recommendation is currently being implemented by DES as an integral part of the Field Operations conversion based on the pilot project. Conversion should be completed by July 15.

Concerning SLIM's recommendation relating to OSI communications, OSI has been working on an effective method of communicating results to those with a need to know. Consideration must be given to the confidentiality of the client and the mission of DES. DES wants to be certain that the appropriate message is sent to all. The Phoenix Fraud supervisors are working on this plan and will add Project SLIM's suggestions of involving the Public Information Officer and the program divisions into the project. This should be completed and operating by no later than July 1, 1992.

With regard to SLIM's concern about the design of the reception work area, this has always been problematic. The tasks involved include assisting with the completion of fingerprint forms, coordination with the Fingerprint Team, managing the phones and messages for the entire Phoenix staff, access control to conference rooms and for those who are in the office for interviews and interrogations.

The Administrative Services Manager will review the current tasks and incorporate changes as possible to assure that this position is effective.

Additional Comments:

Copy Equipment

The report notes that OSI has inadequate copiers. No recommendation is noted however. Based on SLIM's analysis, it is recommended that OSI copiers be replaced. Unfortunately, given the limited appropriation for replacement equipment, DES may not be able to make this a priority.

Fingerprint Unit

Two years ago OSI was under severe criticism from a variety of sources. In the last two years department policies and Administrative Rules have been drafted, and coordination among other state departments, including the Department of Public Safety (DPS), has been achieved. Backlogs and error rates have been eliminated through these efforts and internal organizational changes.

Page 223, Paragraph 5 states that OSI takes fingerprints of certain agency programs and providers. It should be more accurately stated that fingerprinting is mandated by statute upon which rule and policy are based. OSI fingerprints employees and providers of the Division of Social Services, the Division of Family Support, DDD, the Division of Business and Finance as well as prospective guardians, foster care, adoptive parents and certified personnel and care providers.

DES would suggest that Project SLIM be cautious in looking for savings in the fingerprint area. Changes may be appropriate but backlogs and error rates need to be closely controlled as inaccuracy could lead to severe liability issues.

H. Internal Affairs Investigations Supervisor

DES agrees with Project SLIM's recommendation to eliminate the position of Investigations Supervisor.

SECTION 6

FINANCE AND BUDGET FUNCTIONS

A. Organizational Structure -- Finance Operations

The department generally concurs with Project SLIM's recommendations relating to finance operations to group similar functions, remove excess organizational layers, raise grade levels of certain accounting related positions and eliminate unnecessary processing steps and inefficiencies.

The DES is not, however, in agreement that all of the reductions in staff levels could be achieved. While the true staffing needs of the DES Division of Business and Finance (DBF) cannot be known until all automation enhancements and revised procedures are in place, it does appear that the proposed organizational structure is very tight. This structure may provide for day-to-day business activities, but DES does not believe there is sufficient flexibility to perform tasks outside of the normal daily operation.

Numerous recommendations that Project SLIM made require modifications to the Financial Management Control System (FMCS), the agency's central automated accounting system. The department's own agenda for FMCS to comply with federal and state requirements still exists. All enhancements to FMCS will require a substantial investment by the user. These activities do not appear to be contemplated in the proposed organizational structure. DES does not believe that the proposed reduction in staffing will provide adequate support for ongoing FMCS development.

The department has made several recommendations where the proposed organizational structures presently do not appear adequate.

The proposed organizational structure for the Office of Accounting (Exhibit 54) is adequate in many respects, assuming proper automation is in place. However, in the Cost Allocation Unit, the department believes one (1) additional FTE, grade 15, would be necessary to appropriately complete reconciliation activities. Also, DES believes the General Accounting Unit would need two (2) additional grade 17 positions to adequately perform analysis for management and special projects. Finally, the Funds

Control Unit will need two (2) additional grade 11 positions for client trust fund accounting and documentation control.

The Accounts Payable Unit (Exhibit 55) would be reduced from fifty-four (54) FTEs to ten (10) FTEs under the Project SLIM proposal. While the proper automation could reduce workloads dramatically in the Accounts Payable Unit, DES does not agree that the department can appropriately process and file invoices with ten (10) FTEs. The DES believes that two (2) additional grade 11 positions would be necessary for claims payment and report distribution.

The proposed Office of Collections (Exhibit 56) does not have sufficient collectors. Even if other implementation efforts to shift functions to other divisions or collection agencies are successful, four (4) additional collectors would be necessary.

The proposed Office of Payroll (Exhibit 57) does not appear to have sufficient accounting technicians to adequately process payroll and control time sheets. Three (3) additional account technicians would be necessary.

The proposed organizational structure for the Office of Contracts, Equipment and Purchasing does not provide sufficient staff. The SLIM report recommends reducing warehouse and fixed asset support by fourteen (14) FTEs. Please refer to the department's response to Section 7-F for concerns.

The proposed organizational structure for the Office of Business Systems recommends elimination of three (3) grade 19 positions. These positions are necessary to continue performing department-wide training.

B. Financial Systems

The Department of Administration (DOA) maintains statewide accounting information through the use of the Arizona Financial Information System (AFIS). DES implemented the Financial Management Control System (FMCS) in 1988 to meet the unique needs of DES' multiple federal, state and other fund revenues.

The DES has addressed the most significant issues associated with the implementation of FMCS through an internal Project Control Management process which was not in

place during initial development. Staff have been designing an automated reconciliation process between AFIS and FMCS for the past ten months. This process is anticipated to be completed before the end of fiscal year 1992.

DES agrees with Project SLIM's recommendation to develop a master plan for financial information systems.

To provide accountability at a level of detail necessary to meet the department's many reporting requirements, an intricate accounting structure is a necessity. Detail must be at a sufficient level to meet the diverse requirements of the Department of Administration, Joint Legislative Budget Committee, Office of Strategic Planning and Budget, federal agencies, auditors, and department management.

C. Fiscal Control

DES agrees with the recommendation to eliminate the grade 21 position assuming the implementation of additional system edits, and with the recommendation to simplify the coding structure. The coding structure of FMCS was developed based on diverse and complex reporting requirements to numerous internal and external management and governmental entities. An agency as large and diverse as DES must be accountable to numerous levels of oversight. The coding structure must be used to track grant activity and help ensure program compliance.

The FMCS does include a module for on-line approval of financial transactions which has not been activated. System edits could be enhanced; however, with the complexity of the FMCS accounting code structure, complete edit control of account code combinations would be difficult to achieve. This automation enhancement would be very expensive to implement.

D. Management of Automated Systems

The staff person in the Cost Allocation Unit actually schedules the various FMCS jobstreams--from its daily batch processing to its annual archiving. The staff person assists in the distribution of FMCS reports, but is not involved in the maintenance of FMCS accounting reports. DES believes that transfer of this position/function to the FMCS Systems unit is appropriate.

The department supports the overall recommendation. However, the statement that "the FMCS system is near completion, and project management needs are expected to decrease" is not correct. The department has identified over 13,835 hours of programming enhancements and modifications required of FMCS. This does not include the automation of the three-way match among the vendor invoice, the receiving document, and the purchase order prior to payment nor does it include automation/integration of the accounts receivable and collections function or any other automation necessary to implement Project SLIM recommendations.

In addition, major enhancements to the Department of Administration (DOA) computer systems, both the Uniform Statewide Accounting System (USAS) and the Human Resources Management System (HRMS), are expected over the next several years. Project management will remain an integral function within the FMCS Systems Unit for several years to come, in part to meet changing DOA requirements. Until FMCS is truly in "maintenance mode" and all interface programming complete and documented, a reduction to project management staff would be detrimental to its success.

The FMCS training unit provides general training to persons outside the Division of Business and Finance (DBF) who are dependent upon FMCS information. In addition, the unit provides specialized training whenever major enhancements/interfaces are implemented. General training averages 20 students per month (170 student-hours per month). Specialized training, last provided for the Federal/State/Other split process, accounted for an additional 333 students and 1,067 student-hours. Special and general training should remain within the FMCS Systems Unit to avoid duplication of effort and ensure knowledgeable, quality training from the FMCS experts. Individual offices have provided and will continue to provide their unique procedural training, but the FMCS Systems Unit should continue to support special and general training requirements.

The reduction of positions is supported by the department but cannot be accomplished without a corresponding increase in automation, further stabilization of the FMCS application, and completion of all DOA interfaces and enhancements. These are expected to be fulfilled in three to five years (shorter if additional funding can compress the time frame). Therefore, reduction of positions would occur over the next three to five years--identified in the staff redeployment plan. This would agree with Project SLIM's recommendation of "a phased approach."

Office of Accounting - General Comments:

While the department conceptually agrees with all but a few of the proposed recommendations regarding the Office of Accounting, a number of concerns must be addressed and resolved prior to implementation of these recommendations.

1. Expectations related to the period of time, number of resources and available funding devoted to the implementation of these recommendations must be reasonable.
 - a. Current staffing levels accompanied with workloads using current procedures will not be sufficient to design system modifications, develop new automated systems, define and document new position descriptions, develop necessary written procedures, and train staff to adhere to new guidelines.
 - b. If attrition is one of the methods used to reduce staff positions, current workload processing would suffer dramatically and further impede the implementation. In addition, limitations placed on the current level of transaction processing as a result of a decreased work force could cause a downward spiral in the department's commitment to accountability. This could result in additional corrective action plans and disallowed costs from federal agencies, continued disclaimers of opinion on the department's financial statements and single audits, and a general sense of lack of credibility in the department.
 - c. The modifications to the current FMCS system and the development of new systems for the Office of Accounting recommendations are far-reaching. Systems development and changes of this nature are extremely time consuming for system design staff, programmers and users. The cost of these endeavors should be quantified with the necessary staff input as well as hardware and software requirements taken into account.

The DES believes that funding should be identified to provide consultants coupled with DES staff to implement the necessary changes described above. In

addition, consideration should be given to the workload impact of redeploying staff to an implementation task force.

2. Modifications to the proposed organizational structure and specific recommendations must be made if necessary changes to systems, legislation and internal and external procedures cannot be accomplished.

Many of the proposed recommendations require significant modifications to long-standing operating procedures and statutes. In addition, system modifications often appear relatively easy on the surface, but once specific design begins, the scope of the tasks is larger than originally anticipated. If these changes are not realized in time frames specified by an implementation plan or not at all, the appropriate changes must be made to the recommendations to allow current activities to continue uninterrupted.

3. The proposed organizational structure does not appear to take into account duties other than daily activities in running the accounting of the department. Almost daily, the department is faced with requests for information, recreation of old accounting information (internally and through formal correspondence) and other non-routine requests that need immediate attention. The department believes these factors have not been considered in the proposed staffing level.
4. SLIM proposes decentralizing much of the responsibility for department accountability. Consequently, the department believes changes have to be made to ensure compliance with the appropriate Arizona Revised Statutes, federal regulations and accounting guidelines.

E. Accounts Payable Unit; Claims Filing

The department agrees with Project SLIM that the elimination of duplicate filing of claims would reduce the need for filing staff. One important obstacle stands in the way of eliminating the need for alphabetical filing. The department establishes blanket encumbrances using a miscellaneous vendor code (i.e., MSDDD) to allow non-1099 providers and vendors to be paid from one encumbrance rather than setting up thousands of individual encumbrances. The miscellaneous vendor code was created to

DES agrees that the FMCS system should be modified to allow for reconciliation of advances in a simplified manner. An additional recommendation could be that DOA allow the department to record travel advances as a claim receivable (an asset account) as opposed to an expenditure. This would allow the department to offset the asset account when a claim is submitted rather than reversing one expenditure and then recording another at the time a claim is received. Implementation of this suggestion would require a change in DOA procedures and some modifications to the FMCS system.

G. Accounts Payable Unit; Travel Claims

The department agrees with the recommendations associated with reducing the number of steps involved in processing travel claims and eliminating duplicate forms and procedures.

Simplification of the travel claim process is necessary to reduce the length of time to process the claim. One individual could be responsible for auditing the form, entering the claim and forwarding for filing; however, it is crucial that the randomly selected spot reviews be conducted on a regular basis to ensure that guidelines are being followed, audits are complete, and the lack of segregation has not created errors or irregularities.

Further, with regard to out-of-state travel, DES agrees that the appropriate Administrator/Chief should be given final authority when approving out-of-state travel and responsibility for ensuring that budget and cash are available to fund the travel expenses. The discontinuation of separate DOA and DES forms would be possible if one form could be developed to meet both agencies' needs.

The department agrees that the use of DES vehicles for state travel would reduce the number of travel claims submitted for mileage; however, there is an insufficient number of state vehicles to accommodate all needs.

DES agrees that all blank claim forms should be uniquely numbered prior to distribution to employees. This problem resulted from the restricted number of fields available to the department on AFIS to record claim numbers. In the past having only 6 characters greatly restricted the amount of numbering combinations possible without

alleviate the burden of establishing individual vendor codes and encumbrances for transactions that need not be tracked at a low-level of detail.

The use of a miscellaneous vendor code does not create a separate vendor file in the FMCS, and consequently, payments made to individual vendors cannot be identified through the input of a name or vendor code in the FMCS system. A modification to the FMCS system would have to occur before this situation can be corrected.

F. Accounts Payable Unit; Travel Advances

The department agrees that the issuance of travel credit cards to appropriately identified employees would help alleviate the need for travel advance processing; however, a large number of advances are processed for new employee training. As the Office of Accounting has tried to maintain some controls over the risk of employees possessing cards, the cards are offered only to permanent status employees, thereby disqualifying virtually all new employees from eligibility to receive a travel credit card.

The department agrees that block purchases of lodging, meals and other common expenses should be mandatory. This could, with the proper Department of Administration (DOA) and DES procedural changes, significantly reduce the number of travel advances and claims processed.

The department agrees that the establishment of an in-house "travel desk" would help to coordinate travel activities. Currently, each individual traveller is responsible for procuring his own air fare and lodging. Often times, these individuals are unaware of the state's restrictive contract with one travel agency for air travel, which results in DOA refusing to reimburse the traveller for his airfare. In addition, some employees are unaware of the lodging per diem limits in various cities, and, consequently, they cannot be fully reimbursed for their costs. A centralized travel procurement desk would not only consolidate these tasks and therefore make the process more efficient, but it would also allow for an "expert" in the area of travel rules to ensure all travel expenses meet the appropriate guidelines.

DES does agree with issues related to limiting travel advance and will continue to explore these options. The proposed scope of work for the travel desk will need further development during implementation.

duplication. AFIS II allows the department 8 characters for claim numbering, thereby eliminating the need to create claims with duplicate numbers.

DES agrees that the travel claim process must be automated at some point. Due to the fact that the same travel guidelines impact each agency throughout the state, possibly DOA or several of the state agencies could develop a standard system to be used for all agencies. A modification to FMCS to accommodate an automated travel claim, given the department's other priorities, cannot be considered a high priority at this time.

While the department agrees that a work measurement system should be established to track the activity at each travel desk, sometimes the cost of gathering useful data outweighs the benefit of obtaining that data. Keeping that in mind, the Office of Accounting is currently investigating ways to track and standardize workflow in a cost effective manner.

H. Accounts Payable Unit; Telecommunications Bill Processing

The department agrees that all telecommunications bills should be paid through the DES Office of Data Administration (ODA). In order to make processing feasible for ODA without adding resources, either the US West or the Department of Administration (DOA), or both, sets of telephone bills must be transmitted on magnetic media. The magnetic transfer of the DOA phone bill would require procedural changes at DOA and within DES.

Before determining the allocation process to be used in distributing telephone charges, the Office of Accounting must determine the methodology that best distributes the costs while taking into account the cost of administering the methodology versus the benefit. In addition, any allocation process developed must comply with the department's cost allocation plan which must be approved by participating federal agencies.

I. Accounts Payable Unit; Warrant Handling

DES agrees that the following SLIM recommendations would improve the efficiency of warrant handling:

1. Generation of warrants, including paychecks, at DES using the FMCS system.
2. Use of "snapset" checks to eliminate the need for stuffing.
3. Use of batch totals to verify the accuracy of warrant runs.
4. Printing client payroll warrants by program area to eliminate manual sorting. (Beginning July 1, 1992, DES has initiated the use of separate Department of Administration (DOA) "bank types" for each DES generated client payroll, thereby creating a built in sort).

The current procedural operations of DES, DOA and the State Treasurer's Office, however, will need to change significantly. The responsibility to initiate, approve and effect disbursements is generally not granted to an individual agency. DES does not have any authority over the change process in DOA or the State Treasurer's Office.

Strict, comprehensive procedures allowing for adequate segregation of duties and sufficient safeguarding of warrants and signature plates must be developed and adequately conveyed to staff. With the proper documentation of duties and the assurance of accountability by the department, the granting of authority to generate and sign checks could reduce some of the inefficiencies between DOA and DES.

In addition, the cost of scrapping unused warrants and purchasing "snapset" checks, as well as the necessary equipment to print these types of checks, must be considered in analyzing the cost effectiveness of this proposal.

J. Accounts Payable Unit; Encumbered Claims Processing

DES agrees that a clarification of functions for the Accounts Payable Unit and the Purchasing Unit is necessary. In addition, the department agrees with the transfer of unit responsibilities to the Purchasing Unit, as displayed in this recommendation, given the general approach of minimizing activities other than claim and warrant processing in the Accounts Payable Unit. The additional buyer, grade 18, would be needed to accomplish this task. DES maintains, however, that a buyer assistant position may be needed to adequately staff this task.

The department also agrees that the three way match and claim development process should be automated. DES considers this critical; however, numerous other projects,

such as AFIS II development and the FMCS modifications, have a higher priority. Without this automation, this recommendation could not be accomplished with the staff indicated in Exhibit 58.

During fiscal year 1991, the three way match process saved the department more than \$40,000 by taking advantage of vendor discounts identified by the manual three way match process. DES believes this figure could increase dramatically given a well-designed, automated process.

K. Accounts Payable Unit; DDD Bill Payment

The department agrees that modifications must be made to the DDD bill payment process to avoid duplication of effort and other related inefficiencies resulting from the joint responsibilities of the Division of Developmental Disabilities and the Division of Business and Finance.

All bills associated with DDD provider claims should be paid by DDD at the area office level. Procedures must be in place, however, to ensure that the responsibility for authorizing bills, inputting payment information on ASSISTS, and accounting for warrants generated by the system is properly segregated.

In addition, it appears proper, given the focus of limiting the processes performed by the Accounts Payable Unit, for DDD to perform the three way match process related to all of its operating expenses. The Accounts Payable Unit would then be responsible only for inputting claim information on the FMCS system. Comprehensive procedures and adequate training must be developed and conveyed to staff to ensure processing is consistent and accurate.

The DDD ASSISTS system does not currently function at a level that allows efficient input, edit and interface with FMCS. The department is reviewing the feasibility of additional automation development which would be critical to this recommendation. This will be a monumental task, and will require additional time and funds to accomplish.

L. Accounts Payable Unit; Public Assistance and Administration Revolving Fund (PAAR)

DES agrees that it must develop an on-line tracking system to track PAAR fund expenditures and generate checks to eliminate manual logging and redundant data entry. Centralizing the administration of the PAAR fund within the Office of Accounting would further reduce the fragmentation and inefficiencies related to the current process. It is crucial, given the other responsibilities of the Office of Accounting staff, however, that any necessary automation is developed, tested and in place prior to the total centralization of this task. It is also critical that the necessary internal accounting controls, segregation of duties and written procedures be developed and that staff is properly trained in fulfilling the associated job responsibilities.

Further, the DES agrees that a long-term alternative to be investigated is the possibility of direct charging of funds to the appropriate fund categories. However, this would require extensive modifications to the FMCS system, and must truly be considered a long-term endeavor when coupled with other proposed modifications that require immediate action.

In addition, if a methodology for direct charging funds at the time a warrant is generated is implemented for PAAR related expenditures, the feasibility of implementing a similar process for many other disbursements should be considered. This would help to eliminate the delay in receiving warrants once clients, vendors and providers have submitted all necessary information for payment.

M. Accounts Payable Unit; Client Trust Fund Accounting

DES agrees that changes need to be made in the administration of the Client Trust Fund account to ensure that the funds are being handled in an efficient manner.

DES also agrees that individual bank accounts utilizing automatic debits and credits to the accounts would reduce much of the manual inefficiencies of the system. The department does not agree with the provision of debit cards for case managers and others responsible for handling client funds.

In many cases, the clients of the Division of Developmental Disabilities (DDD) are being taught to live independently. Part of this training involves living within a limited dollar budget. This is currently handled through the use of monthly allowances for various minor expenses, which are logged and carefully monitored to ensure adherence to the guidelines. The caseworkers may have difficulty finding the time to sufficiently monitor the amount of money received by an individual client.

Further, it is the department's responsibility, as conservator for these funds, to exercise due care and control in disbursing and administering these funds in the client's best interest. Sufficient internal controls must exist to provide reasonable assurance that funds could not be mismanaged. One of the primary rules in developing cash control procedures is to segregate the duties of authorizing, initiating, receiving and accounting for cash. The debit card proposal, coupled with the maintenance of receipts by the caseworker, does not allow for sufficient safeguarding of the client's money.

Centralization of Client Trust Fund Accounting would eliminate many inefficiencies associated with the current procedures for administering the fund. Prior to the centralization of this function, sufficient modifications to the system or the development of an on-line check authorization system must be developed to ensure that the current level of activity can be maintained with fewer resources.

The department will need to retain 1.5 of the 4 FTE proposed for elimination to track and disburse client allowance checks for approximately 1,800 developmentally disabled clients. In addition, to ensure proper segregation of cash handling procedures, DES will need to retain .5 FTE to monitor receipts kept by case managers.

N. Accounts Payable Unit; Organization of Accounts Payable Functions

DES agrees that the Accounts Payable Unit, as presented in the proposed reorganization, could report directly to the Finance Director.

The department also agrees that elimination of levels of supervision is necessary. Giving the Accounts Payable Administrator direct supervisory responsibility of all staff will streamline the processing of payments. In addition, a revision to the current mission statement will be necessary to reflect the proposed changes in organizational function.

The Office of Accounting has attempted to develop numeric-based performance standards to be used for measurement of performance for EPAS, but because of the fragmented work flow and the need to change staff's duties based on evolving priorities, standard work measures are virtually impossible to develop. With the implementation of the proposed organizational structure, work functions appear to be more standardized, allowing for determination of anticipated productivity levels.

Additional General Comments on Recommendations on Finance Operations:

Nearly every recommendation DBF received on the Finance issues will require further automation of existing systems or development of new systems. The Project SLIM report does not provide an estimate of automation development costs; therefore, it is not possible to determine the cost-benefit of many of the SLIM recommendations. The Project SLIM Team appears to concur with DES that these issues will need further exploration during implementation.

The projected cost of the Accounts Receivable Integrated Collection System (ARICS) is estimated at \$250,000 to \$1.2 million; this and other automation costs are not included in the "savings" calculations.

The department will need technical assistance to help implement some of these recommendations. The cost of this technical assistance has not been adequately detailed. Implementation steps must be further detailed to determine the true automation and assistance needs associated with proposals. Eliminations of staff occurring simultaneously with implementation steps would place a burden on existing/remaining staff to perform current duties, redesign systems, develop new procedures and train staff.

O. Office of Accounts Receivable: Collection of Overpayments

The Family Assistance Administration (FAA), Office of Accounts Receivable (OARC), Office of Special Investigations (OSI), and Appeals "review" overpayments, but their functions are distinct. FAA writes the overpayment, OARC reviews the overpayment for accuracy and potential intentional program violation with corresponding disqualification penalty, OSI reviews the case for possible prosecution and then investigates to determine if there is sufficient evidence to support the prosecution, and

Appeals reviews the overpayment only if requested to do so by a client seeking administrative review. Each of these functions involving overpayments is necessary in order to comply with federal and state regulations and policies.

OARC's present automation does not allow for tracking of any kind of individual performance of the collectors. Collector's evaluation performance standards are based primarily on manual review of the quality of case file management, i.e. taking appropriate action for the debt owed.

The department agrees with the feasibility of SLIM's recommendation to re-engineer the overpayment collection process, but enhanced automation is absolutely critical.

Feasibility of the SLIM recommendation for FAA staff to establish claims, review claims, input overpayment information, etc., is contingent upon FAA having sufficient trained staff to assume these new responsibilities. Additional automation development would also be necessary.

As a clarification point, if files are to be maintained in the FAA offices on cases to be collected through automatic benefit reductions, OARC would not be able to answer any questions pertaining to the Notice of Overpayment OARC is supposed to send.

If the above occurs, collection staff could be reduced, provided that there is funding for implementation of enhanced automation and contracting with a private collection agency for collections occurs. It would be difficult however, to assess the precise number of reduced collection staff as a result of these actions until full operation of the automation system and determination of the extent of the viability of contracting with a private collection agency.

Prior to contracting with a private collection agency, confidentiality issues, liability issues, and approval from the federal government on the state administered federal programs would have to be addressed. A cost analysis should be done also to determine if contracting with a private agency is cost effective.

Statutorily, the Attorney General's Office files any civil actions against a state debtor. Therefore, unless statutory change occurs, only the state could be involved in accounts requiring civil action. It is not clear whether the SLIM recommendation concerning

contracting with private attorneys to prosecute fraud refers to civil or criminal cases. The Attorney General is the legal adviser for the state and the chief prosecutor for the state (Arizona Constitution Article V., A.R.S. 41-191-192). As such, the Attorney General may employ attorneys, collect money owed to the state, and prosecute civil and criminal actions for the state. It would be appropriate to contact the Attorney General for changes to the Attorney General's authority.

P. Accounts Receivable and Collections Unit; Organization of Accounts Receivable and Collection Units

DES concurs with the recommendation to redistribute current OARC functions provided there is appropriate automation and staff available at the distribution point to perform these functions. The available staff would also have to be properly trained, supervised and accountable.

If the billing function is to be decentralized and the collection function centralized the following must be considered and were not addressed in the recommendation: (1) possibility of inconsistencies in the billing processes of the department, (2) the inability of the collections staff to answer any billing questions of the client, and (3) fragmented data necessary to filing civil action, i.e. information pertaining to debt would be in the respective billing office, and (4) billing a DES client from more than one source, requiring the client to find the billing source to obtain an answer regarding each billing.

DES concurs with the recommendation of reduced collections and administrative support staff, inclusive of supervisors and management provided there is sufficient automation enhancement and all of the other proposed recommendations occur.

Enhanced automation would be mandatory to concur with the recommendation of expanded work measurement and performance standards.

Q. Payroll and Time Accounting Unit; Payroll Process

The department would like to add to the SLIM analysis that since the initial evaluation, DES has completed development of the HRMS front-end interface which will be implemented in June 1992. This will dramatically affect payroll timeframes which was one of SLIM's recommendations. Due to the large volume of transactions, centralizing all input has strained the unit's primary goal of accounting for wage and leave

information. HRMS, which is the Department of Administration (DOA) system, lacks the edits necessary to ensure that data is properly edited which directly affects payments and leave balances.

Decentralization of payroll operations with data input at the local office level could be advantageous if certain procedures were implemented. Employee overtime (for pay) should not be decentralized since such an important issue would be better controlled if placed under the supervision of one office. The Payroll Unit is concerned that the recommended staffing levels would not meet the standards expected to process the department's payroll. Several issues arise when considering staff reductions:

1. Reconciliations
2. HRMS interface errors
3. Processing of PAAR checks
4. Process/reimburse PAAR fund and leave payoffs.
5. Filing of 226,000 time sheets annually.
6. Review of documents to ensure accountability.
7. Distribution of employee paychecks and timesheets.

DES does agree, however, with the recommendation to redefine the role of the Central Payroll Unit.

Simplification of the coding structure is contingent on federal and state requirements. Such implementation would require a substantial amount of restructuring and automation enhancements.

The department also agrees that there is a need to reevaluate the cost allocation plan.

The Office of Finance is currently investigating the possibility of eliminating courier service.

DES agrees that placing the department on two pay cycles would improve processing; however such a change would require extensive restructuring of HRMS. Such an action may increase the work load on other areas such as personnel and may increase the likelihood of late warrants. Implementation of this recommendation would require extensive automation enhancements.

R. Payroll and Accounting Unit; Organization of Payroll and Time Accounting Functions

The department agrees in concept with the recommendations to relocate the Payroll Unit, reduce the number of staff upon implementation of proper automation, further automate the Arizona Random Moment Sample (ARMS) process, consider expanding the ARMS process, revise the mission of the payroll unit and establish work measurement and performance standards.

There are three points of concern to be addressed during implementation:

1. It is proposed that staff should be reduced from 23 to 13, which DES believes is 3 less than is required to meet minimum standards to process the expected workload.
2. Implementation of complete automation recommendations is contingent on availability, training and testing.
3. The proposed organizational chart should reflect an Administrative Assistant III in Position Control instead of the grade 15 Administrative Support Unit Supervisor.

S. Office of the Budget; Budget Process

DES agrees with the overall SLIM recommendation to decentralize the budget functions assuming that sufficient time is allowed for the transition to occur, and automation is in place to sustain the decentralization.

DES also agrees that the program management should provide a thoughtful review of the program budget requests. DES maintains, however, that it is critical to raise the issues of public need to the executive level to ensure that decisions regarding priorities are made with as much information as possible. DES has implemented a new budget development procedure this year which allows program staff to raise these critical issues for discussion without first having to prepare formal decision packages. DES does not agree that only potential successful budget issues should be raised for discussion. It is critical for a human service agency to include local communities in its

planning process--this contributes to the identification of key policy issues for executive and legislative consideration.

DES generally agrees with the recommendations to reduce and redirect budget staff. These changes can be accomplished as part of the long term process of decentralizing the budget activities. However, these positions must remain in place until the automation support is available, standards of accountability are developed and the decentralization occurs.

DES does not agree with the amount of "savings" identified by Project SLIM. As Project SLIM states on page 432, the recommendation to decentralize the budget and reallocate staff depends upon new automation development in order to provide staff with the appropriate information and tools to perform their job. The automation costs have not been identified by Project SLIM.

DES is concerned about the recommendation for a statewide on-line budget development process managed through OSPB because of the large number of highly experienced staff that OBPB would require to interpret the information. This seems duplicative of work that state agencies would need to do anyway.

T. Office of the Budget; Allocation of Expense Budgets

DES generally agrees with Project SLIM's recommendation to delegate expenditure authority downward in the organization. DES already coordinates equipment purchases including automation equipment, and is working on improving its method of anticipating indirect charges and decreasing its reliance on cost pools and direct charge wherever appropriate. Although DES agrees with the use of blanket purchase orders, DES believes that the Department of Administration (DOA) objects to this practice.

Delegation of expense budget authority will take significant staff time and cost to implement--including further development of FMCS. Project SLIM could not calculate the increased costs associated with this recommendation, and the agency agrees that it would be premature to do so. In addition, this automation development may need to wait until federal directed and DOA changes to FMCS are accomplished.

SECTION 7

OTHER SUPPORT FUNCTIONS

A. Unemployment Benefit Appeals

Project SLIM's recommendations regarding Unemployment Benefit Appeals and the establishment of a Fair Hearing Unit Pilot Project in Maricopa and Pima Counties are problematic. This is undoubtedly one of the more complex legal functions of the department and greatly restricted by federal and state law and approvals from the federal Department of Labor. DES must, therefore, oppose this SLIM recommendation on the following grounds:

1. Federal statutes and guidelines, with which the State of Arizona is required to comply, set forth the requirements for a Fair Hearing. The Social Security Act, Title III, provides that the Secretary of Labor shall make no certification for payment to any state unless it finds that the law of such state includes a provision for an "opportunity for a fair hearing before an impartial Tribunal, for all individuals whose claims for unemployment compensation are denied."

There is no provision for intermediate resolution of disputes and to do so would probably place the State of Arizona out of compliance with the federal mandates.

If Arizona fails to comply with the provisions mandated by the federal government, the federal government can notify the state that further payments will not be made to the state. In order to recover its certification, the State of Arizona would have to file a petition for review with the United States Court of Appeals and a judicial review would be initiated.

Furthermore, under the Federal Unemployment Tax Act (FUTA), employers receive a tax credit for 90% of the state unemployment tax which they pay. If the state is found not to be in compliance with the federal provisions, employers lose this credit. The loss of certification can thus be seen to be catastrophic to the unemployment compensation program and devastating to Arizona employers.

2. It must also be noted that the SLIM proposal is partially based upon a review of the Unemployment Tax Section within the DES Unemployment Insurance Administration (UIA).

Pursuant to A.R.S. 23-724, an employer adversely affected by the determination issued by the department may request a reconsideration. The reconsideration is then issued by the department after further investigation. An employer may then petition the Appeals Board for review of the reconsidered determination.

The report states that approximately one-half of the cases reviewed annually are resolved immediately because of the education of the employer about regulations regarding the program. Only 15% to 20% of the initial unemployment insurance tax determinations are appealed and, accordingly, 80% - 85% could be said to have been "resolved". This statistic is misleading and not representative of the true picture.

SLIM states that three employees resolve these tax cases; however, an additional twelve employees spend approximately 50% of their time obtaining facts and resolving issues.

3. The recommendation states that "a lack of informal intervention early in disputes results in an inflated volume of cases, inefficient and costly resolution practices, and a backlog of disputes in appeal." The proposed "intervention", in addition to being improper under the federal guidelines, would add extra days, or even weeks to the appeal process. DES is operating under federal guidelines which mandate that the Office of Appeals decide 60% of its cases within 30 days of the appeal date and 80% of its cases within 45 days. At present, DES barely meets the 45 day standard. Any extra delay will place an extreme burden on the appeals process and place DES out of conformity and subject to decertification.
4. The recommendation states that approximately 20% of the cases reviewed in New York are returned to the local office for corrective action. DES understands that figure is actually 12% and that New York does not track the number that are reappealed. The return of the cases for corrective action does

not resolve the case, but only causes the issuance of another determination which may be appealed. The "corrective actions" are merely rejected determinations which are reissued by the local office. DES has recently learned that the federal Department of Labor is now refusing to fund the activities performed in the New York agency that result in withdrawal of cases. Furthermore, Arizona's record for meeting federal timelines is better than New York.

5. DES does not believe the comparison of Unemployment Insurance (UI) Benefit appeals to Family Assistance Administration (FAA), AHCCCS, or even UI Tax appeals is appropriate because:

- Rules governing FAA and AHCCCS cases are more exact, e.g., the amount of income or savings, the blue-book value of vehicles, etc., whereas, the UI Program makes judgments on work search adequacy, whether a person acted reasonably, etc. These cases are two party cases, unlike UI benefit cases that frequently have three interested parties.
- The UI Tax redetermination process is a legal process established by statute which replaces the Office of Appeals and results in a formal decision. Additionally, the fact that a number of employers drop out of the appeal process in the redetermination process is not necessarily because they agree with the decision, but that there is another "hoop" in the process. Over 95% of the tax determinations are affirmed in the redetermination process.

6. DES believes the SLIM proposal poses potential constitutional violations of the due process and equal protection rights of the interested parties to the UI appeal decisions and of the prohibitions against *ex parte* communications.

- Over 40% of benefit appeals have three parties (the program, the claimant and the employer) involved and approximately 50% of the appeals on separation cases are employer appeals. There is no mention of an employer appeal going through the Fair Hearing Unit (FHU). The SLIM proposal would be treating claimants and employers differently and placing claimants at a disadvantage if every employer appeal

"automatically" goes to a hearing while claimant appeals have to go through the FHU process first.

- In most separation cases, there is disagreement on the facts between the employer and the claimant. Adjudicators must many times base their determinations on "hearsay evidence" from the employer's personnel office or employer representatives while hearing officers have the authority to obtain their own facts in the case and follow the rules of evidence. In many cases, the appeal decision may be in favor of the appellant if the other party fails to appear at the hearing or fails to bring witnesses with first-hand knowledge of the circumstances in the case. Because of this, it appears unfair to the appellant to discourage his/her appeal even though the deputy's determination might appear to be correct.
 - The proposal describes a pilot project in District II and subsequent "complete implementation" by establishing a FHU in District I. This implies only cases in District I and II would be handled through the FHU process. If that is true, DES would be treating differently those claimants who reside outside those districts.
7. DES has concerns with the impacts of the FHU process on timeliness in resolving contested UI benefits cases.
- A.R.S. 23-773.D provides that UIA has seven calendar days in which to reconsider a determination. If a determination cannot be reconsidered within the seven days, it must be forwarded to the Office of Appeals. DES believes it is unlikely that the department would be able to meet this seven-day requirement. The process would require: transmittal of all documentation from the local office to the FHU; contacting the claimant and scheduling a mutually agreeable time for a pre-hearing conference; and remanding the case to the local office adjudicator for reconsideration if that is determined appropriate.
 - The national criteria established by the Secretary of Labor for timely disposition of first level UI appeals is 60% within 30 days and 80%

within 45 days. The timeliness calculation begins when the appellant files his/her appeal with the department. UI procedures require that appeals be forwarded immediately to the Office of Appeals if there is no reconsideration of the determination. Any appeal not forwarded within a day of its receipt in the local office seriously hampers the issuance of a timely decision by the Office of Appeals.

8. DES does not believe the cost savings would be as great as those identified in the proposal.

- The FHU costs shown are only staff costs. In addition to the staff costs, establishment of the FHU would involve additional costs for space, furniture, telephone, and computer equipment for the new unit. These would be costs beyond our current operation costs and would decrease the potential savings.
- There would be additional staff costs not only in the FHU but also in local offices for additional handling of cases remanded by the FHU.

With regard to SLIM's recommendation to reduce staff, management changes at the Office of Appeals and the Appeals Board, particularly the establishment of the Appeals Administrator position, are beginning to show their impact on productivity and backlog figures. At the end of April 1992, the Appeals Board UI backlog had been reduced to 650 cases and the Office of Appeals UI backlog had been reduced to 2,125 cases (3,687 total cases), and this backlog is continuing to decrease each month. Continued refinements in data processing systems will create additional economies and should ultimately allow a reduction in personnel within the next 12 months. At that time DES should reassess the staffing reduction recommendation from Project SLIM.

B. Office of Client Advocacy

DES does not agree with the recommendation to completely disband the Client Advocacy Office and offers the following alternative. The Client Advocacy Office should be eliminated as a functional unit and three (3) client advocates retained to handle agency generated issues and the Director should have the ability to assign the location as necessary.

The Director's Office will always receive telephone calls and walk-in inquiries from applicants, clients and the general public. It is important from a public service perspective that the Director's Office be able to respond to these inquiries quickly and courteously.

The positions recommended for retention would be handling telephone calls and providing personal assistance to people who walk in looking for assistance. DES agrees that these positions should not handle written correspondence; this should be redirected to the program responsible for delivering the service.

DES agrees that if the Project SLIM recommendations are accepted, the remaining funds should be transferred to the Child Support Enforcement program and placed in the inquiry unit. This will assist DES to respond timely to inquiries from the public regarding the status of their child support cases.

C. Office of Contracts, Equipment and Purchasing; DES Purchasing Process

The department agrees in concept with Project SLIM's recommendations to delegate expenditure authority to lower levels of the organization, streamline the requisition approval process and more fully utilize automation to both reduce excessive handling of paperwork and enhance the system's reporting capabilities.

D. Shredding Policy

DES agrees with the recommendation to clearly label containers and has begun implementation of Project SLIM's suggestion. Staff will also periodically monitor the material for shredding to determine if this solution is sufficient to reduce non-shreddable material.

DES agrees that the proposed savings of \$5,900 be reinvested to purchase secured containers.

E. Facilities Janitorial Services

The department concurs with the recommendation to procure janitorial services using the competitive bid process, but has concerns about the cost study. The information presented compares warehouse space to office space. These two types of space require different services, have differing specifications and therefore result in different costs. Also, several office locations cited have, in addition to janitorial services, day porter services which are reflected in the square foot rate and inflate the location's costs in excess of the rate cited by Project SLIM.

DES currently has bids in process for three locations in Phoenix. Staff are exploring a grouping of Tucson facilities which will provide sufficient square footage to expect a competitive rate.

DES supports SLIM's recommendations that other locations in the state be identified where there are multiple locations, allowing a more competitive bid, and where DES can be assured of on-site management by the potential vendor.

The department does not believe the cost savings potential as outlined in the report will occur due to the expense variances as noted above in the response above. DES does believe that it will realize an overall savings in Phoenix/Tucson. This will entail grouping sites to achieve maximum square foot amounts to bid, separating types of space and specifications to bid, and considering day porter services at identified sites.

F. Consumable Supplies, Forms and Fixed Assets

The agency currently uses centralized warehousing and distribution of supplies, forms and equipment, which creates increased costs associated with handling. SLIM proposes a further decentralization of the delivery function and reduction in services.

Consideration should be given to the cost of storage in the office environment as opposed to a warehouse setting. Not all programs will have adequate storage space if they are required to maintain their forms rather than storing them at the warehouse. Some programs have a large number of low-usage forms that would occupy substantial space.

DES concurs with the recommendations with the following clarifications and/or concerns noted:

The department agrees with Project SLIM that consolidation of the two warehouses and downsizing some of our activities is appropriate. Steps have already been taken to downsize in this area, as acknowledged in the report.

DES is in agreement with Project SLIM that the changes indicated with continuous downsizing and direct delivery efforts will allow the department to reduce staff. The number of FTE reductions should be four, not 14. While DES agrees that the grade 20 and 18 can potentially be eliminated, the severe staff reduction in both the number of fixed assets and warehouse exceed the reduction in workload.

The department is concerned that eliminating two vehicles from the fleet may be excessive. Until the effectiveness of the proposed savings can be fully evaluated after implementation, only one vehicle should be eliminated.

DES is concerned about the reductions in personnel being proposed for the following reasons:

Supply:

- The reduction of approximately 1,300 forms with a usage of 1,000 per year or less means a reduction in space needs for the warehouse, not a reduction of one-half of the warehouse staff since these forms were seldom used and therefore infrequently handled by staff.
- Forms with a usage of 1,000-5,000 per year have multiple users. Someone will have to send these forms out, whether it be a user in the programs or a warehouse person. Normally the salary of a warehouse worker is less.
- There are currently two (2) IPS IIs in Supply who are operating at capacity. If 50% of the Supply Center workload were reduced, DES would still need at least one (1) IPS II for Supply.

- DES currently has three (3) drivers for statewide deliveries. Even though the department will be able to reduce their workload, it still needs a second driver as a backup. This driver could also be used to pull orders or fill in where necessary.

Fixed Assets:

- This past year the department has only had two Inventory Controller positions filled. Staff from Purchasing have been used to assist in performing inventory of over 240 DES offices and 7,800 items of fixed assets. Federal regulations require an inventory of DES owned and operated equipment and provider/client equipment purchased with funds from or through DES. There are at least 3,000 provider/client fixed assets in over 100 locations that the department must inventory. At a minimum, DES will need 4 Inventory Controllers to perform these tasks.
- There is only 1 IPS II in the Fixed Assets Unit (FAU) not who not only maintains the Fixed Asset System but also reconciles the 8400 (fixed assets) accounts. This additional task was assigned after Project SLIM's visit and they therefore were not aware of it. The FAU IPS II's time is completely accounted for.
- The DES owned and operated fixed assets inventory is approximately \$48 million. The scope of work accomplished in this office requires a supervisor dedicated solely to fixed assets.

Staffing Needs:

DES believes that the minimum staff required to perform the required tasks at Supply and FAU (exclusive of vehicles) are as follows:

Administration: 1 Section Manager

FAU: 1 Fixed Assets Supervisor
 1 IPS II
 4 Inventory Controllers

Supply:

- 1 Warehouse Supervisor (grade 17)
- 1 Warehouse Worker - Receiving
- 2 Drivers
- 4 Warehousemen - Pulling Orders/Shipping

- 1 Office Supervisor (grade 15)
- 1 IPS II
- 3 Order Processors

The number of warehouse staff requested represents 90 J-300s processed per worker per week based on an anticipated reduction of line items to be pulled and reduction of the numbers of supply items to be stocked. Studies on projected workloads will be available.

Although DES concurs that inventory control of paper used in the printing process should be the responsibility of the Print Shop, this function cannot be absorbed with existing staffing levels. The department anticipates needing approximately .5 FTE to handle the responsibilities associated with ordering, stocking and inventorying all papers used by the Print Shop and Copy Center. Additionally, adequate secured space for storage would be needed.

The department supports the proposed revision to the cost allocation system but estimates it will cost an additional \$600,000 to implement. This initial cost should be offset against savings projected by the Review Team.

The DES supports the need for a back-order system, however, additional automation and software would need to be approved in order to implement the proposal.

G. Vehicles

Project SLIM found that there is no unit or individual charged with management of the agency's transportation needs.

Although DES - Office of Facilities Management manages the extended dispatch vehicles, it has not been assigned the Department of Administration (DOA) taxi usage,

the credit card charges, decisions regarding the repairs to any vehicle, reimbursement for private vehicles, nor the 100% federal purchase of vehicles versus leasing.

DES agrees in concept with a number of Project SLIM's recommendations, but believes implementation would require the following:

- Additional automation to be able to generate effective reports to track vehicle maintenance costs and provide cost accounting information.
- Additional staffing (either centralized or under control of central authority) to implement inspection programs and maintain vehicle records. Changes in the organizational structure pertaining to vehicles are not included in the SLIM report.
- Budget authority for authorization of vehicle expenditures to be located with the unit responsible for fleet management.

DES has opportunities to meet more of its transportation demands by looking at the use of leasing, of controlling the authorization for taxi vehicles use, by analyzing travel reimbursement versus acquisition and/or leasing of state vehicles, etc.

H. Voice Telephone Services

In most respects, the department agrees with the Project SLIM findings to centralize the accountability and management of voice communications under the department's Office of Data Administration (ODA). Additional resources will be required to perform these additional functions.

The ODA Administrative Services unit handles all voice billings, except for the Department of Administration (DOA), and approves them for payment. They work closely with the telecommunications unit to resolve discrepancies. It is believed that this provides for a good separation of duties between ordering, installing, and servicing the equipment, versus the bill paying process.

The DES recognizes the findings relate mainly to the DOA billing and telephone credit cards which fall under the responsibility of the Division of Business and Finance

accounts payable unit. On a monthly basis, the ODA Telecommunication Billing System (TBS) compares prior month charges to current charges to determine if a change +/- of twenty percent has taken place. Those accounts are identified and reviewed. Each account is reviewed at least once during the fiscal year to determine proper chargeback coding and proper documentation within the file. ODA has done an excellent job in identifying unauthorized calls and recouping the cost for the department.

The department concurs with other recommendations, with the exception of attaching dialing instructions to phone sets.

Project SLIM has recommended \$900,000 savings in voice telephone services for the ODA Telecommunications unit to implement within 8 months. In order for DES to implement the SLIM recommendations:

- ODA will need to be adequately staffed and properly equipped with specific tools, test and work equipment, including Call Accounting system hardware and software to be installed behind each voice telephone system.
- For the ODA Telecommunications unit to provide support for selecting required services, auditing utilities billing, and audit DOA billing, an additional full-time employee will be required.
- Utility phone equipment now leased or rented is located in about 40 locations. These 40 phone systems represent an annual cost of about \$720,000. This ongoing cost can be avoided by purchasing DES owned systems. Forty (40) Voice Systems at (estimated) \$30,000 each is estimated to be \$1,200,000.

Return on investment is approximately 1.6 years. Thereafter, the only cost will be maintenance. This may also be avoided if the telecommunications unit is staffed and equipped to maintain the equipment.

- Other areas identified by Project SLIM would be analyzed as time permits by existing staff and the proposed staff listed above. This will include the following:

800 Numbers

900 Numbers

Credit Cards

Directory Assistance Calls

Negotiating with DOA for more appropriate lease rates

Operator Assistance

Telephone services at 1717 and 1789 West Jefferson and 1720 West Madison are currently supplied by the DOA. The cost for these services is nearly \$200,000 per month. The DES can do one of the following to reduce this expenditure to a more appropriate level:

- Negotiate with the DOA for price competitive rental/leasing rates. This would mean at the least, equal to or less than the US/West and/or ATTIS rates.
- If the DES chooses to purchase its own system, a switch compatible with the DOA can be acquired for about \$900,000. Return on investment, including cost for US/West trunks, dial-tone, and connectivity, would be about six months.

DES will continue to discuss these issues with Project SLIM during implementation.

I. Office of Contracts, Equipment and Purchasing; Purchasing Functions

The department agrees in concept with SLIM's recommendations to restructure the purchasing process through automation, reduce the duplication of data being tracked in two computer systems through FMCS enhancements and replacing the manual approval process of requisitions through the use of system edits.

The DES also agrees that the elimination of the separate Office of Contracts, Equipment and Purchasing (OCEP) tracking system could be accommodated with the

implementation of the proposed FMCS purchasing automation. The enhancements, however, should provide the management of OCEP and DBF with information on buyer productivity, documents in process, and unit performance currently supplied by the OCEP tracking system.

DES agrees that discontinuing the routing of requisitions through Fiscal Control could be eliminated with both on-line system edits, and the assurance that requisitions have been properly authorized. The staffing reductions cannot occur, however, without automation being in place.