

NSI Meeting 4-20-93

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SUMMARY OF MEETING WITH NETWORK SOLUTIONS INC. APRIL 20, 1993

BACKGROUND

This is a summary of a meeting that took place on Tuesday, April 20, between the DPC (Kathi Way and Mike Schmidt) and Joseph Murray and John Anzivino of Network Solutions Inc. (NSI). NSI is a systems integration company specializing in Human Services applications for state and Federal agencies.

PURPOSE OF THE MEETING

NSI asked for this meeting to discuss three issues:

- **"Off Shore" programming.** NSI is one of a handful of companies that design systems integration software for state and Federal Human Services applications. Their competitors are all large multinational companies -- IBM, Anderson Consulting, Deloit Touche, etc. Recently, one of their competitors (Deloit Touche) has decided to cut costs by shipping their computer coding jobs overseas to third-world nations. By doing this, they are able to bid on jobs with bids that are 25-30% lower than NSI and other companies that keep coding jobs here at home. By shipping coding jobs overseas, not only are Americans put out of work, but the U.S. loses Federal and state income tax revenue as well. Additionally, smaller firms like NSI will be put out of business if this practice continues. NSI feels that because the vast majority (80-90%) of systems integration work is supported by Federal tax dollars, **the Federal Government should require (or at least "strongly suggest") that firms keep coding and other jobs in the U.S.** All small companies are asking for is a "level playing field."
- **Enhanced Federal funding.** HHS and USDA currently provide enhanced Federal financing participation (FFP) for long term support of automation (90% AFDC, 90% Child Support, 63% Food Stamps). Additionally, HCFA reimburses 75% for automated claims processing. The President's current budget authority would eliminate enhanced FFP, and NSI feels that this is a mistake that should be examined carefully.
- **NSI support for the Clinton Administration and its welfare reform initiatives.** NSI supports the Clinton Administration and offers its services to the Welfare Reform Working Group.

DPC RESPONSE

Kathi Way thanked the NSI representatives for bringing these issues to our attention, and assured them that they would be looked into. Additionally, she told them that the Working Group would be in touch when it began to do outreach work later this year.

NSI Mtg 4-20-83

- Systems Integration Software Co.

- 100 employees
- \$18 million in annual sales
- ^{work on} Systems Transfers bet. state

FAMIS
child support
jobs

- IBM, Andersen, Deloit Touche are competitors

- Certified system (Fed Govt) on Child Support & Welfare sides

Deloit Touche - Some competition decided to do coding offshore - - can put small company like ours out of business

- These programs supported by Tax dollars
- should keep jobs in America
Taxes paid, etc.

- Fed Govt: ^{laying} 90% of Bill

- Fed Can use ^{supp} language to encourage keeping jobs in America.

- Want level playing field

- Difficult to red-code 2000 miles away

- GAO has highlighted problems in State Transfer

- HHS has no staff on-site until they're certified

- Issue (Clinton) of creating jobs - small business expansion

I loss of Enhanced Federal Funding / Match

- Most states have FAMIS - rest should get it soon.

want

- 80-1. Matching for child welfare

- Few funding states to integrate child welfare records with schools.

child support

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Eating the Elephant or How to Survive FAMIS

This is the first in a series... memoirs of a successful FAMIS project. The subject matter is very serious. The tone is not. The authors, both veterans of elephant banquets, will be sharing their observations, experiences, and opinions (they have lots of opinions) with anyone who cares to listen. Future installments will be sent, gratis, as they come off the press.

by: Paul McLaughlin and Paul Kelly

Volume 1, Number 1

We're going to talk about FAMIS here.

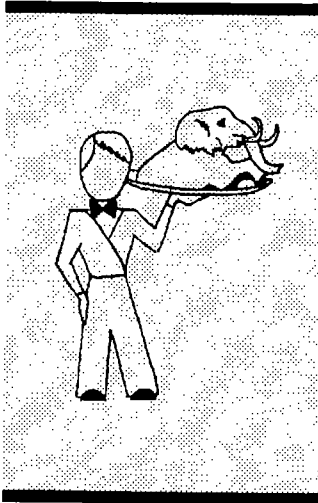
If you're not interested in FAMIS at the moment, keep reading anyway... the discussion is just as relevant to automating Child Support Enforcement, or JOBS, or any big computer project in the Human Service arena, and, to an extent, in any arena. We could talk about how "he and/or she built a FAMIS and/or CSE system", but that would detract from the flow of this vaulted and/or timeless prose. So we'll just call it FAMIS and trust you to generalize to whichever application you're losing sleep over this year.

What makes FAMIS different?

You probably have a computer system now, right? Sure, it's old. Maybe it doesn't do what you want it to, but it runs. The guys who work on it for you are a bit odd perhaps (computer guys are always a bit odd), but they put their pants on one leg at a time... none of them are rocket scientists. So how hard can this computer stuff be? And why is FAMIS any harder than what you've got now?

Let's try an analogy... You know that cheeseburger you

had for lunch? Well we're not talking about a cheeseburger... we're talking about "eating an elephant".



Having recently finished eating (burp) one elephant in Rhode Island (FAMIS, Federally certified April 1991), and cleaning the plate on a second one (CSE, Statewide January 1991), it seems only neighborly to share some of the high points.

"Rhode Island?" you say... "Hell, we have shopping malls bigger than Rhode Island!" you say. Okay... but think about it.... When it comes to administering

welfare in your State, field workers sit across the desk from one client at a time... just like in Rhode Island. They apply the same type of policy in Providence that you do in Detroit or Seattle or Los Angeles, and they face the same problems and issues. We just squeeze them into less geography. And with pockets of 19% unemployment within 25 miles of downtown Providence, we have more than our share of clients.

We finished FAMIS on time and on budget. We received full unconditional certification on the first try. In the process, our error rate went from the 34th highest in the country to the second lowest despite rapidly expanding caseloads and rapidly declining staff levels... everyone is tightening their belts these days. Errors cost money... and that, after all, is what drives us into these projects.

How to tell if you need a FAMIS

FAMIS is like alcoholism... admitting you have a problem is the first step... so, with apologies to David Letterman, we present the top ten ways to know you need a FAMIS:

10. Error rates are too high

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More.... Eating the Elephant or How to Survive FAMIS/CSE

This is the second article in the "elephant" series....

Last time, we talked about why FAMIS (or CSE or JOBS) is different from most other automation projects (eating birds, lizards and other small animals). We also discussed how to tell if you need a FAMIS system, finding a Coach, picking your own elephant out of the herd, and getting the right people on board. This issue, we'll look at the APD and RFP process, talk about what to look for in the proposals all those hungry vendors submit, and we'll offer some guidelines for selecting a vendor.

We've had a LOT of responses to the last issue... a number of people have asked for equal time for the CSE perspective... that accounts for the slightly revised title. We also offer our "Top 10 ways to tell you need a CSE system" - a companion for last issue's FAMIS list. Lastly, we invite comment... this is a forum... surviving the birth trauma of a Human Service System is a common experience that binds a relatively small cadre of mortal beings, but there are tales of bravery and outrage to be told of each of them. Feel free to share your own, or to ask an opinion (not guaranteed to be a good one) on ANY issue. With that, let's pick up where we left off last time.

by: Paul McLaughlin and Paul Kelly

Volume 1, Number 2

The Advanced Planning Document (APD)

So now we have a Coach on board, we've got a donor system in mind, and a talented and highly motivated team assembled to make it all happen. The next step? Get someone to pick up the tab for your elephant banquet. This is where the Coach starts to earn her keep.

Now everyone knows the federal government has more money than God. And we all know exactly where they got it too. And we know that if they don't give it to us for this project, they're just going to spend it on something silly like avocado research, or studying the military uses of lint. A fine "real life" example appeared in a recent newspaper article about the Air Force's "chicken cannon". The cannon, it seems, is designed to shoot four pound chickens at jets, feathers and all. At 517 m.p.h! Really! Ronald Reagan would be darn proud! Heck, even Frank Perdue would have a lump in his throat. 517 m.p.h. is even faster than the assembly lines that carry the birds past the USDA poultry inspectors.

So, as you can see, even in

these tough economic times, funding can be found for the really important things. But... despite the fact that it's our money and the Feds took it from us to begin with, you still have to act like they're doing you a big important favor to let you use some of it. There is a "process" involved here... a kind of ceremonial begging ritual called "submitting an Advanced Planning Document (APD)".

An APD is basically just a business plan. You write an APD to tell the Feds what you want to do and how much you think it will cost. If they like it, they give you enough money to hire someone to figure out what has to be done and how much it will cost. This is sort of like finding that the instructions for installing your new VCR have been provided on video tape. Your Coach, though, should be able to solidify your ideas sufficiently to draft a very convincing document for submission. The dialogue with your Coach will probably go something like this:

Coach: "Now what exactly are you requesting Federal Financial Participation for?"

You pretend not to notice that

your Coach has just ended a sentence with a preposition... for this you're paying \$150 an hour?

You: "I want the Rhode Island system... only I want it to be bigger than [_____]." (Go ahead and fill in the name of your neighboring state's system).

The Coach writes "Transfer a certifiable CSE system; customize to reflect state policy".

Coach: "How much do you expect it to cost?"

You: "I have no idea... isn't that why I'm paying you?"

The Coach, in precise script, writes "\$12.73 million" on her pad.

Coach: "How long do you expect..."

She pauses. The shadow of a frown crosses her tired face as she reconsiders her question. "Never mind..." she says. She smiles a sad distant smile and writes "22 months".

You: "... and we'll need a new computer too".

The Coach crosses out \$12.73 million. She ponders a moment, then, with authority, writes "\$54.61 million."

Eleven weeks later, She presents a 275 page APD, with

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**We make technology
work for people . . .**

Network Solutions Inc.'s (NSI) reputation as a systems integration company is based on an outstanding staff and some very big accomplishments.

NSI specializes in Human Services applications for state and federal agencies. These systems have increased productivity, decreased costs, and resulted in better service to clients, benefitting agency staff, taxpayers, and aid recipients.

As one example, software systems developed by NSI are saving the State of Rhode Island and the federal government approximately \$2.3 million per year. We have helped the State reduce payment errors, increase child support collections, and service more clients with fewer staff.

**We make technology work for
people.**

NSI is a systems integrator . . .

NSI, as a systems integrator, provides an entire system as a *turnkey* operation for the user. We handle the entire project, start to finish, including:

- ◆ helping to define detailed requirements for the finished system—including all of the required computer hardware
- ◆ providing software that meets those requirements
- ◆ assisting with the hardware procurement
- ◆ coordinating hardware installation and testing
- ◆ transferring all existing data intact to the new system
- ◆ testing and retesting the system in real-life situations
- ◆ conducting extensive, hands-on training for all system users
- ◆ conducting systems training along with basic computer skills for staff members who have limited computer experience
- ◆ providing readable user manuals, on-line help, and an on-line policy look-up
- ◆ installing the new system in all offices
- ◆ providing support to users and technical staff after the installation

Finally, we do not just leave when the system is in place. NSI provides assistance and support throughout the federal certification process for FAMIS and CSE systems. We are also available to provide longer-term support.

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NSI is not a new company . . .

We have been providing customized computer systems to businesses since 1976 and entered the federal government market in 1984. Since our first contract to provide a Title IV-A system for the State of Rhode Island in 1988, we've concentrated on the Human Services market.

NSI's success in Title IV-A and Title IV-D system transfers is evident in several ways:

- ◆ NSI is the only vendor that has implemented federally certified systems for both welfare and child support enforcement.
- ◆ The company has continued to increase staff and has recently opened offices in Charleston, West Virginia and Carson City, Nevada.
- ◆ NSI is the vendor of choice in Rhode Island, West Virginia, Nevada, and Idaho, and is currently involved in system transfer projects in those states.

NSI's reputation for service and quality has led to national attention and an increased demand for the company's services.

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NSI knows what is really important . . .

- ◆ *We listen to our customers.* After all, they are the experts at what they do.
- ◆ *We see technology as the means; not the end.* It should be a help, not a hinderance, in getting the job done.
- ◆ *We give our staff a lot of flexibility.* We know they're the best. They've proved it time after time. The challenge and responsibility we provide are the reason we retain so many highly skilled people year after year.
- ◆ *We keep our promises.* We have a proven track record of finishing projects on time, within budget, and without cutting corners.

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NSI understands your business . . .

Human Services software systems are not just about adding new technology. They are about enhancing service delivery to clients. NSI's success stems from concentrating on the "people" issues in all of our projects:

- ◆ *Our staff is not just technical people.*

Some of our senior managers do not know any programming languages. Their value is their long experience at all levels of State Human Service agencies. NSI draws on that experience to help fine tune the systems we design.

- ◆ *Our project approach minimizes potential disruptions in service.*

We know that "the system is down" is not an acceptable excuse when a needy family is waiting for a monthly benefit check or food stamp voucher.

Our approach to projects is to plan ahead, start early, and monitor progress closely. We review the status of the project regularly to anticipate problems and develop contingency plans. We make sure that the system we are installing to help you does not become your biggest headache.

- ◆ *Our focus is on training and support.*

New technology will not improve productivity or efficiency if no one knows how to use it. Training and support for all users is critical to the success of any new system.

Every NSI project team includes at least one professional trainer. As the software is developed, the trainer is developing training plans, curriculum, and materials for lecture and hands-on sessions. Every staff member is trained in the appropriate functions for his or her responsibilities prior to the system installation.

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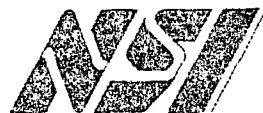
Because no one can remember everything they learned in training, NSI also provides hotline support for users during and after the installation period. Clear, easily understandable user manuals and on-line help provide additional assistance. At all times help is, at most, only a phone call away.

◆ *Our goal is to form a partnership.*

We know your business, but you know it best. We know the technology, but only you know your clients and your problems. At NSI, we do not believe we have *the solution*. We have a solution, and working together, as partners with your staff, we can make it a solution that works for you.

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briefing for . . .

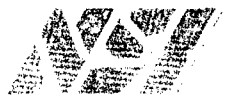
Kathi Way

White House
Washington, DC
April 20, 1993



agenda . . .

- ◆ **"Off Shore" programming**
- ◆ **Enhanced federal funding**
Cost/benefit evidence
- ◆ **NSI support for Clinton Administration**





COMPARISON OF SYSTEM DEVELOPMENT USA vs. "OFFSHORE"

	IN USA	"OFFSHORE"
American Workers Able to Compete for Jobs Created with Tax Supported Dollars	Yes	No
Cheapest Computer Programming Cost	No	Yes
Workers Pay U.S. Income Taxes	Yes	No
Workers Pay State Income Taxes	Yes	No
Workers Pay Real Estate Taxes or Rent to U.S. Taxpayer	Yes	No
Workers Contribute to U.S. Economy through Spending	Yes	No
Workers Contribute to State Economy through Spending	Yes	No
Technical Skills Passed to U.S. Workers through Side by Side Work	Yes	No
Easy Project Management and Quality Control of Projects	Yes	No
Use of U.S. Facilities, Offices, and Computers	Yes	No





enhanced federal financing participation . . .

- ◆ **USHHS And USDA currently reimburse for automation**

- 90% for AFDC
 - 90% for Child Support
 - 90% for MEDICAID
 - 63% for Food Stamps

- ◆ **The same departments also provide enhanced FFP for long term support**

- 90% AFDC
 - 90% Child Support
 - 63% Food Stamps

- ◆ **HCFA reimburses 75% for automated claims processing**

- ◆ **President's budget authority would eliminate enhanced FFP**

*Continued funding for automation is a wise
investment*





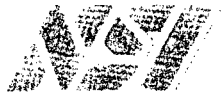
NSI . . .

- ◆ **Fastest growing vendor in human services**
- ◆ **Only vendor with Federal Certification for FAMIS and CSE**
- ◆ **Strong government experience**

Joe Murray, Former Human Services Director, Rhode Island
John Anzivino, Former Child Support Director, Rhode Island
George Barker, Former Computer Services Director, Maine
Patrick Pearson, Former Child Support Manager, Michigan

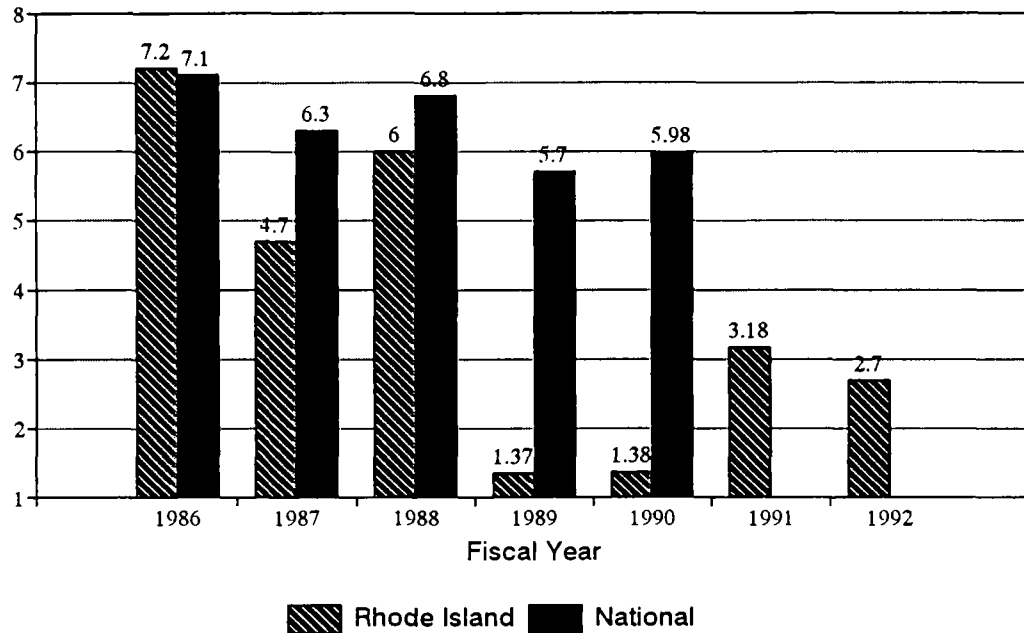
- ◆ **NSI and Staff willing to help Clinton Administration with human services issues**

Welfare reform
Welfare to work issues
Medical care reform

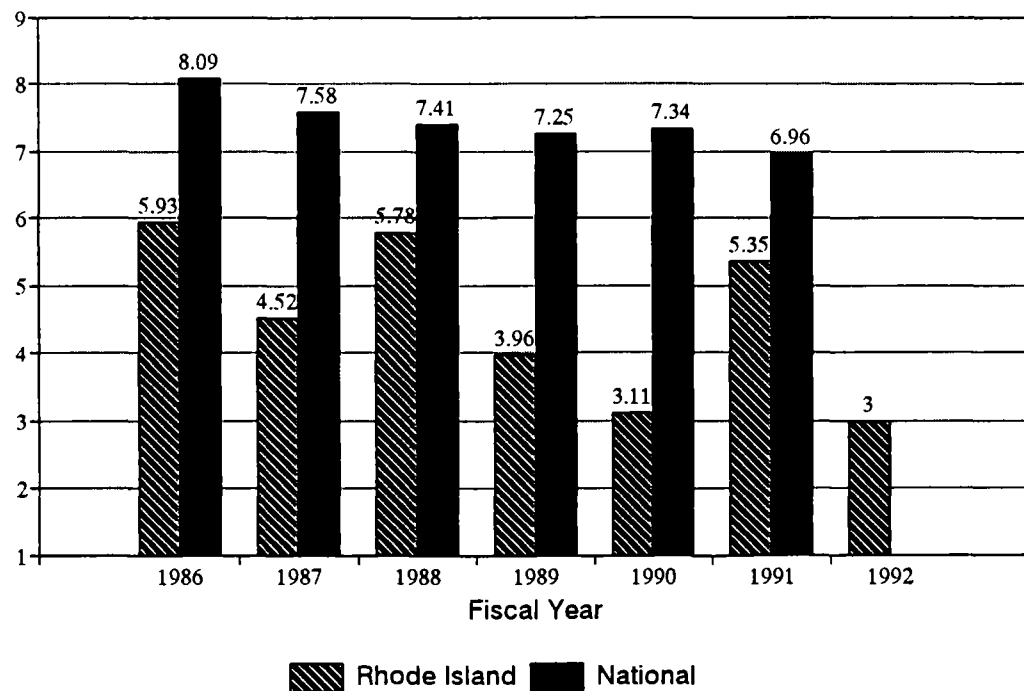




AFDC Error Rates Official Regressed



Food Stamp Overpayment Error Rates

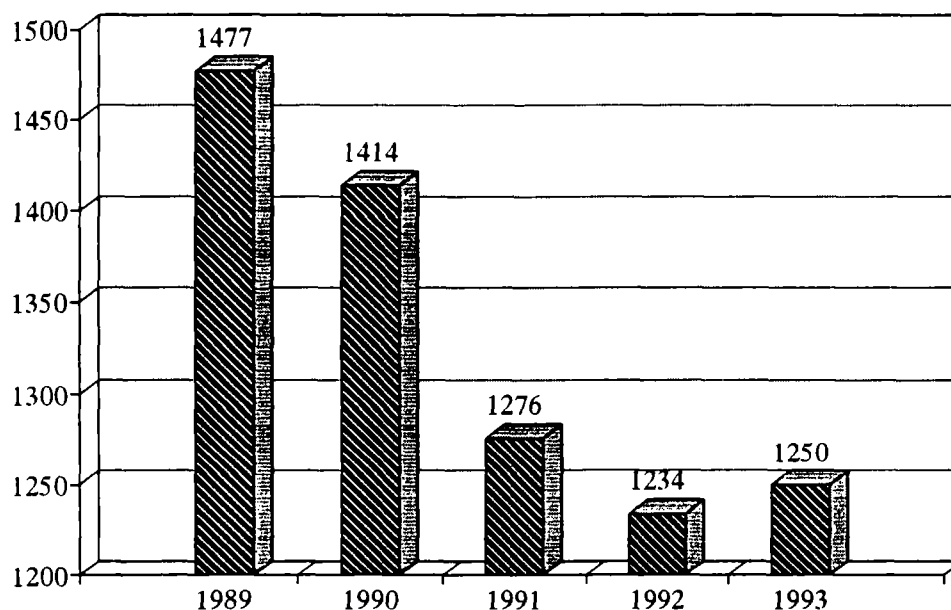






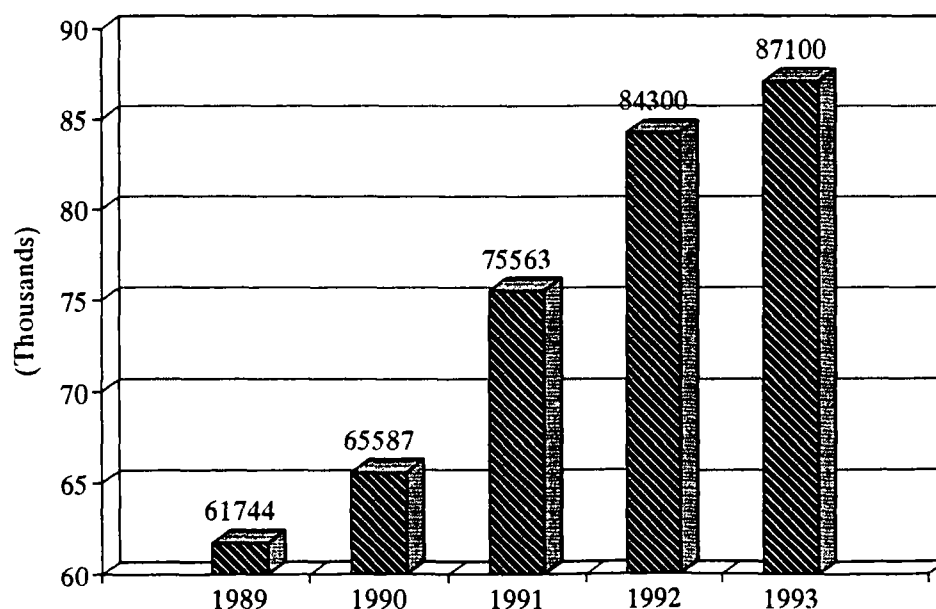
Rhode Island DHS Staffing

DHS Full Time Equivalent Positions



Rhode Island Caseloads

Clients Receiving Cash Assistance





RHODE ISLAND DEPARTMENT OF HUMAN SERVICES
INRRHODES COMPUTER PROJECT
COST BENEFIT ANALYSIS
COMPARISON OF PROJECTED AND ACTUAL SAVINGS/BENEFITS

MAY 14, 1991

INRHODES

COST/BENEFIT ANALYSIS

A. BACKGROUND

In 1986, Rhode Island submitted an Advance Planning Document (APD) requesting enhanced financial participation to transfer the Vermont ACCESS FAMIS system to Rhode Island and to enhance the system's functionality and capabilities. Through competitive procurement, Network Solutions Inc. was awarded the contract in June 1988 and immediately started the transfer process. Within nineteen months, the new INRHODES system was implemented state-wide. Federal certification was requested April 1990, thirty days after all data was totally cleaned and eligibility for every case was determined by the INRHODES system.

Over the last twelve months, AFDC and Food Stamp caseloads have increased dramatically while staffing has decreased. At the same time, AFDC and Food Stamp error rates have dropped significantly. (see attached charts).

Rhode Island is a metropolitan environment with many complicated policy program conditions encountered each day. These same conditions in Vermont were treated as exceptions and processed outside of the system. INRHODES is now a system that can cope with the programmatically complex situations usually encountered in a metropolitan area.

Rhode Island's pre-INRHODES computer system was basically a check writing system that was heavily dependent upon the manual intervention of a dedicated staff that kept it running. Because much of the pre-INRHODES computer system was so old and so heavily dependent on manual effort, a traditional cost benefit analysis comparing the pre-INRHODES and the INRHODES systems does not seem to be quite the ideal instrument for demonstrating the compelling necessity the State had for modernizing its systems when the APD was first constructed in 1986. Because the pre-INRHODES system did so little, its costs were quite modest. The transfer of the Vermont ACCESS system to Rhode Island required a significant investment, particularly in equipment, simply to provide the basic technical environment necessary to support a modern computer system.

To a large extent the efficacy of much of this technical environment was and is self-evident. For example, there was little question, in this day and age, that video terminals are useful tools in the AFDC and Food Stamp intake process. Rhode Island needed terminals even if it did not move to a comprehensive integrated data base. Therefore, to consider the cost of terminals as a cost of transferring the Vermont ACCESS

system is to somewhat overstate the cost side of the equation.

This fact notwithstanding, we do believe we have amply demonstrated that this transfer has been cost beneficial. We simply wish to point out that some of the major benefits we expected to achieve through this effort are not easily quantified.

B. PRE INRHODES SYSTEM COSTS

For calendar year 1985, the Department of Human Services expended \$1,055,180 in providing computer systems support for the AFDC and Food Stamp programs. This figure includes hardware, software, communications and maintenance personnel. Of this total \$ 570,470 was for AFDC; \$484,710 was for Food Stamps.

C. INRHODES FFY 1990 SYSTEM COSTS

For FFY 1990, the department expended \$475,589. This figure includes hardware, communications, and maintenance personnel by state staff and contractor staff. Of this total \$ 243,315 was for AFDC; \$ 232,274 was for Food Stamps. This represents a savings of \$ 579,591. without adjusting for inflation between the base year 1985 and FFY 1990.

D. INRHODES COSTS

Transfer and enhancement of the Vermont ACCESS system into the Rhode Island INRHODES system has cost \$10,187,000.00. This figure includes costs for State project team personnel, management consulting firm, system transfer contractor, software acquisition, computer support, and hardware purchase. On-going operational costs for the system were projected to be \$ 708,783 per year.

E. BENEFITS OF SYSTEM

1. Quantifiable Benefits

Rhode Island expected to achieve significant savings in program dollars through the implementation of the INRHODES system. These savings were estimated to be achieved primarily through error reduction. A comprehensive, integrated system permits access to information across program lines sufficiently early in the application and eligibility determination process to prevent the occurrence of errors to a much greater extent than the Pre-INRHODES system.

In an effort to forecast and quantify the expected error reduction results of the INRHODES system, we utilized quality control data accumulated during FFY 1986 for the AFDC and Food Stamp programs. After INRHODES implementation, we are now comparing the FFY 1986 quality control data against the FFY 1990 quality control data to obtain the program savings in benefit issuance amounts for FFY 1990. Quality control data will be compared for FFY 1991 once available. This dollar comparison demonstrates the extraordinary cost benefit of this system in terms of error reduction and avoidance of dollars spent in error.

To evaluate the impact the INRHODES system has had on a number of the more costly errors that had been recurring over the base period, although the system has had an ameliorating effect on numerous other error prone conditions occurring throughout both programs, we have focused upon eight specific error situations that were identified in the APD. We believed the system would impact most advantageously upon these specific errors from a program dollar saving standpoint. Each of these errors are discussed below.

1.1 Wages and Salaries

Failure to take all wage and salary information into account was the most costly error committed in the Food Stamp program and the second most costly error experienced in the AFDC program. In 1986, it accounted for 20.8% of the payment error in Food Stamps; 19.3% in AFDC. Extrapolating the quality control data to the working caseload indicated that this error condition was expected to result in the erroneous expenditure of \$865,080 in program dollars per year.

One of the major reasons for this error was that the Pre-INRHODES system did not have automated access to wage data for use in verifying information submitted by applicants. The INRHODES system does have access to such data. It does have automated access to wage data maintained by the Social Security Administration through the BENDEX system. It does also have access to quarterly wage data used for unemployment insurance purposes.

It was our view that continuous, automatic matching of this data would have a remarkable effect in reducing the incidence of this error. It was expected to prevent ineligible cases and reduce grant and issuance amounts when wage data surfaces on individuals who have improperly concealed it. In addition, it was expected to serve as a powerful deterrent to improper reporting of wages since the community realizes the inevitability of detection.

We had projected a 50% reduction in the incidence of this error. We estimated that this would result in program dollar savings of \$432,540 per year. AFDC program dollar savings would be \$176,479; Food Stamp program dollar savings would be \$256,061. During FFY 1990, we realized a savings of \$1,617,156. AFDC program savings were \$1,143,194. and Food Stamp program savings were \$473,962.

1.2 Work/WIN Registration

Errors associated with WIN registration had plagued Rhode Island for some time. It was by far the costliest error to the AFDC program, accounting for 37.9% of the total payment error. It was projected that this error resulted in erroneous AFDC payments of \$693,115 per year.

The tight control that the INRHODES system would maintain of WIN milestone dates and the discipline the system imposes upon the workers through the daily reports, prioritized actions to be taken each day by each worker. We expected that this error would be virtually eliminated. However, we conservatively estimated that the INRHODES system would reduce this error by 75%. This reduction would result in an annual savings of \$519,836 in AFDC program dollars.

Program policy changes first moved to "Universal WIN Registration" and now there is no registration requirement at all. Due to these changes the error has been reduced by a total of \$3,019,038. The AFDC program accounted for \$1,634,542. and the Food Stamp program recorded \$1,384,496. in savings.

1.3 Bank Accounts

Failure to take cognizance of client resources maintained in bank accounts was a major payment error condition in both the AFDC and Food Stamp programs. It resulted in erroneous annual AFDC payments projected at \$312,725 and erroneous Food Stamp issuance of \$320,076.

The unique ability of the INRHODES system to interface with external data files and the recent availability of IRS 1099 data has provided Rhode Island with the capability of reducing the incidence of this error. We expected an annual savings to the AFDC program of \$156,363 and savings to the Food Stamp program of \$160,038. Total savings to both programs was projected at \$316,401 annually. The actual 1990 savings are \$2,730,640.; AFDC accounts for \$2,352,357. and Food Stamps \$378,283.

1.4 RSDI Benefits

Both the AFDC and Food Stamp programs are subject to considerable payment error because of failure to account for the existence, or changes in the amounts, of RSDI benefits. This error during the base year resulted in erroneous annual AFDC payments projected at \$209,664 and erroneous Food Stamp issuance of \$115,720.

The on-line access to current BENDEX data that the INRHODES system provides should virtually eliminate this error. A conservative 80% error reduction was expected to be achieved with an annual savings of \$167,731 in the AFDC program; \$92,576 in the Food Stamp program. The projected total annual savings was \$260,307. Realized savings amounted to \$119,323 due to the complicated nature of the interface process. It is expected that this error will be drastically reduced during the 1991 quality control period.

1.5 PA/GA

The third most significant payment error affecting the Food Stamp program that the INRHODES system was expected to be helpful in resolving relates to failure to take cognizance of AFDC and General Public Assistance grant amounts in computing Food Stamp allotments. During the base period this resulted in \$246,213 in erroneous issuances annually.

Since the INRHODES system does provide an integrated data base including AFDC and Food Stamp cases, this error should be eliminated as it relates to AFDC grant amounts. Future integration of the General Public Assistance program should eliminate the error entirely. A conservative estimate of 50% error reduction was projected to achieve an annual savings of \$123,106 in Food Stamp program dollars. INRHODES realized a savings of \$254,996. for 1990.

1.6 SSI Benefits

SSI Benefits, which were not always reflected in Food Stamp allotment computations, contributed to an error condition which resulted in an erroneous base year issuance projected at \$81,250 annually. Our INRHODES system's capability to maintain the Supplementary Data Exchange (SDX) file on-line was expected to eliminate this error and achieve a savings of \$81,250 per year. This savings was not experienced during FFY 1990, however it is projected to be realized during FFY 1991 period. The Income Eligibility Verification System did not reach its full savings potential until after the completion of FFY 1990.

1.7 Arithmetic Computation

The automated eligibility determination and allotment computation that the INRHODES system provides was expected to eliminate arithmetic computation errors in the Food Stamp program. This goal was achieved, and has eliminated the previous in erroneous issuance projected at \$59,091 annually.

1.8 Unemployment Compensation

Failure to take unemployment compensation benefits into account was projected to result in erroneous issuance amounting to \$54,167 per year. The capability of the INRHODES system to interface with Employment Security data files was projected to reduce this error by 50% and result in an annual saving of \$27,084. The system did realize a zero occurrence in this element.

2. Summary of Quantifiable Benefits

Although it is expected that the INRHODES system is providing significant benefits in other areas, a summary of the projected cost savings and the realized cost savings for these eight specific items during FFY 1990 is as follows:

Item	Projected Annual Savings	Savings Actual FFY 1990
a. Wages and Salaries	\$ 432,540	\$1,617,156
b. Work/WIN Registration	519,836	3,019,038
c. Bank Accounts	316,401	2,730,640
d. RSDI Benefits	260,307	119,323
e. PA/GA	123,106	254,996
f. SSI Benefits	81,250	
g. Arithmetic Computation	59,091	36,044
h. Unemployment Compensation	27,084	43,945
TOTAL	\$1,819,615	\$7,777,197

3. Cost/Benefit Analysis

As indicated above, the INRHODES system cost \$10,187,000 to transfer, modify and implement. Since the system was expected to achieve savings of \$1,819,615 per year, the average monthly savings would be \$151,635. At this rate of savings, the system would be able to recoup the cost of development and implementation in approximately 67 months of statewide implementation.

PROJECTED ANNUAL SAVINGS

Project Annual Savings	\$1,819,615	
	<u> </u>	
Months	12	Monthly Savings = \$151,635

System Development Cost	\$10,187,000	
	<u> </u>	
Monthly Savings	\$ 151,635	Months to Recoup = 67

FFY 1990 ACTUAL SAVINGS

FFY 1990 Annual Savings	\$8,038,005	
	<u> </u>	
Months	12	Monthly Savings = \$669,833

System Development Cost	\$10,187,000	
	<u> </u>	
Monthly Savings	\$ 669,833	Months to Recoup = 15.2

Although the system was expected to achieve savings in excess of its development costs in about 67 months of implementation, actual experience has demonstrated a total recoupment of development costs by the end of FFY 1990 plus four months into FFY 1991. FFY 1991 quality control data will not be available until January 1992. In FFY 1991 the INRHODES system project costs will be totally recouped. The following is a comparison of 1990 AFDC and FS error rates in dollars compared to the FFY 1986 AFDC and FS error rates applied to the FFY 1990 benefit issuances.

SAVINGS IN DOLLARS DUE TO ERROR REDUCTION

1986 AFDC and FS					
ERROR COSTS IN PROGRAM DOLLARS					
ISSUANCES		ERROR RATES		\$ IN ERROR	
AFDC	FS	AFDC	FS	AFDC	FS
\$78,819,337.	\$33,356,608.	7.23%	8.71%	\$5,698,638.	\$2,905,361.

1990 AFDC and FS					
ERROR COSTS IN PROGRAM DOLLARS					
ISSUANCES		ERROR RATES		\$ IN ERROR	
AFDC	FS	AFDC	FS	AFDC	FS
\$99,292,455.	\$41,940,570.	1.37%	4.80%	\$1,360,307.	\$2,013,147.

1986 AFDC and FS ERROR RATES APPLIED AGAINST 1990 ISSUANCES TO DETERMINE WHAT WOULD HAVE BEEN ISSUED IN ERROR UNDER THE PRE-INRHODES SYSTEM

ISSUANCES		ERROR RATES		\$ IN ERROR	
AFDC	FS	AFDC	FS	AFDC	FS
\$99,292,455.	\$41,940,570.	7.23%	8.71%	\$7,178,844.	\$3,653,024.

SAVINGS		
	AFDC	FS
1990	<u>\$5,818,538.</u>	<u>\$1,639,876.</u>

COMBINED SAVINGS: \$7,458,414.00

OPERATIONS SAVINGS: 579,591.00

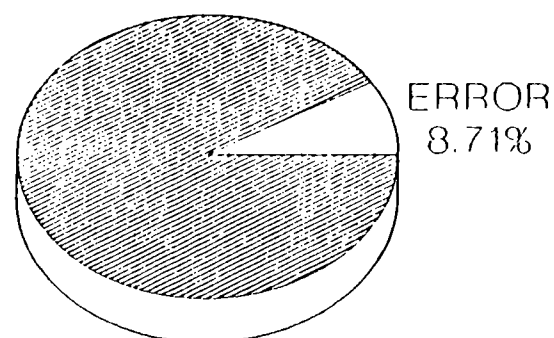
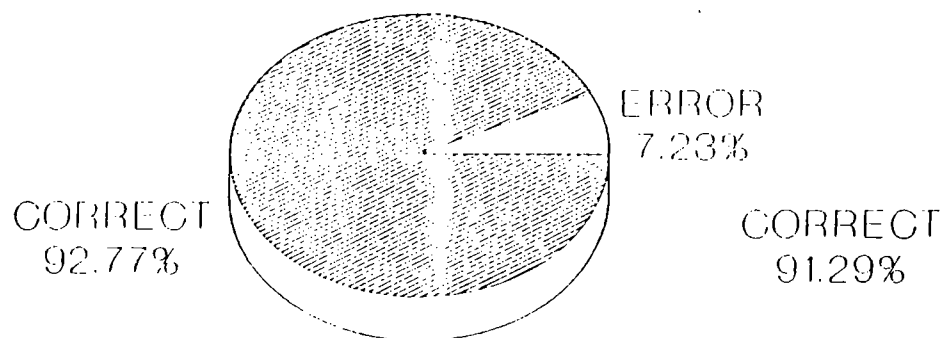
TOTAL: \$8,038,005.00

NOTE: Exhibits 1 through 4 graphically pictures the above benefit savings.

1986 AFDC AND FOOD STAMP ERROR COSTS IN BENEFIT DOLLARS

AFDC \$78.8 MIL

FS \$33.4 MIL



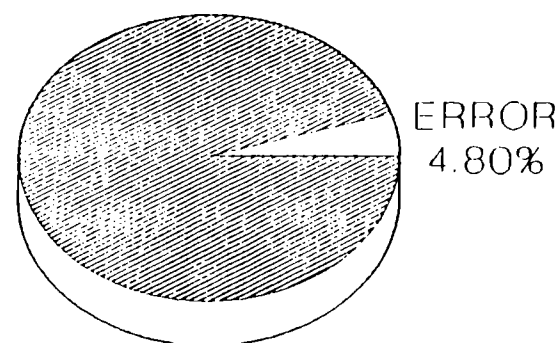
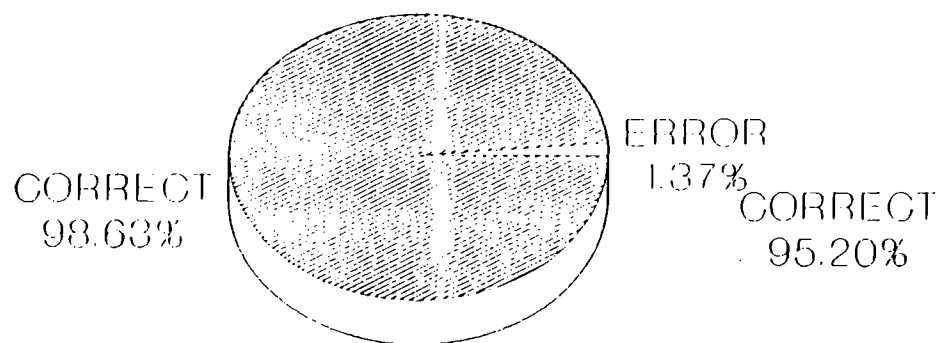
AFDC \$ IN ERROR

FS \$ IN ERROR

1990 AFDC AND FOOD STAMP ERROR COSTS IN BENEFIT DOLLARS

AFDC \$99.29 MIL

FS \$41.94 MIL



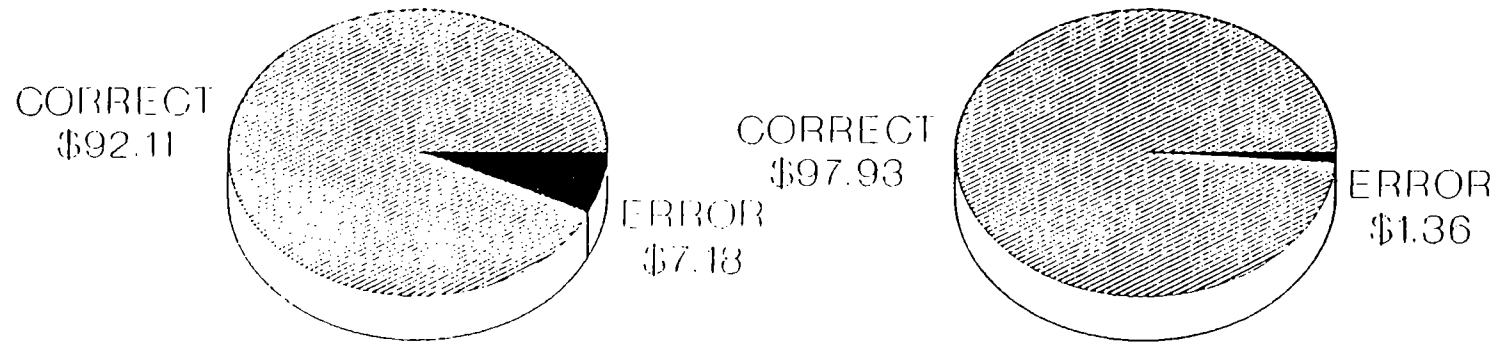
AFDC \$ IN ERROR

FS \$ IN ERROR

AFDC 1986 VS 1990 ERROR RATE AGAINST 1990 BENEFIT LEVEL

1990 AFDC BENEFITS \$99.29 MILLION

EXHIBIT 3



11

1986 ERROR RATE

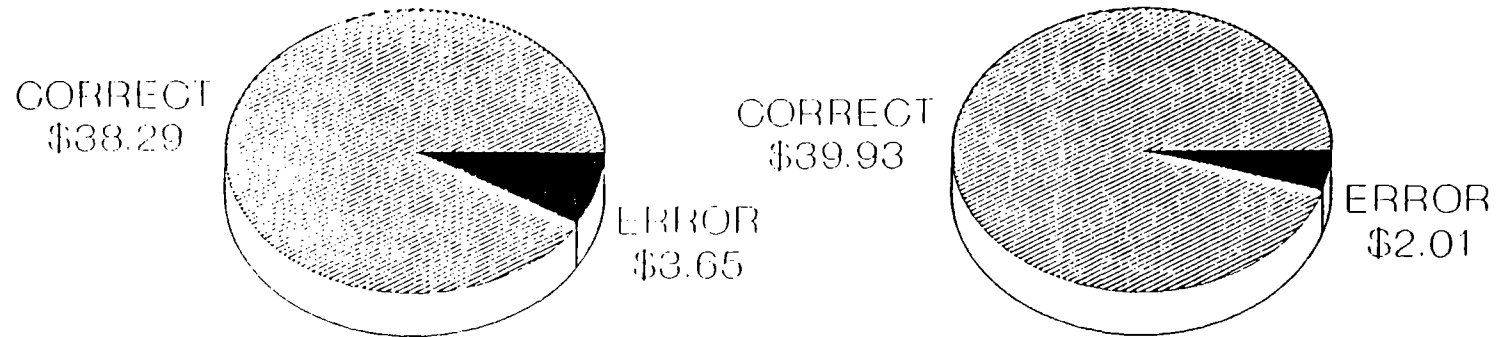
1990 ERROR RATE

DOLLARS REPORTED IN MILLIONS

FS 1986 VS 1990 ERROR RATE AGAINST 1990 BENEFIT LEVEL

1990 FOOD STAMP BENEFITS \$41.94 MILLION

EXHIBIT 4



1986 ERROR RATE

1990 ERROR RATE

DOLLARS REPORTED IN MILLIONS

4. Intangible Benefits

Although we projected quantifiable benefits that would recoup the cost of the system development within a short period, we believe the system has provided additional justification for undertaking this project. Some of the more significant intangibles which have been achieved through this project are as follows:

- o Reduction in manual effort to permit more effective use of personnel resources in achieving improved program administration (e.g., allowing more time to verify eligibility factors, counsel clients, make referrals).
- o Improved responsiveness by permitting workers direct on-line access to client data.
- o Expedited service from client's first encounter with the system to issuance of benefits.
- o Uniform application of policy and program regulations.
- o Simplified procedures both within and across program lines.
- o Improved mass change capability.
- o Improved reports for all levels of management.
- o Expanded capability for integration of additional programs into the system.
- o Improved capability for management to test policy and procedural changes and assess future impacts and programmatic trends.
- o Enhanced public image of public assistance programs in the state of Rhode Island through effective use of up-to-date systems technology.

F. SUMMARY

Transformation of the Vermont ACCESS system into Rhode Island's INRHODES system via a transfer methodology has proven to be timely and cost effective. Rhode Island and the federal government will continue to realize continued tangible and intangible benefits from this most successful project. All costs associated with this project will be totally recouped during FFY 1991. As of September 30, 1990, seventy nine percent of the costs have been recouped.