

Government Efficiency and Accountability Review (GEAR)

Board Meeting Minutes

March 14, 2018, 8:00am – 10:00am

FINAL

Introductions

Secretary Geisenberger opened the meeting by reminding everyone that, per consensus, the schedule had been set up in 2018 to include 8:00am meetings in Dover and he thanked everyone who was able to attend today.

Board Member and/or Designees in Attendance:

The Honorable Rick Geisenberger, Secretary of Finance, Department of Finance

The Honorable James Collins, CIO, Department of Technology & Information
Jason Clarke, designee for The Honorable James Collins

The Honorable Ken Simpler, State Treasurer

The Honorable Michael L. Morton, Controller General

The Honorable Susan Bunting, Secretary of Education, Department of Education

Evelyn Nestlerode, designee for The Honorable Leo Strine, Jr., Chief Justice of the Supreme Court

Lisa Bond, designee for The Honorable Kara Walker, Secretary of Health & Social Services, Department of Health & Social Services

Ernest Dianastasis, CEO of The Precisionists, Inc.

The Honorable Michael Jackson, Director, Office of Management & Budget
Bryan Sullivan, designee for The Honorable Michael Jackson

The Honorable Trudy Mifflin, Deputy Secretary of Human Resources, Department of Human Resources

Barbara McCleary, designee for The Honorable Sandra Ross Johnson

Other Attendees Introductions

- Jim Myran, Program Director for the GEAR Initiative, Department of Finance
- Donna Owens, Division of Revenue, Department of Finance

- Laurel Burns, Department of Finance
- Kimberly Judy, Division of Accounting
- Art Jenkins, Office of the Controller General
- Dr. Annie Norman, State Librarian, Division of Libraries
- Robert Zimmerman, Chief Operating Officer, Department of Natural Resources & Environmental Control
- Kathy McGuinness
- Nohora Gonzalez, Office of the Treasurer
- Jane Cole, Division of Accounting Director
- Jackie Griffith, Office of the Controller General
- Dan Madrid, Office of the Treasurer
- Stephanie Scola, Department of Finance
- Jessica Stump
- Tammy Croce, DASA
- Erin Goldner
- Emily Cunningham, Department of Education
- Ruth Ann Jones, Office of the Controller General
- Glen Gray
- Amanda Sipple
- Adewunmi Kuforiji, Capital School District

Today's Agenda

Director Myran explained that the plan is to go through the regular GEAR business very quickly so that there will be a full one and a half hours for the two deep dive sessions.

Minutes

The first order of business is the approval of the Minutes from the last meeting on January 9, 2018. These minutes have been previously sent to all the GEAR members to review.

All in favor: Unanimous

The Minutes from the January 9, 2018 meeting are approved.

OLD BUSINESS

GEAR Team Update

Director Myran quickly touched on the GEAR team updates:

1. The GEAR website continues to function properly. Everyone has completed their focus area updates and the 4-Blockers have been published.
2. GEAR was mentioned twice in the press recently.
3. GEAR was also mentioned by the Governor in the State of the State Address and the Budget Address.
4. The GEAR team continues to be active in the Education Task Force.
5. Other focus area teams such as the P3 Team and the Financial Services Delivery Team have already had meetings in 2018.
6. GEAR continues to receive input from State employees and the public through the website.
7. The centralization of DTI and DHR continues to move forward. A quick update of the DTI and DHR progress was given.

DEEP DIVES

PUBLIC-PRIVATE PARTNERSHIPS

Mr. Dianastasis started out by explaining that the P3 Task Force just had its second meeting on February 27th. The focus is to get the private sector to work closely with the public sector. They are identifying aspirational, strategic and tactical opportunities. A recent example is the Delaware Prosperity Partnership. They have also put together several projects in conjunction with the Department of Education with Secretary Bunting's help. The mutual goal is to transform education in a positive way. Mr. Dianastasis posed the question: What else can be done in the next several years?

The members of the P3 Partnership Task Force from the public sector are:

Jim Myran
James Collins from DTI
Ken Simpler, the State Treasurer
Dan Madrid, who recently moved to the Office of the Treasurer from DHSS
Bruce Weber, Dean of Lerner College at University of Delaware

The members of the P3 Partnership Task Force from the private sector are:

Rod Ward, CSC
Scott Malfitano, CSC
Tom Corrigan, Christiana Care
Gary Stockridge, Delmarva Power
Chip Rossi, Bank of America
Ernie Dianastasis, The Precisionists

One thing that is clear is that the private sector participants cannot just assume they know how the public sector works. The public sector is very good at doing many things and the private sector has a lot to learn from them. Members of the public sector have been extremely helpful. At the last meeting, Bryan Sullivan gave a presentation called, "Financing the State." It was apparent that budgets are just one part of financing the State. This task force will not be effective if everyone does not adhere to the public sector's way of doing things. It's also an opportunity for members of the private sector to share their knowledge and experience. This learning process is critical for success.

The primary objectives are to

1. Identify initiatives that are constrained by funding or are revenue opportunities in Delaware.
2. Re-establish the private sector loaned executive program.
3. Broaden the connection to the University of Delaware Lerner School of Business.

Secretary Geisenberger questioned the group about other schools such as Del State or Wilmington University and whether they have the capacity for this kind of partnering with the State. It was agreed that other schools would also have the capability of becoming involved.

Next, Mr. Dianastasis went into more detail about the process of identifying initiatives. The task force is developing a log of opportunities which are being divided into three categories:

1. Aspirational –Significant Cost Savings or Revenue Growth (\$20 million to \$300 million)
2. Strategic –Medium Cost Savings or Revenue Growth (\$10 million to \$20 million)
3. Tactical – Small Cost Savings or Revenue Growth (Up to \$3 million)

He pointed out that it is important to do projects from all three categories.

Mr. Dianastasis gave an example of an initiative that was presented by Dan Madrid at the last meeting of the P3 task force. It focused on the gap in public benefits that has been labeled the "Benefits Cliff". This is a problem that exists everywhere, not just Delaware. The P3 group will determine if there is a way that the private sector can play a role in helping tackle this problem. Lisa Bond pointed out that the population effected by this benefits gap includes State employees in the Department of Health & Social Services.

Another initiative under consideration, along with the Department of Education, is a student funding model. Emily Cunningham, Chief of Staff for the Department of Education, added to the discussion.

Mr. Dianastasis briefly mention another idea, the formation of a highly-effective proposal and grant-writing team to enhance State agency funding. Could such a team help to bring more revenue into Delaware?

The last project mentioned was part of an ongoing discussion with the State Treasurer about the costs and benefits of Delaware's AAA(3) bond rating. Treasurer Simpler summarized this concept in more detail stating that the factors associated with maintaining a AAA(3) bond rating have not been thoroughly analyzed to determine if the State of Delaware is maximizing its financial resources.

Mr. Dianastasis explained that he will put off discussing the loaned executive program until the next presentation because that project is just getting started. He emphasized that there are many talented individuals in the private sector who could be of help to the State, if needed.

Mr. Dianastasis gave more detail on working with the Lerner School and Dean Bruce Weber. There is a lot of excitement among the students and professors about the opportunities this initiative presents. More information will be available in November.

The P3 Task Force is planning to meet before they present to GEAR again in November. There are some other small projects going on, too, but the most important activity at the moment is the formation of the database of P3 ideas.

Secretary Geisenberger gave a brief update on the Delaware Prosperity Partnership which was passed by the State last year. The State is providing \$2 million and the private sector has raised \$1.5 million. An Executive Director, Kurt Foreman, has been hired. He was previously in charge of running the P3 project in Oklahoma City.

FINANCIAL SERVICES DELIVERY

Secretary Geisenberger began by explaining that, currently, there is no centralized group coordinating financial service delivery improvements in Delaware. One department may identify a problem and it may even be able to fix it but, unfortunately, there is no avenue to carry that knowledge to other departments. The Department of Finance, the Treasurer's Office and the Auditor's Office are working independently of each other. The Financial Services Delivery task force has formed a Senior Financial Officer Roundtable which will help to speed up the improvement process as well as prioritize projects.

Initially, the Financial Services Delivery Team will consist of the Secretary of Finance, the Director of OMB, the Controller General, the State Treasurer and the Auditor of Accounts. The team would also like to include input from the Judicial branch as well as from schools.

Secretary Geisenberger explained that the main purpose of this roundtable is to collaborate, prioritize and make decisions on financial services. This would include receivables, payables, payment methods, and more. Success will be measured in both time saved and in money saved. The Secretary's goal is to create savings of 5% to 10% over the next few years.

The next step is to identify specific financial processes that need improvement. The challenge is to get individual State entities to let go of their fragmented financial practices, look at the whole picture, and streamline throughout the State.

Mr. Sullivan talked about travel per diem procedures which are currently extremely complex and time-consuming. There are differences in policies throughout the State. The lead agencies involved in this project are the Office of Management and Budget (Bryan Sullivan) and the Department of Finance (Jane Cole). This is a huge issue. Amongst the legislative, executive and judicial branches, the State spent \$3.7 million dollars on travel in 2017. This amount does not include Higher Education or the School Districts. The goal is to measure savings in money, time processing, and time enforcing. The estimated savings is \$800,000.

Director Cole explained that, although the State issues a Pcard, many employees are not using it. They must be reimbursed for their travel expenses. The task force is thinking about curtailing this practice and requiring all employees to make travel arrangements through a travel management service company. This would create some limits of choice in where you could stay, but the travel management service company would work with hotels to get deals and discounts for the State. This would greatly simplify the process for us. Something similar has been proposed for finding and reserving flights as well.

Pcard reform has been delayed because the Pcard is ready to go out for RFP soon. The State is near the end of its five-year contract with the provider. We don't want to set up reforms only to find that we must start all over again with the new contract.

Mr. Sullivan helped put things into perspective by comparing Delaware's policy to the Federal policy, which is over 300 pages long! The task force wants to consider both long-term changes as well as more immediate short-term changes. One example of a short-term project is looking at raising the amount that requires an affidavit of expense from \$20 to \$100. Secretary Geisenberger pointed out that in Delaware most of the travel expenses are not for travel abroad. Director Cole agreed. She mentioned that the current Pcard contract extends through this September. It may be necessary to request an emergency extension of six months to a year for timing purposes.

Mr. Sullivan discussed the Government Accountability Act (GAA). The current act, passed in 1996, has turned into a checkbox activity and the performance metrics have not been used in formulating the budget. They are trying to change that so there is a focus on the budget process, instead of on the budget books. They are re-writing the act to support the performance management system using models from several other states. The goal is to make the annual budget process part of the performance management system so that the focus will be on continuous process improvement and making the government more efficient.

Mr. Sullivan asked, "What is performance management?" First, it is ***not*** a new IT application. It includes strategic planning, performance measurement and evaluation, and performance

budgeting. The users set up what gets measured and how it gets measured based on what is most important for success.

Performance management includes the development of metrics. It looks at what people have done, what people have accomplished, where have people succeeded, where have people failed. Then, these metrics are used to determine what projects will receive funding in the strategic budgeting process.

Mr. Sullivan pointed out that performance management will not work unless the two branches of the government involved in the budget process participate, the Office of Management & Budget and the Controller General's Office or, in other words, the Governor and the Joint Finance Committee. The important message is, "Once you have the metrics, use them!"

Mr. Sullivan pointed out that what gets watched, gets done. Therefore, the performance metrics will be published online and visible to all. This would entail putting the plan, the strategic scorecard and the metrics on the website. It would be similar to the 4-Blockers we use in GEAR. Full implementation would begin with the budget planning process for fiscal year 2022 which begins in the fall of 2020. The short-term goal is to pass the amended act. The long-term goal is to use it.

Director Jackson updated the group on the drafting of the new language. The overall goal is for the Joint Finance Committee to sponsor this amendment and to have it passed by the end of June. He will circulate the draft version to members of GEAR for feedback and input. So far, he is content with the wording of the bill and his main concern is how it will be implemented.

Secretary Geisenberger suggested circulating the updated GAA draft bill to GEAR Board members immediately to solicit comments and feedback. Then, the members can vote on approval of the draft bill by GEAR at the next meeting in May. Director Jackson agreed.

Director Cole changed the topic to discuss the Pcard and how it is used. The cards are divided into two groups: travel cards and procurement cards. This separation was implemented several years ago for better management purposes. There are approximately 4,700 cards currently issued. Some of the usage in procurement falls into a category called the "Single Use Account," which helps many vendors save money in fees. The State currently generates about \$2.2 million in rebates per year. The State pays no fees. Therefore, the Pcard is generating money, not costing money.

Director Cole illustrated the advantages of using the Pcard. It has cut down on the time it takes to process procurements and it has greatly reduced the number of checks and ACHs the State issues. There are about 160,000 purchases on the Pcard each year. Increasing the Pcard usage is an important goal.

The State currently cuts checks daily. How do we move this to a weekly or bi-weekly process? Right now, there are no incentives for vendors to use the Pcard to receive payment because they will receive a payment by check almost immediately. Issuing checks daily is almost unheard of in business or government. It's something the State could move away from because it is extremely cost-intensive. Each additional \$25 thousand of spending that flows through the Pcard (versus checks), increases the Pcard rebate to the State by \$300 thousand.

What do we use the rebate for? First, it's used to support the Pcard team. It's also used to pay for upgrades to FSF and PHRST, so those expenses don't have to come out of the annual budget. These benefits are felt throughout the state of Delaware. The report of our Pcard usage for 2017 just came out. Out of about \$130 million of spending, about \$73 million went through the Pcard and \$57million of that amount went through the Single Use Account. The bank, JP Morgan Chase, has announced that Delaware has one of the most dynamic Single Use Accounts among government organizations they deal with! The Single Use Account has been extremely valuable to both the State and to the vendors. The State will insist on its inclusion in the next Pcard contract.

A lengthy discussion regarding the need for the separation of the travel and the procurement Pcards ensued. It was decided that this is another issue that needs to be examined in terms of cost and efficiency and ease of use.

Secretary Geisenberger made a motion to approve the joint DOF/OST PCard RFP and Treasurer Simpler seconded the motion. The motion was passed by unanimous vote.

Banking Architecture Redesign (BAR)

Treasurer Simpler addressed the redesign of Delaware's banking architecture. Banking architecture is the structure that allows for the movement of money around State government. It's how you create benefits for some people, who are customers of government agencies, and how you provide other people the ability to pay the funds that they owe a government agency. We are all consumers of banking services. A consortium of state agencies, principally consisting of the Department of Finance and the Office of the State Treasurer, has tried over time to manage banking services so that they will work for both state agencies and their customers. There are many areas in Delaware's banking architecture that have the potential for saving money, both at the agency level and in staff time. It's also important to consider how banking architecture affects customer service. This touches all of us, both State employees and our customers.

Treasurer Simpler directed everyone to the Banking Architecture Redesign Four-Blocker. He pointed out that part of the problem is that a comprehensive assessment of banking needs in the State has not been done in over 25 years. During the past 25 years the banking architecture of Delaware has been managed solely by one person, who retired last August. One person

cannot possibly know each agency's individual needs or keep up with all the advances in technology.

The Office of the Treasurer kicked off a project last year to redesign the banking architecture by hiring a consultant company named PFM. PFM was hired to meet with all the state agencies and gather information about their banking methods and needs. The PFM report came out in the early fall of 2017. It took a few months to fine-tune it, and then it was presented to the Cash Management Board Banking Subcommittee in January of this year. It was also presented at the last GEAR Financial Services Delivery Task Force meeting. And, now, today, it is being presented to the entire body of GEAR. With the Board's approval, it is ready for launch!

Treasurer Simpler asked all GEAR members to consider who would be the best person, or people, in their agency to become involved in this project. We want to create a substantial banking architecture management team to review needs, assist with the RFP, help manage the conversion to the new architecture, and manage the revised system over the years ahead.

Here is the current roster of the Project Management Team:

From Office of the Treasurer

Nohora Gonzalez, Project Lead
Dan Madrid, GEAR Liaison
Josh Berkow, Technical Lead
Susan Steward, Analytical Support
Jason Staib, Legal Counsel

From PFM

Barbara Fava, Project Lead
David Calvert, Technical Lead
Danton Ponzol, Senior Analyst
Heather Seitz, Senior Analyst
Ambria Smith, Analyst

Treasurer Simpler noted that our core banking arrangements go back about half a century. Since that time, we have always asked the banking market to conform to *our* needs, to adapt to how *we* do things. Therefore, it's no surprise that the same vendors have held the State contracts. We are no longer going to approach things this way. We have to change our organization to be more client-based and market conforming.

The benefits of this redesign for each agency include:

1. Saving money
2. Freeing up staff time
3. Enhancing customer service

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Increasing external support can be extremely beneficial. When we can get outside partners to work for us, saving money and saving staff time, it usually increases the quality of customer service quite a bit. Reducing fraud risk also has huge benefits, just like improving internal operations.

Secretary Collins asked if this also covers e-commerce? Treasurer Simpler replied that, yes, this will cover every form of money management including web applications that the State uses to collect revenue.

Secretary Geisenberger asked if this project will touch on the Govolution contract and Treasurer Simpler stated that the State is in the process of determining where the line is drawn between “payment” and “technology.” There are still many unanswered questions regarding Govolution.

Other members of the Project Management Team jumped in to explain details of the Govolution contract and our next steps in the process of modernization.

Ms. Gonzalez, Deputy Treasurer, stated that conducting an RFP might be necessary. PFM is recommending that we keep it separate.

Secretary Geisenberger asked what the current state of Govolution is. Is everyone using it?

Secretary Collins explained that most agencies are using it.

Treasurer Simpler explained that some people who are doing the banking behind our websites have already developed relationships with vendors that work well. But, when the State chooses to use a smaller vendor, some of the banks don’t have the necessary relationship with the gateway provider.

Secretary Collins added that when agencies across the State have legacy systems, Govolution may not connect with those systems because they’re not PCI-compliant. The systems are too outdated.

NEXT MEETING

The next meeting is scheduled for May 15, 2018 and the deep dives that will be presented are Criminal Justice and DHSS & Health Care.

PUBLIC COMMENT

None

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ADJOURN

The meeting was adjourned at 9:54am.