

Agency: 357 Department of Early Learning
Decision Package Code/Title: B2 Time, Attendance, & Payment System
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

The Department of Early Learning (DEL) requests 1.0 FTEs and \$373,705 of General Fund-State funding in Fiscal Year 2016 and 16.0 FTEs and \$18,464,599 in Fiscal Year 2017 to implement a cloud-based, Software-as-a Service (SaaS) solution for an electronic time, attendance, and payment solution for Working Connections Child Care (WCCC) and Seasonal Child Care (SCC) subsidy programs, and the Early Childhood Education and Assistance Program (ECEAP) while supporting optional private-pay child care attendance and early learning professional incentive award payments .

The solution will streamline provider payments from various DEL and DSHS systems and incorporate ECEAP invoicing, Early Achievers quality rating improvement awards and professional development incentives which are currently supported through legacy systems and manual paper-based processes. A single solution will also provide an application for authorized parents or guardians to check children in and out of early learning programs through a tablet device or mobile phone, and access an online portal to review documents and attendance records. Providers will access the same online portal to review records and submit electronic invoices to the State to reconcile and produce payment while reducing the amount of time it takes most providers to calculate invoices and increasing the accuracy of invoices. The replacement of paper timesheets and invoices with a new solution that ties together child care attendance and provider payments, has proven successful in reducing costs in numerous states across the nation . In accordance with the Office of the Chief Information Officer (OCIO) goals concerning enterprise technology, this project will be designed to enable other state agencies to re-use this enterprise solution for similar needs.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	373,705	18,464,599	18,838,304
Total Cost	373,705	18,464,599	18,838,304
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	1.0	16.0	8.5

Package Description:

In the 2015 17 enacted budget, the Office of the Chief Information Officer (OCIO) was provided funding "to develop a statewide strategic business and technology architecture plan for time capture, payroll and payment processes and eligibility and authorization processes for DEL. A childcare attendance and billing solution must be designed or modified to align with the statewide enterprise strategy once the strategic architecture is established. The plan shall be completed and delivered to the appropriate committees of the Legislature by December 1, 2015."

This project will utilize existing state enterprise technology investments to implement a legislatively-mandated electronic time,

attendance and payment system for Working Connections Child Care (WCCC) and Seasonal Child Care (SCC) subsidy programs, and the Early Childhood Education and Assistance Program (ECEAP) while supporting optional private-pay child care attendance and early learning professional incentive award payments.

The Department of Social and Health Services' (DSHS) Provider Compensation Subsystem and Services (PCSS), now known as Individual ProviderOne or IOne solution, a sub component of ProviderOne, will be re-used and configured to meet enterprise business needs for time capture and payment. This approach aligns with the Office of the Chief Information Officer (OCIO) Information Technology strategy and follows the recommendations of the OCIO's recent enterprise architecture study. IOne currently supports domestic payroll and services for social service providers employed by clients of DSHS and is scheduled to go live in January 2016. DEL intends to integrate with the IOne solution in order to calculate and issue early care and education provider payments, and track child attendance. Integrating with IOne will allow DEL to utilize an existing reusable and configurable payment solution. This project will include interfaces with existing eligibility and authorization sources, the addition of a time and attendance module, and use of the payment processing within IOne.

The new child care module within IOne will include the ability to collect time and attendance data for children in subsidized settings, and provide the option to track attendance for non subsidized recipients. Collecting attendance at the level of the child's classroom for licensed child care providers, licensed-exempt child care providers, and ECEAP contractors will support longitudinal research on childhood education and inform investments in state resources. The attendance module will be expandable to other programs with similar business needs across the enterprise, such as the DSHS' Children's Administration childcare subsidy programs.

The system will provide an application for authorized parents or guardians to check children in and out of early learning programs through a tablet device or mobile phone, as well as access an online portal to review documents and attendance records. Providers will access the same online portal to review records and submit electronic invoices to the State to reconcile and produce payment while reducing the amount of time it takes most providers to calculate invoices and increasing the accuracy of invoices.

Electronic attendance records will allow enhanced audit and fraud detection techniques to be applied, saving money by reducing provider errors, collecting more overpayments, and identifying fraud. The replacement of paper-based attendance records and invoices with a new solution that ties together child care attendance and provider payments has proven successful in reducing costs in numerous states across the nation.

This system will serve as the department's payment system and incorporate WCCC, SCC, ECEAP, Early Achievers, and professional development payments into a single payment for early care and education and school-age providers. This will streamline provider payments from various DEL and DSHS systems which are currently supported through legacy systems and manual paper-based processes.

Concurrently, this project will retire the DSHS Social Service Payment Service (SSPS) for child care provider invoicing, claiming and payment processes, and replace a paper-based attendance record-keeping process with a cloud-based, SaaS solution.

The IOne solution has established interfaces with SSPS, the statewide Agency Financial Reporting System (AFRS), the Service Employees International Union (SEIU) and the Benefits Solution Inc. (the Health Trust Administrator) to support provider payment processing. Current IOne capabilities that can be configured to meet DEL business needs include:

- Receive provider and client eligibility and/or authorizations
- Enroll/register providers in order to receive payment
- Enter individual provider time (by way of paper timesheets, web-portal, or mobile application)
- Submit electronic claims
- Manage provider rates
- Calculate 1099, W 2 tax status, and other tax-related adjustments
- Manage provider addresses for warrants
- Perform adjustments and track payments

Additional interfaces and devices may be needed in the future to accommodate any potential changes in agency rules or federal or state laws, but those additional needs are not yet known.

Following a standard procurement process (estimated to be complete by July 1, 2016), DEL will subscribe to and configure a cloud-based, Software-as-a Service (SaaS) solution for an electronic time, attendance, and payment system for Working Connections Child Care (WCCC) and Seasonal Child Care (SCC) subsidy programs, and the Early Childhood Education and Assistance Program (ECEAP) while supporting optional private-pay child care attendance and early learning professional incentive award payments. The

DSHS IPOne solution will be re-used and configured to meet enterprise business needs for time capture and payment which aligns with the recommendations of the OCIO's recent enterprise architecture study.

Based on vendor bid responses, this system will be built out over a period of twelve months within contract execution, not including procurement and planning which will take an additional six months. The project has been segmented into three phases of progressive releases with the first production use within six months of the executed contract. After the initial launch, additional features will be released at the end of each phase which are anticipated to be three month durations until we are "feature complete" (the system is fully built out), which is an estimated twelve months from contract execution. The budget request assumes a July 2016, SaaS vendor initiation date with the initial production release no later than January 1, 2017, and final completion of the system ("feature complete") no later than June 30, 2017.

The project phases are:

--Phase 0 - Planning & Initiation (January 1, 2016 - June 30, 2016) (6 months)

Project planning, approval and initiation activities; procurement and vendor management

--Phase 1 - Attendance Capture (July 1, 2016 - January 1, 2017) (6 months)

Implement online portal and time and attendance data capture for children in subsidized settings, ECEAP, and provide the option to track attendance for non subsidized recipients (private pay).

--Phase 2 - Payment (January 2, 2017 - March 31, 2017) (3 months)

Implement payment for subsidized child care, Early Achievers quality rating improvement awards and professional development incentives.

--Phase 3 - ECEAP Payment (April 1, 2017 - June 30, 2017) (3 months)

Implement payment for ECEAP contractors

Throughout the phases we will also:

- Consult with the Parent Advisory Group (PAG) on system requirements and usability throughout project implementation;
- Engage with internal and external stakeholders for system status and readiness, change management, deliverables management, user acceptance testing, etc.;
- Pilot time and attendance capture for ECEAP contractors, licensed, and license-exempt child care providers; and
- Timed release of consumer and provider portals

Staff and provider readiness is extremely important to the success of this project. Our training strategy provides a mixed-delivery model inclusive of in-person regional trainings, webinars, online training modules, newsletters, user guides and access to a call center for all user functions within the system. These training options are available to staff (DSHS and DEL), providers and consumers (parents/guardians) in preparation for the implementation and will continue regularly after the launch.

Changing from the 40 year old phone and paper billing system (SSPS), clients and providers will have access to an online portal, and mobile applications will be available to enter attendance data and review account information. The new system will streamline the calculation and issuance of provider payments and will reduce the amount of time it takes most providers to calculate invoices and increase the accuracy of invoices, lowering the amount of overpayments each year.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The department expects the solution will result in the following outcomes:

- Increase the accuracy of subsidy payment to WCCC and SCC providers and realize a 30 percent decrease in identified overpayments within three years. Currently, 72 percent of provider payments audited by DEL include some amount of overbilling. In FY15, DEL audited the monthly attendance records of 7,538 providers, representing 15,343 children. Children's Administration childcare subsidy programs are likely to see the same increase in accuracy.
- Establish fraud detection algorithms to build a risk-based approach for fraud detection. This will allow the department to identify trends across child care subsidy and licensing and improve subsidy auditing methods.
- 100 percent of child attendance will be recorded electronically at the level of the child's classroom. This will provide child care

providers and ECEAP contractors online access to attendance information for all of the children at their facility. Families will also be able to access and manage child attendance through a consumer portal. Collection of attendance data at the classroom level is required by the Early Start Act of 2015 and an integral component of conducting longitudinal child outcome research.

- Provide child care providers an online portal to directly review child records for their facility.
- Provide clients an online portal to access and manage child attendance records and documents.
- Decrease the amount of time providers spend preparing and submitting invoices through automation.
- 100 percent of billing and payment records will be captured and stored electronically by the department. Electronic attendance records will make fraudulent claims much more difficult than the paper-based and self-reported attendance of children. It will also make fraud auditing more efficient for DEL staff.
- Reduce the department's administrative time for determining appropriate payment.
- Decrease the cost of care per household. Another state with a similar solution (Oklahoma) experienced a 10.4 percent per child cost decrease post implementation.
- The system will provide 99.99 percent availability 24 hours per day, 7 days a week, 365 days per year.

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

A comprehensive time, attendance and payment system will help the department promote systems excellence and ensure the department is well managed.

This project is a strategic investment in technology infrastructure and will allow people to make data-driven decisions. This system will enable the department to use data to inform strategies and resources, and provide data analytics and governance in support of agency mission, goals, and objectives.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

By reducing administrative time for providers and allowing them more time with the children in their care, this proposed system will increase the quality of care and provide a baseline for identifying connections between high quality child care and K 12 outcomes. This supports Governor Inslee's Goal #1 to provide more children with a world class education.

This proposal also supports Governor Inslee's Goal #5 to make government more efficient, effective, and accountable by using Lean management principles such as standardizing processes, creating records that are easily accessible for audits and reports, modernizing old IT systems, and improving data security. This project will:

- Align with open and transparent government by replacing paper based records with electronic attendance and payment records;
- Create electronic records which are easily accessible for audits and fraud detection, reports, data requests or public inquiries;
- Standardize attendance capture processes between licensed child care providers, licensed exempt child care providers, and ECEAP contractors;
- Align with state IT strategic objectives of mobility. It will provide a platform to move to mobile applications for childcare subsidies, and build capacity to use mobile applications for providers and parents to check on the status of payments and attendance;
- Align with the modernization of state government by retiring SSPS for child care provider invoicing and claiming processes;
- Align with innovative delivery of services by replacing legacy SSPS functions with a SaaS cloud solution which is in line with the OCIO security strategy to integrate cloud technology with state infrastructure;

- Improve data security by employing modern protocols, access control points and firewalls instead of paper records sent through the mail.

What are the other important connections or impacts related to this proposal?

Prior procurement efforts allowed DEL to conduct outreach with the potential vendor community, collect new market research on similar systems in other states, and incorporate suggestions to strengthen project requirements, schedule expectations, budget estimates and resource needs. Lessons learned from the ProviderOne and IPOne projects can inform the strategy for this project and be re-used and benefit multiple state agencies.

In FY13, DEL contracted with a vendor to complete a feasibility study and business case to study the existing child care subsidy system and for developmental planning of a replacement system known as the Attendance and Billing for Childcare Subsidies (ABCS) system, formerly referred to as the Time Attendance and Billing System (TABS). This study is available on request.

Outreach was made nationally and internationally to states and municipalities with similar systems (such as New York, Oklahoma, Toronto, etc.) to determine one-time and ongoing costs as well as to identify best practices and avoid potential pitfalls other states have experienced with similar projects.

A request for bid (RFB) for the attendance and payment component was released in January 2014 and returned just one bid which was substantially higher than the studies indicated it would be. DEL contacted the bidder and vendors that downloaded the RFB but did not bid for their feedback. That feedback was incorporated into a new request for proposal (RFP). The feedback included difficulty with a proprietary software to respond, lack of clarity on mandatory requirements, and high risk for the vendor.

DEL completed outreach to potential bidders to provide information on system needs and posted a request for information (RFI) to elicit questions from vendors that were incorporated into a new RFP. A bidders' conference was conducted in December 2014 to collect additional information and answer questions from potential bidders during the question and answer period of the RFP.

DEL issued an RFP that included revised requirements for clarity, grouped requirements by functional area, and restructured payment requirements. DEL received four bids in January 2015 from viable vendors and notified one proposer to advance into implementation planning workshops. An apparently successful vendor was to be named in April 2015.

What alternatives were explored by the agency, and why was this alternative chosen?

Elyon, the OCIO Contractor, completed an as-is assessment of existing payment request, payroll calculation, and payment issuance capabilities within DSHS, DEL, HCA, HBE, and DOH. This assessment was used as a foundation to identify opportunities for reuse, integration, and interoperability of available solutions among agencies. The OCIO Contractor recommendation is to leverage existing enterprise technology and systems.

DEL went through the procurement process last year for a SaaS time, attendance and payment system specific to DEL which included a Request for Information (RFI), Bidders Conference, and a Request for Proposal and received responses from the vendor community.

What are the consequences of adopting or not adopting this package?

Without an electronic time, attendance, and payment solution, the department will have to continue relying on the paper process currently used by child care providers. Data collection required by the Early Start Act would be more time consuming and have a higher error rate than an electronic solution. High error rates lead to increased overpayments (over \$7 million in 2013 alone for WCCC and SCC), and high overpayment rates lead to audit findings, which reflects poorly on program integrity and accountability. Subsidy money is federal and those federal funds could be withheld if the rate of fraud and subsequent overpayment continues.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

Potential cost savings to consider include requiring payee direct deposit, via electronic funds transfer or debit card option. This would require labor union negotiations.

Expenditure and revenue calculations and assumptions

Total costs for Fiscal Year 2016 are \$373,705 assuming:

FTE, Salary and Benefits: 1.0 FTEs costing \$109,516

-0.5 Information Technology Specialist (ITS) 5 (Project Manager): Prepare project management documentation, investment planning documentation and procurement for Special Assistant Attorney General, Project Management/Analyst Support, External Quality Assurance, , Change Management, Independent Verification and Validation (IV&V), and SaaS solution .

-0.5 ITS 5 (Business Analyst): Assist Project Manager with required project documentation and procurements . Validate and revise requirements and technical documentation.

Professional service contracts: \$172,500

- \$142,500 for expert level project management and analysis support for the project .

- \$30,000 for special assistant attorney general services to review and provide legal consultation during procurement efforts and contract negotiations

Goods and Services: \$41,028

- \$5,040 for standard FTE costs, including specialized IT training, PC leases, supplies and materials and communications

- \$35,988 for contingency costs for unanticipated expenses are assumed to be 20 percent of combined personal service, goods and services

(except for the contingency fee itself), contract amounts and travel.

Travel: 1.0 FTEs, \$2,400 ($\$2,400 \times 1.0 \text{ FTE} = \$2,400$)

Capital Outlay of \$12,000, one-time standard cost for office furniture and equipment for 2 new individual employees

Intra-Agency Reimbursements: \$36,261 in Fiscal Year 2016 for indirect costs for agency administration and central services, calculated at 33.10 percent of direct salaries and benefits ($\$109,516 \times 33.10\% = \$36,261$). This is for administration and management of the department including governance, executive management, fiscal operations, human resources, communications and outreach, government relations and agency information technology services. It is also for agency central services including space and utilities, data processing fees and computer leases, communications, attorney general and audit services and other mandatory charges for services from the Department of Enterprise Services.

Total costs for Fiscal Year 2017 are \$18,464,599 assuming:

FTE, Salary and Benefits: 16.0 FTEs costing \$1,584,884

- 1.0 WMS 2 (Program Manager): This position will manage the time, attendance, and payment program at DEL (ongoing) ;

- 1.0 Information Technology Specialist (ITS) 5 (Business Analyst): This position will manage requirements and defects (ongoing) ;

- 1.0 ITS5 to act as a project manager, then transition to a system manager (ongoing) ;

- 1.0 ITS3 project coordinator to coordinate project activities with internal and external stakeholders (one-time, through project close-out);

- 1.0 ITS5 software interface developer to develop, test, maintain and upgrade the system interfaces (ongoing) ;

- 1.0 ITS5 software interface developer to develop and test the system interfaces (one-time, through project close-out) ;

- 1.0 ITS5 SQL business intelligence, integration developer to maintain and upgrade data and reporting data infrastructure (ongoing) ;

- 1.0 ITS5 data warehouse developer to build and maintain a data reporting structure for business operations, research, and audits (ongoing);

- 1.0 ITS5 system, integration tester for vendor system and interfaces (ongoing);

- 1.0 ITS5 system, integration tester for vendor system and interfaces (one-time, through project close-out);

- 1.0 ITS3 project support, help desk to field project and system inquiries and facilitate issue resolution (one-time, through project close-out);

- 2.0 Management Analyst 4 (MA4) to support project readiness activities for organizational change management (one-time, through project close-out);

- 1.0 Management Analyst 4 (MA4) to support fiscal audit, fraud detection and accounting requirements (ongoing); and

- 2.0 Financial Analyst 1 (FA1) for fiscal support and data entry (ongoing).

Professional service contracts: \$12,785,075

- \$9,957,966 for Software as a Service (SaaS) system configuration and production subscription fees; and
- \$45,000 special assistant attorney general services to review and provide legal consultation as needed during the engagement; and
- \$700,000 for expert level project management and analysis support for the project; and
- \$350,000 for an organization change management team. This team will lead efforts for organizational change management, staff (DEL and DSHS) readiness and provider readiness; and
- \$500,000 for independent verification and validation services; and
- \$150,000 for external quality assurance, as required by the Office of Chief Information Officer.
- \$1,082,109 for DSHS system remediation and interface development for new system

Goods and Services: \$3,447,485

- \$39,500 for standard FTE costs, including specialized IT training, PC leases, supplies and materials and communications
- \$9,500 for software licenses such as developer tools; and
- \$686,658 for vendor pass-through expenses (\$669,910 for data plan charges for users + \$16,748 for payment mailing postage)
- \$2,711,827 for contingency costs for unanticipated expenses are assumed to be 20 percent of combined personal service, goods and services (except for the contingency fee itself), contract amounts and travel.

Travel: 16.0 FTEs, \$38,400 (\$2,400 x 16.0 FTE = \$38,400)

Capital Outlay of \$84,000, one-time standard cost for office furniture and equipment for 14 new individual employees (an additional 2 new FTEs receive equipment in prior year when they start)

Intra-Agency Reimbursements: \$524,755 in Fiscal Year 2017 for indirect costs for agency administration and central services, calculated at 33.10 percent of direct salaries and benefits (\$1,584,884 X 33.10% = \$524,755). This is for administration and management of the department including governance, executive management, fiscal operations, human resources, communications and outreach, government relations and agency information technology services. It is also for agency central services including space and utilities, data processing fees and computer leases, communications, attorney general and audit services and other mandatory charges for services from the Department of Enterprise Services.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

One-time costs include:

- Software as a Service (SaaS) configuration, procurement, licensing fees, and tablet/mobile device distribution, and training;
- Professional services contracts and contract contingency amounts

Ongoing costs (maintenance) include:

- Monthly/annual authentication device (tablet) subscription costs (for example, a data plan);
- Call center staffing (Multi-language support and translation services) for billing and payment support;
- Training through online learning management system (LMS) and system testing;
- Authentication device distribution (procurement, installation, configuration, & shipping);
- Annual 1099 and W-2 distribution (including postage)
- Annual subscription costs for Time, Attendance & Payment System
- Staff salaries, benefits, goods and services, travel, communications, software licenses, etc.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	82,730	1,182,829	1,265,559
B Employee Benefits	26,786	402,055	428,841
C Professional Svc Contracts	172,500	12,785,075	12,957,575
E Goods\Other Services	41,028	3,447,485	3,488,513
G Travel	2,400	38,400	40,800
J Capital Outlays	12,000	84,000	96,000
T Intra-Agency Reimbursements	36,261	524,755	561,016

Total Objects

373,705

18,464,599

18,838,304