

MINUTES OF THE MEETING
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
MONTANA STATE
JOINT SUBCOMMITTEE

February 14, 1985

The meeting of the General Government and Highways Subcommittee was called to order by Representative Lory who was acting Chairman because Chairman Quilici had a hearing, and Senator Stimatz was late for the meeting.

ROLL CALL: All members were present. Also present were Carolyn Doering from the Governor's Office, Don Witmer and Cliff Roessner from the LFA Office.

STATE AUDITOR

Andrea Bennett, Montana State Auditor, introduced Wayne Phillips as the Chief Deputy State Auditor, and Dick Gilbert as the Deputy Budget and Personnel Officer, and Richard Hall who is the Payroll Personnel and Position Control Coordinator. She explained what she has done since her inauguration on January 7, 1985 (66;A;25).

Dick Gilbert went through the budget and discussed and reviewed the current level issues (66;A;60). Exhibit No. 1 is the State Auditor budget presentation, which is a summary of their current level issues and their modified level issues.

Dick Gilbert explained the vacancy savings problem (66;A;80). This explanation is found on pages 1 and 2 of Exhibit No. 1. Key punch machines that were being rented, were purchased by the State Auditor, and there is a \$4,000 difference between rent and repair and maintenance.

There was then discussion on the Central Payroll Division (66;A;133). Starting on page 3 are the responses to the issues raised by the Legislative Fiscal Analyst in regard to the P/P/P System modifications. It was questioned, whether projects for the agency are current level or if they should be a modified level.

The LFA Office did not get selective as to what the agency could or could not permit to be done, they allowed the same amount of money used the last biennium. In Exhibit No. 1 the State Auditor is trying to detail what they can provide under the Executive funding level and the LFA funding level. There was discussion to determine why the OBPP is requesting \$200,000 more than the LFA.

Don Witmer asked Dennis Taylor if he said that the modifications of \$64,000 was going to end up decreasing the operating expenses \$200,000. Dennis Taylor said that when all the approved modifications were completed the total cost of the system would be at the level recommended by the Governor's budget.

Mike Trevor talked on the efficiency of consolidating the three agencies (66;B;195).

Don Witmer asked what the accrual was going to be used for. Richard Hall told the committee they would not be using the \$200,000, they would be using a very dramatic reduced amount probably about \$70,000, and that is for the training reorganization, the applicant flow system, this is to get them up and running into production, the turnover summary report specifically, these items are mentioned in issues 2 and 3. (66;B;269)

Don Witmer stated that as far as the accruals go and the projects, there hasn't been any expenditures against those accruals since you accrued them in June according to the Statewide Budgeting County System. Richard Hall told him that there have been some expenditures on those projects that were accrued for the bulk of the work, essentially it has been a question of getting the results from the Systems Development Bureau. They have made a commitment of which they have already started on, to provide the State Auditor's agency with the resources and get them completed by July 1, 1985. So there has been some expenditures, but it was only 5 weeks ago that they got someone working on them full time. (66;B;320)

Cliff Roessner explained to the committee, the reason \$200,000 was pulled out was because it was an accrual on a systems development contract between the auditor's office and Mike Trevor's office. Development costs as far as the LFA office is concerned are one time costs. And if there are going to be ongoing operating costs with the developing costs, then they should come before the committee with an estimate of those costs and ask to have them be put into current level. (66;B;370)

Richard Hall then had some points to make (66;B;438). If the agency receives the budget as requested, they would not be incurring future increase in production costs, because there is only several thousand dollars for future development. This request is to only run what they have got, it is not for future development, they don't have the luxury in this case. The \$200,000 that keeps getting

mentioned, that isn't just one time productions. Many of the reasons for the increase, they are asking for about the same amount they did the previous biennium, but which is \$200,000 which they actually spent in the previous biennium. But that \$200,000, alot of that increase, is purely due to the fact that it is costing them more to operate what they were then, computer system costs have been jumping 10 percent a year.

Senator Keating asked if contracted services will only go up by inflation in 1988 and 1989, it will not go up in additional programs (66;B;468). Dick Gilbert can agree with that statement, if there is it will be presented as a modified budget request, as additional services.

Carolyn Doering from the Governor's office told the committee, that when they went through the budget they put the money in (\$200,000) with the understanding that the current level funding allows them to maintain the on-going costs of the enhance system, and it also allows them funding if they should have to hire contract programmers, and it also allows them funding if they should have to do special projects. (66;B;620)

The Securities Division was then discussed (67;A;80). Rick Tucker, Deputy Securities Commissioner, was present to answer questions asked by the committee.

There was discussion on a special request to line item funds for an emergency equipment replacement (67;A;256).

Andrea Bennett then gave an introduction for the budget modifications (66;B;364). She explained the new reorganization of the agency. Charts of the reorganization are found in Exhibit No. 1 pages 16-22.

There was then discussion on the budget modification request for training funds (67;B;30). The reasons for this modification are found on page 29 of Exhibit No. 1.

The budget modification request for Securities Department contingency funding for legal and/or hearing cost related to securities investigation is found on page 30 of the exhibit. There was discussion on the modification (67;B;60).

Page 32 is the budget modification requesting the Insurance Division contingency funding for legal and/or hearing costs related to insurance cases (67;B;100).

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The budget modification for systems development and office automation funding requirements is found on page 35 of the exhibit. There was discussion on the modification (67;B;215).

Page 39 is the budget modification for the consumer-senior citizen information and education program. The committee discussed the need for this program (67;B;330).

ADJOURN: There being no further business before the committee, the meeting was adjourned at 11:00 a.m.



JOE QUILICI, Chairman

km

DAILY ROLL CALL

General Government and Highways SUB COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2/14/85

NAME	PRESENT	ABSENT	EXCUSED
Rep. Joe Quilici (Chair)	X		
Sen. Larry Stimatz (Vice Chair)	X		
Sen. Delwyn Gage	X		
Sen. Tom Keating	X		
Rep. Mary Ellen Connelly	X		
Rep. Earl Lory	X		

State Auditor Budget Presentation

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CURRENT LEVEL BUDGET ISSUES

(1) Vacancy Savings in the State Auditor's Office

Both OBPP and the LFA have applied a 4 percent vacancy saving reduction to the State Auditor's budget for the 1987 biennium. This reduction was applied not on the basis of actual vacancies experienced in the State Auditor's Office, but based on a policy of across the board reductions to all agencies with more than 20 FTE. For the following reasons we believe the 4 percent vacancy saving reduction will impair the operation of the State Auditor's Office in the 1987 biennium.

(1) Based on Fiscal 1984 data, the State Auditor's Office experienced a 1.9 percent vacancy savings rate. More specifically, three out of five divisions experienced virtually zero vacancy savings. With divisions averaging only 11.8 FTE throughout the department, the impact of a 4 percent vacancy savings rate forces the department to choose between purposely leaving positions vacant or robbing from the operating portion of the budget. If positions do not become vacant through regular turnover, which is likely in an office as small as the State Auditor's, the only alternative is to rob the operating budget. This is especially true with a new office holder because most of the turnover has already occurred.

(2) With the newly elected State Auditor and plans to reorganize the office, the impact of the 4 percent vacancy saving reduction will be particularly difficult to absorb. Under the reorganization, many positions will be assigned additional responsibilities. Several positions will be moved from current areas of responsibility to newly assigned areas of responsibility, leaving less manpower to accomplish the same level of work in existing work areas. As a result, all positions will be spread thin.

The success of the reorganization is based on all positions being filled 100 percent of the time. If the office is forced to absorb a 4 percent reduction in personnel services funding in the amount of \$54,250 in fiscal 1984 and \$54,317 in fiscal 1985, the operation of the office and the implementation of the reorganization will be seriously impaired.

(2) P/P/P System

A. Response to the Issues raised by the Legislative Fiscal Analyst in regard to the P/P/P System modifications.

Issue 1 Why were certain projects authorized for the 1985 biennium not completed?

In our budget request for the 1985 biennium, the State Auditor's office requested funding for several projects which upon initial investigation appeared to have merit. However, before any projects are undertaken, they are presented to an Agency Review Committee. The Agency Review Committee, consisting of representation from state agencies, considers and receives project proposals. If the committee agrees on a project proposal for enhancing the P/P/P system, the proposal is circulated among the agencies for comment. The project will not be undertaken if it does not have the support of the user agencies, or if it can be accomplished by modification to existing systems.

Four projects were not completed in the 1985 biennium for the following reasons:

- 1) Vacant Position Report The committee decided that full utilization of the existing Position Control system would provide the desired result.
- 2) Modified Budget Cross-Reference The Governor's Office decided that this report was not necessary.
- 3) Direct Billing of P/P/P Charges This project was deemed unnecessary because the existing computer program could be modified at a minimal cost.
- 4) Recording of Non-State Experience This project was accomplished by modifying the use of an existing function already in operation.

Issue 2 Why has the cost increased significantly for the applicant flow and turnover summary modifications?

At the time, the estimates for the original request for the applicant flow and turnover summary modifications were made, no details of the projects were available. A detailed analysis and cost projection of the projects would have required several months requiring the assistance of the Systems Development Bureau (SDB). However, SDB personnel and funding were not available for a detailed analysis. Rather than postpone the projects for another two years, a rough estimate was made by our own personnel. As indicated in the following table, the original estimate was low.

<u>Project</u>	<u>Original Request</u>	<u>1984 Accrual</u>	<u>Current Estimate</u>
Applicant Flow	\$10,000	\$54,000	\$27,500
Turnover Summary	<u>4,000</u>	<u>9,000</u>	<u>7,000</u>
Total	\$14,000	\$63,000	\$34,500

The projects were not begun until late in fiscal 1984 due to the inability of the Systems Development Bureau to provide personnel to work on the projects. Although we have accrued \$63,000 to complete the projects, we anticipate \$34,500 will be sufficient to complete the projects.

Issue 3 Why are other costly enhancements being made without consulting the legislature?

The 1983 Legislature approved our P/P/P System support budget at the level requested so that the system could be enhanced as necessary to ensure its usefulness as a Management Information System.

The LFA table on page 140 indicates four new projects were undertaken by the office. The LFA table is in error. The Turnover Summary was specifically authorized as indicated in the LFA table on page 138.

Three additional projects were undertaken to insure that the P/P/P System would be useful as a management tool. These projects are detailed as follows. In conjunction with the Department of Administration, we believe the implementation of these projects is consistent with the legislature's desire to have a functional P/P/P system.

- 1) EEO Code Change. One of the codes used in preparing the Federally required Equal Employment Opportunity was not stored in the appropriate place in the system, resulting in a distorted picture of the State's hiring practices. This was a necessary correction to the system which will be completed by July 1, 1985 for less than \$3,000.
- 2) Training Reorganization. The existing training functions of the system were not being used by most agencies. An investigation revealed that the system did not meet many of their needs. This project is intended to correct this situation. We are confident that the revised system will be very heavily used and will replace several existing systems being maintained by individual agencies. The current estimate for this project is \$38,700.
- 3) On-line Security Both the Applicant Flow project and the Training project required direct on-line computer access. To allow this, a security access system and audit trail method needed to be developed. This project has been incorporated into the Applicant Flow and Training projects.

Issue 4 What is the cost of supporting these enhancements in future years?

Projecting the exact cost of the P/P/P System enhancements is difficult at this time due to the developmental stage of many of the projects. With the exception of the Applicant Flow System, it appears likely that few of the enhancements will result in the P/P/P System being more expensive to run. However, there may be an increase in operating costs. Now that the system meets the agencies requirements, we expect that it will be used more extensively.

B. COMPARISON OF CONTRACTED SERVICES BUDGET AS PRESENTED
IN THE OB&PP AND LFA BUDGETS

The following figures are based on the rates and production processing procedures in effect June/July 84 adjusted for expected volume changes. The OBPP budget provides \$530,098 in fiscal 1986 and \$516,024 in fiscal 1987 for contracted services related to the maintenance and enhancement of the P/P/P system. The LFA budget provides \$317,326 in fiscal 1986 and \$302,743 in fiscal 1987.

Project Description	OB&PP		L F A	
	FY 86	FY 87	FY 86	FY 87
Insurance and Bonds on Payroll employees	286	288	286	288
Printing instruction manual updates	2000	2000	2000	2000
Storage of processed Payroll input documents	6000	6600	6000	6600
Audit fees to Legislative Auditor	14700	--	14700	--
Education and Training	500	500	500	500
Microfiche for payroll reports	25000	25000	25000	25000
Forms design	500	500	500	500
Payroll computer terminal hookup fees	840	840	840	840
Cost of using the payroll terminal	2400	2400	2400	2400
Rerunning Payroll jobs due to system problems	15000	15000	15000	15000
Computer costs of inputting payroll data	20000	20000	20000	20000
Cost of Keying payroll data	52000	52000	52000	52000
Calculating the pay checks	32500	32500	32500	32500
Creating payroll reports	19500	19500	19500	19500
Creating payroll deduction reports	11400	11400	11400	11400
Creating Savings Bonds	480	480	480	480
Creation of the biweekly payroll turnaround	14300	14300	14300	14300
Creating tapes for Employment Security	200	200	200	200
Automatic July 1 step and matrix pay rate chg.	6000	6000	6000	6000
Creation of W2 tax reports and magnetic tapes	1200	1200	1200	1200
Purging old Payroll data	150	150	150	150
Storage of old Payroll system tapes	300	300	300	300
Biweekly archival disaster backups of all data	5200	5200	5200	5200
System recovery backups (Currently pd. by ISD)	12480	12480	12480	12480
Active computer storage of all P/P/P data	22200	22200	22200	22200

Description	OB&PP		L F A	
	FY 86	FY 87	FY 86	FY 87
Contracted Support for Payroll Maintenance	19400	19400	194000	19400
Computer costs for Payroll Maintenance	14550	14550	14550	14550
Computer costs for Payroll Maintenance testing	4850	4850	4850	4850
Portion of major payroll change reprogramming	11204	12602	11204	12602
LFA Base			315140	302440
LFA Inflation			186	303
LFA Total			317326	302743
Balance of major payroll change reprogramming	13046	11648		
Computer costs for reprogramming payroll	18200	18200		
Computer costs for testing the reprogramming	6100	6100		
Personnel computer terminal use	3600	3600		
Federal Equal Employment Opportunity report	300	300		
Report of year-to-date leave earned and taken	6100	6100		
Performance Appraisal Notification report	1300	1300		
Computer costs of inputting training data	1300	1300		
Printing the Individual Personnel Master lists	500	500		
Creating the major personnel data input form	1300	1300		
Keying personnel data for input into the system	5200	5200		
Microfiche of Position Control reports	5500	5500		
Rerunning Position Control due to system problems	5060	5060		
Position Detail form tracking and analysis	3000	3000		
Maintaining program and responsibility centers	1040	1040		
Putting expenditure data into Position Control	10400	10400		
Creating the Position Control Report	9100	9100		
Creating quarterly Agency Management Summary	330	330		
Creating Budget Snapshot for OB&PP projections	400	400		
Establishing the next fiscal years budgets	4500	4500		
Keying data for input into Position Control	3120	3120		
Position Control program maintenance	4850	4850		
Computer costs for Position Control maintenance	3200	3200		
Testing of Position Control maintenance	1000	1000		
Applicant flow operations	45000	45000		
Load and report FY 85 Applicant flow data	30000	---		
Revised Training system operation	10000	10000		
Personnel/Position Control program enhancements	1000	19400		
Computer costs of PSN/POS enhancements	500	4850		
Personnel/Position Control testing	700	7450		
OB&PP Base	510286	496188		
OB&PP Inflation	19812	19836		
OB&PP Total	530098	516024		

C. COMPARISON OF SERVICES PROVIDED UNDER THE OB&PP AND LFA BUDGET PROPOSALS

The following list of P/P/P services provides a comparison of the funding levels in the OBPP and LFA budgets. As indicated, the LFA funding level for the P/P/P system provides only for a basic payroll system responsive to minor changes in legal requirements. The LFA funding level will result in a reduction in current level services in the P/P/P system in the 1987 biennium.

SERVICES PROVIDED

<u>PAYROLL</u>	<u>OB&PP Budget</u>	<u>LFA Budget</u>
1. A Basic Payroll system responsive to minor changes in legal requirements	YES	YES
2. Capability to reprogram for employee retirement contributions becoming non-taxable.	YES	NO
3. Capability to reprogram if the State decides to pay the employees share of retirement contributions.	YES	NO
4. Capability to reprogram if employee health benefits become subject to Federal Tax withholding.	YES	NO
5. Capability to implement a sick leave pool.	YES	NO
6. Capability to convert to annual leave accrual rates being based on years of service.	YES	NO
7. Creation of Equal Employment Opportunity reports required by Federal Law.	YES	NO
8. Maintenance of records needed to defend against discrimination in employment practice lawsuits. (Potential liability can be in the hundreds of thousands of dollars.)	YES	NO
9. Recording and reporting Employee Performance Appraisals.	YES	NO

- | | | | |
|-----|---|-----|----|
| 10. | Creation of a Leave earned/taken accumulation report to aid in preparing SBAS financial reports and identifying the excess annual leave to be docked. | YES | NO |
| 11. | Maintenance of Training records. (These are also used in the preparation of reports required of agencies receiving Federal funding.) | YES | NO |
| 12. | Maintenance of the Classification system. | YES | NO |
| 13. | Compliance with Pay Plan rules monitored. | YES | NO |
| 14. | Provision of the necessary record keeping necessary to implement the Classification Enhancement Project. | YES | NO |
| 15. | Capability to asses the impact of Personnel Legislation. | YES | NO |

POSITION CONTROL

- | | | | |
|-----|--|-----|----|
| 16. | Biweekly Position Control report listing Budget and expenditure data. | YES | NO |
| 17. | Establishment of Position budgets at the start of each fiscal year. | YES | NO |
| 18. | Providing the Governor's Office with the data necessary to create the Personnel Services Budget. | YES | NO |
| 19. | Capability to reprogram for changes in the Pay Plan structure. | YES | NO |

OPERATION OF NEWLY IMPEMENTED PERSONNEL FUNCTIONS

- | | | | |
|-----|---|-----|----|
| 20. | Operation of the restructured training record keeping and reporting system. | YES | NO |
| 21. | Operation of the new applicant flow system. | YES | NO |

PERSONNEL SERVICES MANAGEMENT

- | | | | |
|-----|--|----|----|
| 22. | Capability to provide Management Information reports to assist in the promotion of Excellence in Management. | NO | NO |
| 23. | Capability to provide alternative data. | NO | NO |

(3) Funding the Central Payroll Division

The Central Payroll Division is responsible for preparing and delivering payroll documents for all state agencies. The department collects a payroll fee from all state agencies to offset the cost of this service. Table 1 shows the collection and distribution of these fees through the 1987 biennium.

Table 1
Central Payroll - Collections/Distributions (AE02803)
- 1987 Biennium

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Beginning Balance	\$ 74,033	\$ 42,187
Estimated Collections	268,154	268,154
Total Available	<u>\$ 342,187</u>	<u>\$ 310,341</u>
Total Expenditures	300,000	300,000
Ending Balance	<u>\$ 42,187</u>	<u>\$ 10,341</u>

The estimated collections in Table 1 are based on actual collections in fiscal 1984 with 4 percent inflation. The total available funding includes the estimated beginning balance to fund expenditures in the 1987 biennium. The ending balance for the 1987 biennium of \$10,341 provides a reasonable margin of safety to avoid overspending the account. The figures in Table 1 are consistent with the OBPP budget projections.

In funding the Central Payroll Division, the LFA has included \$18,000 more in payroll fees than the OBPP budget for the 1987 biennium. Based on the revenue projections of OBPP, this level of expenditure would leave the account overexpended by approximately \$7,659 at the end of fiscal 1987. The LFA may have a revenue projection which exceeds the OBPP projection, however, at this time the LFA has not disclosed their revenue projections for payroll fees in the 1987 biennium.

(4) Response to the Deletion of 1.00 FTE in the Securities
Division by the LFA

In the 1987 biennium, the LFA has recommended the deletion of 1.00 FTE, a Securities investigator/examiner, based on the fact that the position has been vacant. We strongly urge that this position be retained, as it has been in the OBPP budget, for the 1987 biennium. Extended vacancies in the State Auditor's office are rare. Therefore, we would offer the following explanation for the extended vacancy of this position.

Most of the state's hiring came to a standstill because of the Supreme Court's Crabtree decision in June 1983. Agency hiring decisions were delayed until after the Special Legislative Session, which ended in December 1983.

In December, the Securities Department advertised this investigator/examiner position for approximately 45 days. Unfortunately, the advertisement did not attract experienced applicants. The few applicants that may have been acceptable on a training basis did not feel they wanted the position during a time when Mr. Omholt had announced that he would not seek another term as State Auditor. This was because there was uncertainty as to whether the applicant would be retained in this position by the newly elected State Auditor.

The Department has never experienced a high degree of turn-over in its investigator/examiner positions. The vacancy of this position was created by the medical retirement for an individual who held the position for 11 years. Presently, the Department has only two other persons performing similar duties of this position. The duties of the vacant position have been performed by the other members of the staff creating overtime (comp. time) and an extra workload to the point of causing stress. The investigative duties of the vacant position have been handled on a limited priority basis by other staff.

Without this position, it will be impossible to continue at the present pace. Service to Montana investors and companies continues to fall behind. Each year the Department has experienced an increase in its workload in the areas of new issuers (companies applying to market their securities); broker/dealers and salesmen; investigations, audits and examinations; hearings and criminal prosecutions.

In order to completely dispatch the Department's responsibilities under the Securities Act of Montana, it is necessary to retain the present number of positions in the Securities Department. The investigator/examiner position is currently being advertised. The office hopes to fill this position as soon as possible.

(5) State Representation at Meeting of the North American Securities Administrators Association

As indicated in the LFA budget analysis on page 145, the State Auditor's office is requesting \$6,000 each year of the 1987 biennium to continue its current level of participation at meetings of the North American Securities Administrators Association (NASAA). In the past, NASAA has reimbursed the department for a portion of its travel expenses. However, NASAA has indicated that it may no longer reimburse the Department's travel costs to attend its meetings.

Presently, Montana is a member in good standing of the North American Securities Administrator's Association, Inc. ("NASAA"), an international association whose membership consists of securities administrators of all 50 states, the District of Columbia, every Canadian province and territory, Mexico, and Puerto Rico. As a NASAA member, the Department joins other securities administrators in programs related to investor education, information sharing, cooperative enforcement efforts, promoting uniformity of state securities requirements and other actions necessary for effective state and federal securities regulation.

NASAA programs are carried out through its various committees. In the past, the Department's staff has served on several of the various committees and, in some instances, as chairpersons. Presently, Rick Tucker, Deputy Securities Commissioner, is a member of NASAA's board of directors, and chairperson of the Enforcement Policy Committee. In addition, other office personnel are members of the Broker/Dealer Oversight Committee, the Uniform Examination Committee, and the Enforcement Liaison Committee.

The Department hopes to continue active participation on the various NASAA committees. Participation with NASAA allows the Commissioner to cooperate with the securities administrators of other states and the federal Securities and Exchange Commission with a view to achieving maximum uniformity in the form and content of registration statements, applications and other reports.

The adoption of uniform filing requirements alleviates the heavy burden on those sectors of the securities industry by eliminating duplicative examination and registration requirements. This also reduces the amount of time, money, effort, and paperwork required, and achieves a less costly yet more effective regulation of the industry.

NASAA realizes that cooperation in achieving its goals places a burden on the budgets of its members, more especially on smaller states such as Montana. Therefore, NASAA attempts to reimburse the costs associated with its programs, such as travel and other committee expenses. However, it should be noted that NASAA has no contractual or legally binding obligation to reimburse any member, or the staff person of any member, and its present policy of doing so could change from year to year, or at any given time.

(6) Emergency Equipment Replacement

The State Auditor's Office is responsible for the majority of the functions of the warrant system. Including issuance of original warrants, validation and posting of cashed warrants.

In fiscal year 1984 a total of 1,413,007 warrants went through the Warrant Writing System. This task was accomplished only through the use of machines, including the Imprinter/Detacher which is critical to the warrant signing process. The mailing process is also handled primarily by machines including the inserter which handles 35 percent of the mailing process. If these machines were to breakdown, the office has limited funds for minor repairs and no funds for replacement. Presently these machines are reaching the end of their life expectancy.

In the 1985 biennium, the legislature recognized the potential for system breakdown and appropriated \$26,000 in a special line-item for emergency equipment replacement in the event of a machine breakdown. These funds have not been spent to date because no major breakdown has occurred. However, we are again requesting the \$26,000 on the same basis for the 1987 biennium. This money would be spent in the event of any major break down of equipment used in the Warrant Writing process.

STATE AUDITOR

Existing Organization

Reorganization

Management and Control
Division 01
11 FTE

Central Payroll
Division 02
9 FTE

Administrative Support
Division 03
8 FTE

Insurance
Division 04
22 FTE

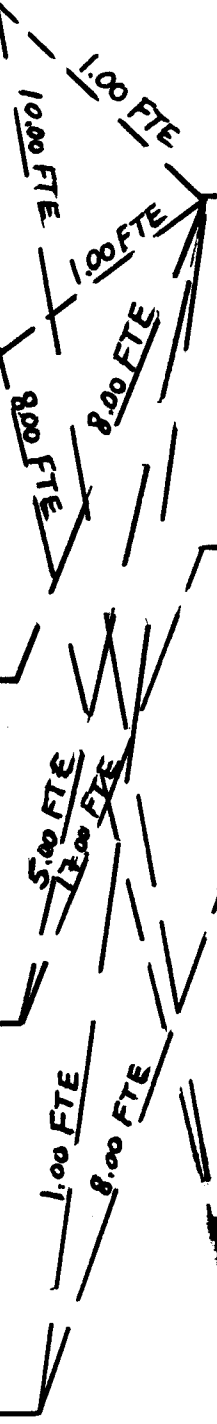
Securities
Division 05
9 FTE

Central Management
Division 01
(with Legal Unit) 16 FTE

Insurance
Division 02
17 FTE

Securities
Division 03
8 FTE

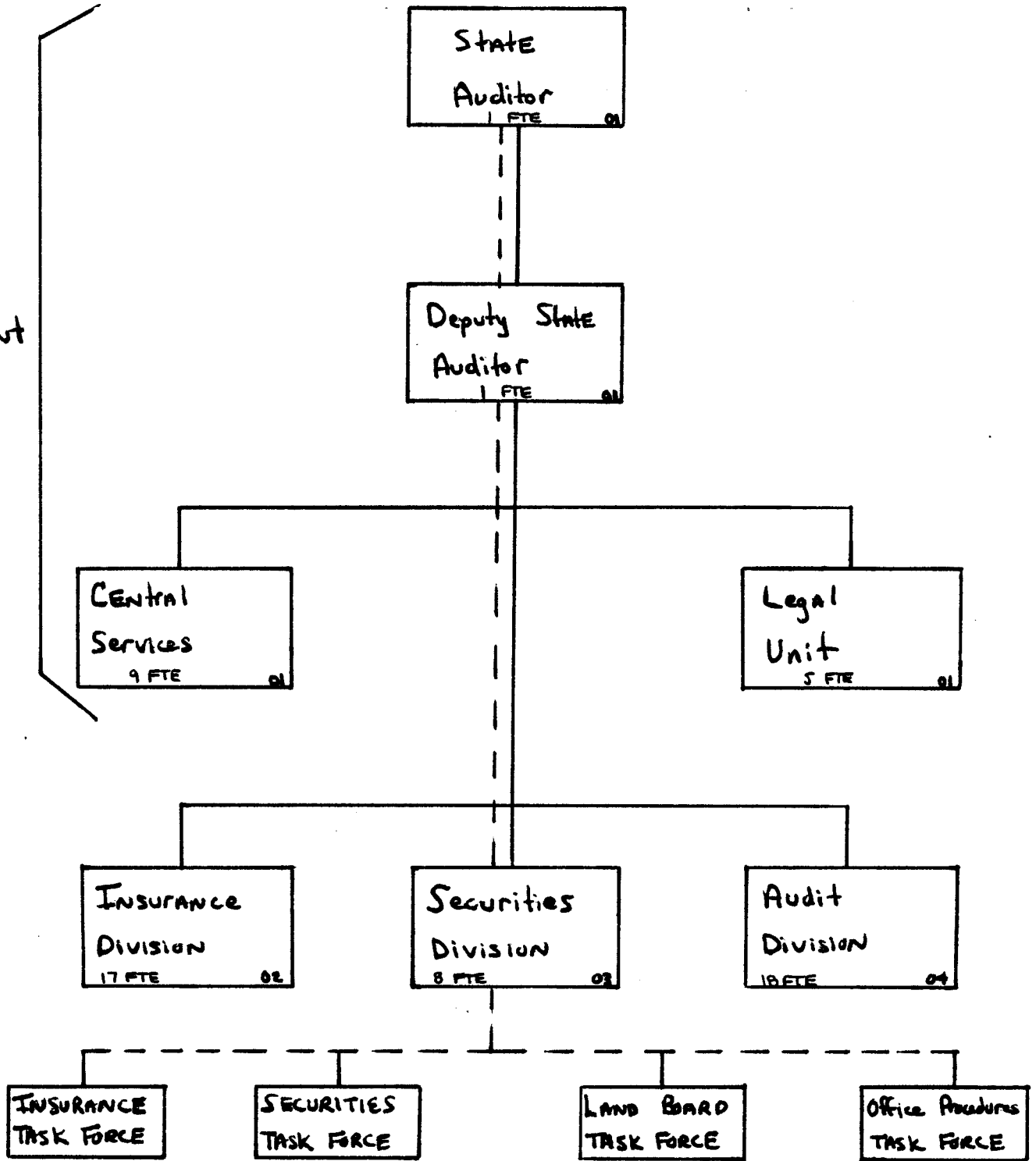
Audit
Division 04
18 FTE



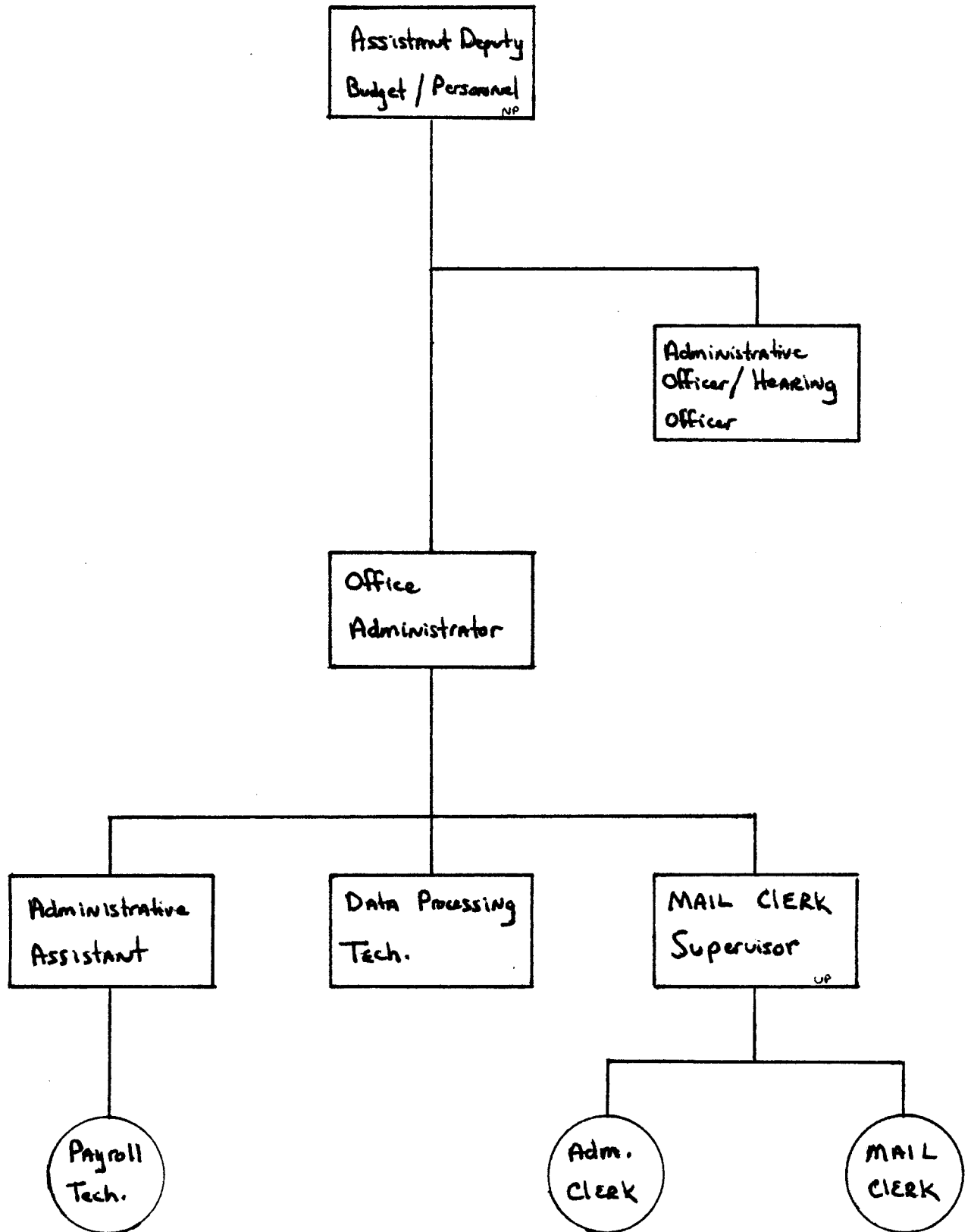
41 59 FTE

71 25 FTE

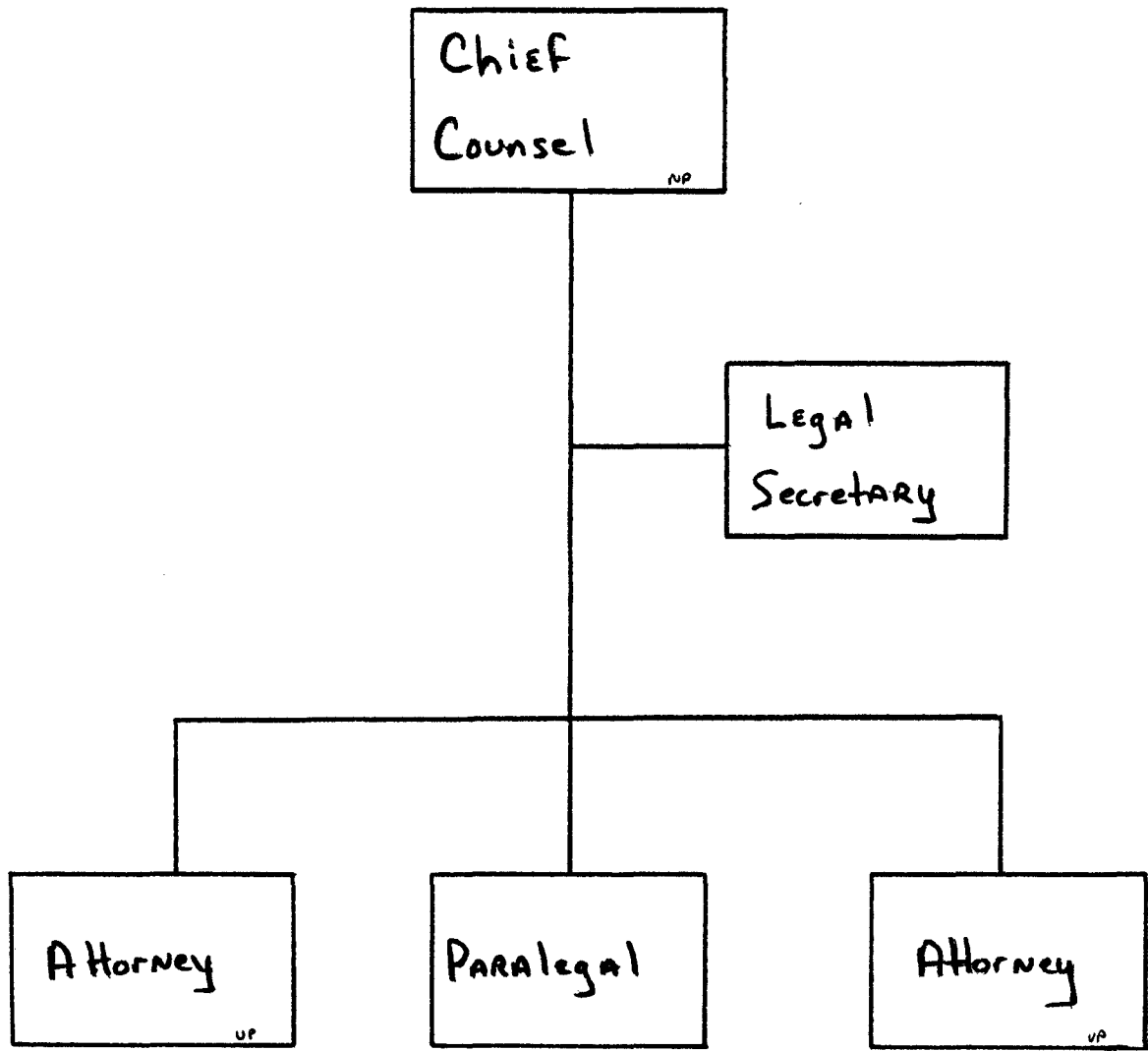
REORGANIZED
State Auditor Office



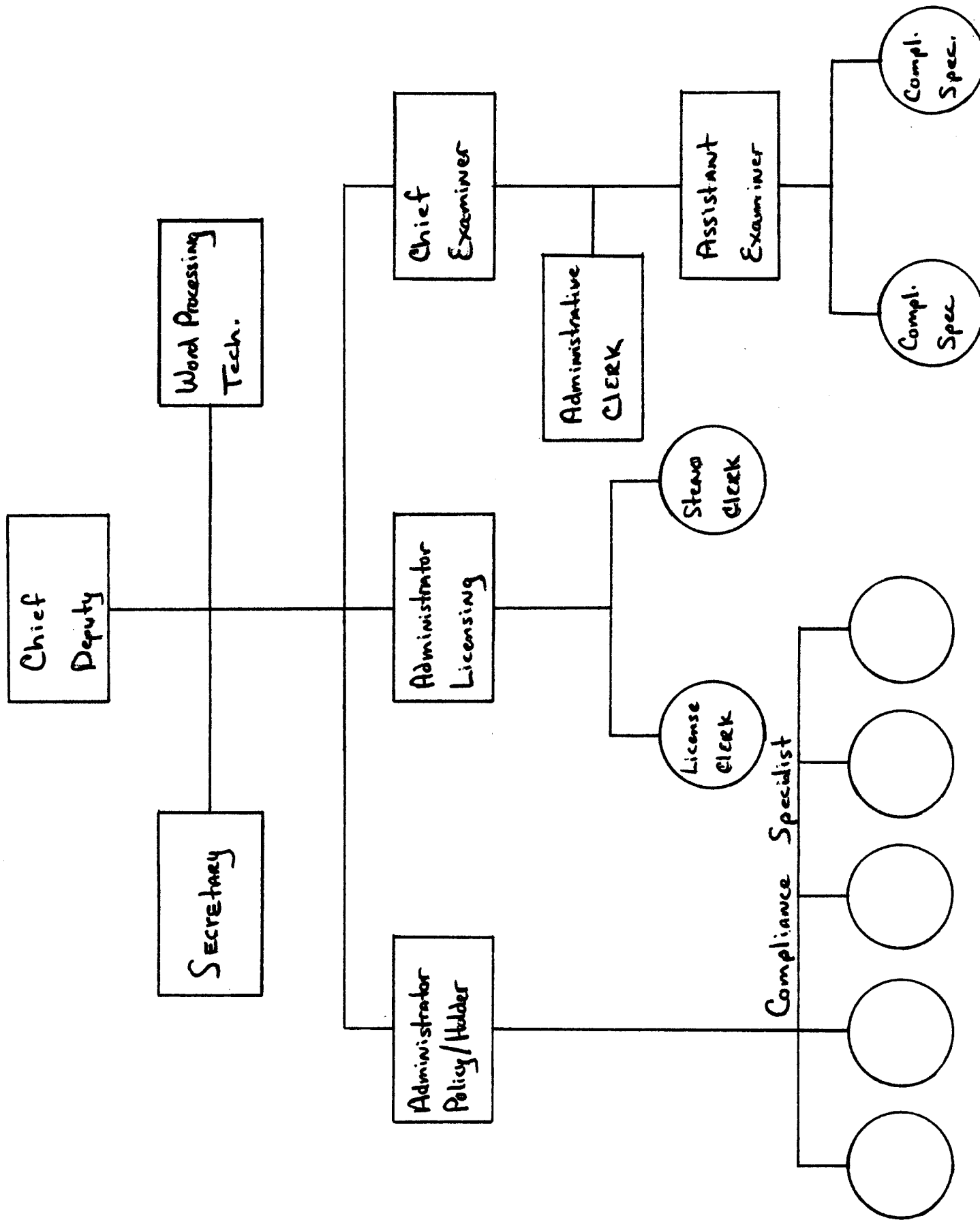
CENTRALIZED SERVICES



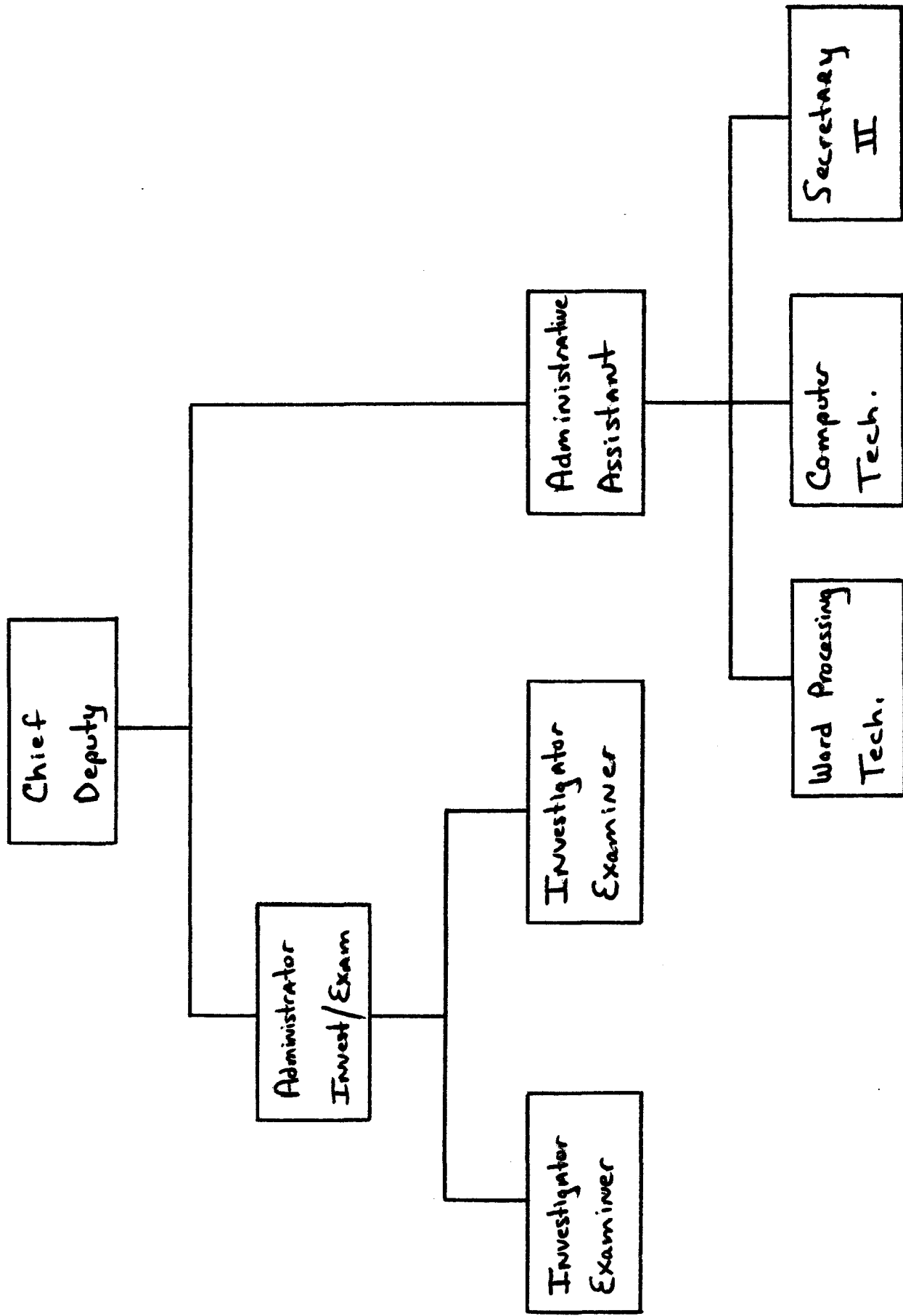
Legal Unit

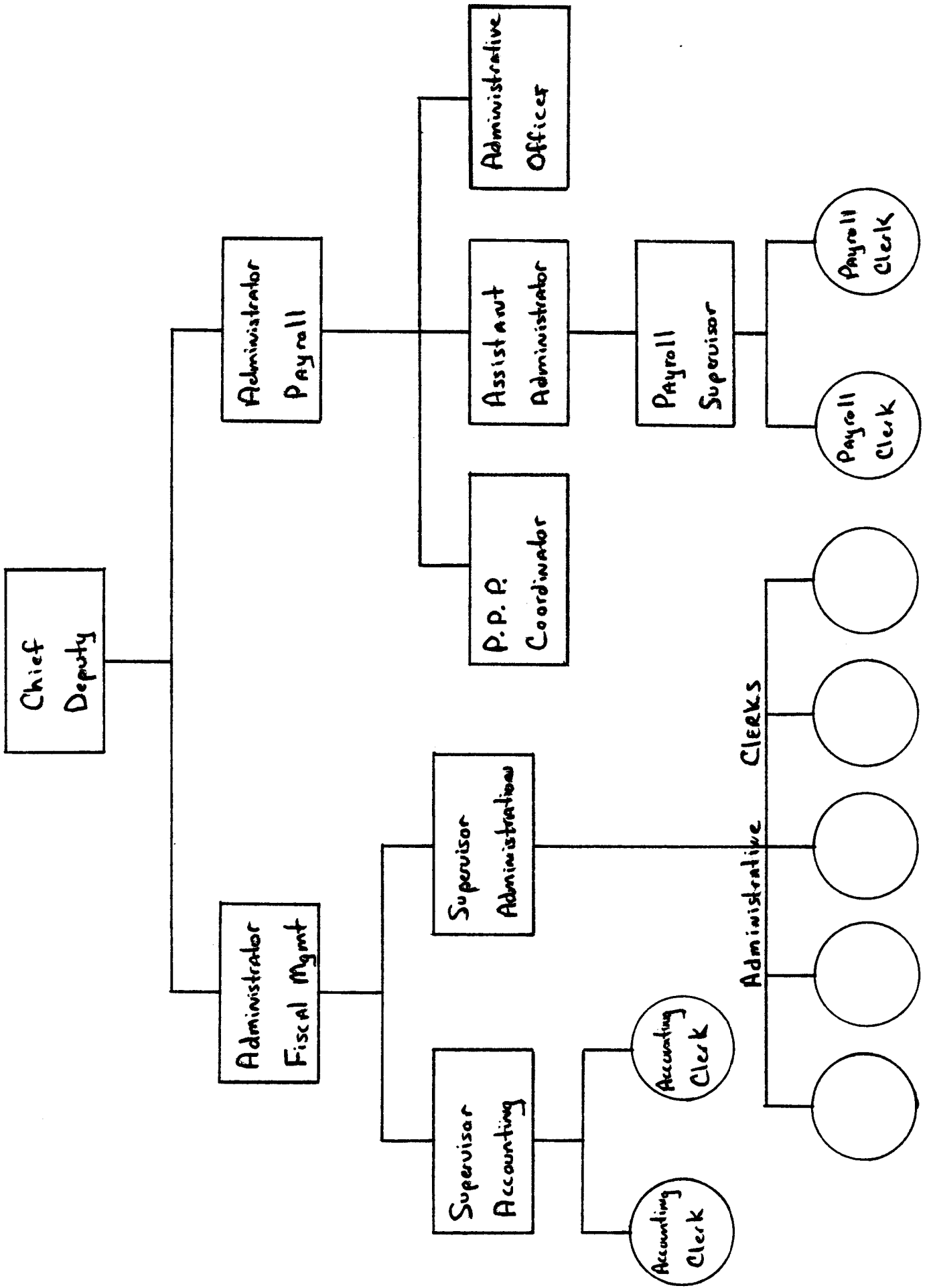


INSURANCE DIVISION



Securities Division





MODIFIED LEVEL BUDGET ISSUES

(7) Reorganization of the State Auditor's Office

We have reduced the number of divisions in the State Auditor's Office from 5 to 4. This restructuring will consolidate functions in the administrative area and all matters dealing with audit and warrant processing.

(A) Some of the objectives of this new structure and some of the problems we intend to allieviate are:

(1) Smooth out the sharp differences in work loads at various times during the month and year by putting under the same administrative direction (the Audit Division) those areas most prone to these sharp fluctuations. Cross training of employees in this department will enable us to move employees to perform necessary functions at critical times.

(2) This structure will also provide for closer, more direct supervision by the Auditor of the various functions and responsibilities the office.

(3) This structure will also make it easier for the public to seek assistance through the distinctive clarification of functions obtained through the reorganization.

(B) Cost of the Reorganization

The reorganization of the State Auditor's Office will cost an additional \$63,040 in fiscal 1986 and \$74,990 in fiscal 1987. The additional funds will pay salary and benefit cost increases incurred as a result of the reorganization. The reasons for these cost increases are detailed as follows.

(1) New Positions

The reorganization plans of the State Auditor called for the realignment of two existing positions. The two positions created as a result of the reorganization include an Deputy for Budget and Personnel and a Chief Counsel. However, rather than seek two additional positions from the legislature, the State Auditor chose to utilize two existing positions. The two positions utilized were clerk positions. The increase in personnel service costs result from the higher salary and benefit costs of the new positions. The increase is approximately \$37,094 in fiscal 1986 and \$38,743 in fiscal 1987.

(2) Reorganized Positions

The reorganization also resulted in twelve positions being given additional responsibilities or moved into supervisory capacities. We are requesting increases in salary and benefits in order to compensate the individuals for the additional responsibilities. The cost of these increases is \$47,460 in fiscal 1986 and \$54,827 in fiscal 1987.

(3) Salary Reductions

Also as a result of the reorganization, six positions were filled with lower salary and benefit levels than was budgeted. This aspect of the reorganization will save \$21,514 in fiscal 1986 and \$18,580 in fiscal 1987.

(4) Exempt Positions

The State Auditor's Office is statutorily authorized up to 15 exempt positions. Under the reorganization plans, the office intends to utilize the maximum of 15 exempt positions. Calculated into the cost of the reorganization is a 2.5 percent annual increase in salaries for the exempt positions. Since these positions are exempt, they will not receive any automatic pay increases. Only classified positions have received automatic increases in the past under legislative authorized pay plans.

(C) Cost Justification

These are three reasons why our budget requests \$63,040 in additional funding in fiscal 1986 and \$74,990 in fiscal 1987.

(1) We have run into serious problems in filling the main administrative positions in the Insurance Division created with the retirement of the people involved.

As an example, the previous Chief Examiner had been in the position for 10 years and received substantial training over the years for the performance of his duties. In order to find a comparable replacement with the technical background and experience even roughly equivalent to this, we must offer approximately \$40,000 as compensation.

(2) Twelve positions were given increased responsibility or the people were moved into supervisory positions. Many of these increases in responsibility were to take advantage of the skills of the existing staff to answer needs not covered by the existing organization. Examples:

P/P/P Coordinator, Audit - This position has been responsible for the development and coordination of the Personnel, Payroll and Position Control system in our office. Under the new organization, this person will be given additional supervisory responsibilities in the the Audit Division, and will also be designated the systems development officer for the Auditor's office to handle the development of automation and the supervision of current computer operations needs (warrant writing system).

Assistant Examiner, Insurance - The reorganization has brought two employees under the supervision the assistant examiner and increased the responsibilities in the operations of the Examiner's office.

It is important to point out that six positions in the Auditor's office were filled at lower salary and benefit levels than under the previous administration. The total savings from this action will be \$40,094 over the biennium. After close analysis of the operations of the Auditor's Office, it was determined that some job responsibilities could be consolidated without reducing the level of service.

(3) Rather than seek new FTE's, we determined that we could eliminate various positions, consolidate responsibilities and create two new positions with responsibilities that would meet the needs for the professional operation of the Auditor's office.

a. Deputy for Budget and Personnel - In the past, there was no personnel officer, no formal personnel policies and no formal standards for hiring, firing and discipline. Part of the responsibilities of this position will be to supervise the personnel functions of the Auditor's Office to ensure that laws and regulations in this area are strictly adhered to.

Budget matters in the Auditor's office were also spread out over various positions and various divisions. There was no central authority to either administer or supervise the budget and to ensure that budget standards were being met. This position will now have these responsibilities.

b. Chief Legal Counsel

1. Existing work load in Insurance (and to a lesser extent in Securities) requires an additional FTE.

2. Provide assistance as Hearing Officer.

3. Legal Counsel for the Audit Division (as is currently provided for the Securities and the

Insurance Division). Given the work load of the existing legal staff in Insurance and Securities, there is not the time available to provide the kind of legal assistance and advice that both the Auditor and the Audit Division require. Particular legal functions the Auditor requires: the Land Board, the Hail Board, and, to a lesser extent, the Board of Canvassars.

4. Chief Counsel to assign, supervise and direct the work load of the Insurance and Securities designated lawyers.

5. There is a pressing need for public education programs in both securities and insurance for which the Legal staff is needed to provide assistance. This is especially true in the area of Securities law training for County Attorneys and local law enforcement officials. Seminars on legal standards and requirements for Securities and Insurance Issuers planning to do business in the state would also prevent involuntary infractions of our codes.

6. Free up time for each of the legal staff to obtain necessary continuing education. Both Securities and Insurance are very specialized legal fields, and our lawyers are relatively young and they recognize the need for more training in special aspect of their work.

7. Many current cases in Securities and Insurance are decided under consent or at a level of action that is not the best for the consumers of Montana but is determined by the constraints of time faced by the legal staff currently.

8. The Montana State Auditor is the court of first resort as a consumer advocate for Montanans in the areas of insurance and securities. It is essential that the Auditor's Office have the legal staff to adequately fulfill this very important function.

(8) Request for Training Funds

Historically the State Auditor's budget has not included funding for staff training. For the following reasons, we would like to make a modest request for training funds in the 1987 biennium.

With the reorganization of the office and the need to hire several replacement personnel, the office has a definite need for training funds in the 1987 biennium. We believe training is necessary to maintain and improve staff performance on existing jobs and improve the coordination of work between newly created divisions in the reorganized department. Also, we believe cross training is necessary to permit the continuation of essential functions in the office due to the occurrence of promotion; transfer, layoff, termination or temporary absences of employees. Specific training is needed to improve communications and methods of reconciling conflicts with security and insurance agents. Both oral and written communications are targeted for improvements.

The Legislature has approved a training budget for most divisions of State government of \$90 per employee. Examples of costs counted towards the \$90 allocation are tuition costs, registration fees, and training materials for classes. Based on this allowance, the State Auditor's Office would require at least \$5,310 annually. Therefore, we request \$5,310 in each year of the 1987 biennium to provide training for office personnel.

(9) Securities Department Contingency Funding for Legal and/or Hearings Costs Related to Securities Investigations

The Securities Department is responsible for enforcing the provisions of the Montana Securities Act, Section 30-10-107, MCA. In carrying out its enforcement mission, the Department has no way of knowing the number of crimes or civil violations that will occur in any given period. However, it should be noted that the Department has experienced an increase of over 250 percent in securities violations since 1982.

Presently, the Department is involved in 31 investigations, 10 hearings and 3 criminal cases. Nine new investigations were opened in January 1985. There is no indication as to whether these new cases will result in criminal or civil actions or whether a hearing will be required. Processing these new cases may require legal research, expert witnesses, subpoena expenses for bank records, telephone records, hearing transcripts and statements. These requirements can cost a minimum of \$1,000 per hearing.

In the past, the Department has taken advantage of all revenue sources which would alleviate the need to increase state funded expenditures. For example, NASAA has reimbursed the Department on special occasions for enforcement/investigation travel for Montana. In each year that the Department received reimbursement from NASAA, the Department has returned unused funds to the general fund.

For the 1987 biennium, the Department is requesting contingency funding of \$10,000 each year, to handle the inevitable increase in both civil and criminal investigations, to which we are exposed, and to cover our costs in the event NASAA is unable to continue their reimbursement policies. This funding will be used only if absolutely necessary as a result of additional investigations. We will continue to maximize NASAA funding to the extent it becomes available.

It is important to remember that several years ago, the Department increased its fees to enable it, in future years, to increase its efforts regarding the protection of Montana investors and increase its services to the general business community of Montana, particularly small business. In addition to the legislation which increased our fees, the volume of our issuer, broker/dealer, and salesman filings, has also increased our receipts--receipts which are deposited in the general fund. In fiscal 1984, the receipts total \$1.5 million. This amount is approximately seven times larger than the fiscal 1984 budget for the Securities Department. It should also be noted that monies returned to Montana investors through actions by the Securities Department in fiscal 1983 was \$1.5 million and \$337,000 in fiscal 1984--again amounts in excess of the Department's budget.

(10) Insurance Division Contingency Funding for Legal and/or Hearings Costs Related to Insurance Cases

The Insurance Division is responsible for enforcing the provisions of the Insurance and Insurance Companies Act, Title 33, MCA. In carrying out its enforcement mandates, the Division has no way of knowing the number of violations that will occur in any given period. However, it should be noted that the Division has recently experienced an increase in related expenses directly incurred as a result of regulatory actions required of the Division.

From January to December of 1983, there were 14 administrative hearings held by the Insurance Division and 2 District Court actions. From January to December of 1984, there were 10 administrative hearings held by the Insurance Division, one of which was a four day hearing. In addition, there were 12 District Court actions, two of which were completely assumed by the Justice Department's Agency Legal Service Department.

There is no indicator as to whether new cases will result in administrative actions or whether hearings will be required. Investigating new cases may require legal research, expert witnesses, subpoena expenses for bank records, telephone records, hearing transcripts and statements. These requirements can cost a minimum of \$1,000 per hearing.

The figures in Table 1 shows the Insurance Division has been severely impacted by consulting and legal fees related to the ongoing examination and litigation costs for one Montana domiciled insurance company. These costs as of January 31, 1985 totaled \$11,258. Cost for such services totaled only \$2,744 in all of fiscal 1984.

Table 1
Consulting and Legal Costs
One Insurance Company

<u>Services</u>	<u>Costs as of Januray 31, 1985</u>
Consulting/Professional:	\$ 7,756
Legal/Court:	\$ <u>3,502</u>
Total	\$11,258

In the current biennium, these costs are being absorbed within the current level budget. It is anticipated that funds may have to be transferred from other divisions to pay these extraordinary costs in the Insurance Division.

Table 2 shows the actual costs incurred in fiscal 1984, projected costs in fiscal 1985 and the budgeted levels in the 1987 biennium for consulting/professional services and legal/court costs in the Insurance Division.

Table 2
Consulting and Legal Costs
Insurance Division

<u>Services</u>	<u>Actual FY 84</u>	<u>Projected FY 85</u>	<u>Budgeted OBPP FY 86</u>	<u>FY 87</u>
Consulting/Professional	1,560	\$18,000	1,560	1,560
Legal/Court	<u>1,184</u>	<u>\$12,000</u>	<u>1,184</u>	<u>1,184</u>
Totals	2,744	30,000	2,744	2,744

As indicated in Table 2, the consulting/professional and legal/court costs projected for fiscal 1985 in the Insurance Division are substantially higher than incurred in fiscal 1984 or budgeted for in the 1987 biennium. It is clear that the amounts currently budgeted in the 1987 biennium are inadequate to meet potential increased costs similar to the dramatic increase experienced in fiscal 1985.

In order to meet the potential cost increases in consulting/professional services and legal/court services related to Insurance Division regulatory actions, the department is requesting contingency funding of \$25,000 each year of the 1987 biennium. These funds will be spent only if absolutely necessary in order to fulfill ongoing legal requirements and new cases requiring agency adjudication.

(11) Systems Development and Office Automation Funding Requirements

Based on preliminary reviews by office staff and the Systems Development Bureau, the State Auditor's Office has identified a substantial need for office automation funding in the 1987 biennium. The office automation needs include minor enhancements to the existing warrant writing system and funds to initial a study of the existing warrant writing system for replacement in the 1989 biennium. The office has also identified a need to study and implement agency-wide automation. The request for office automation study and implementation totals \$95,000 in fiscal 1986 and \$110,000 in fiscal 1987. Each project is detailed as follows.

A. <u>Warrant Writing System</u>	<u>FY 86</u>	<u>FY 87</u>
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(1) <u>Enhancements to the existing system.</u>	\$ 12,500	\$ -0-
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A study by the Information Systems Bureau (see Appendix 1) indicated that funds spent in improving the efficiency of this system are likely to be extremely cost effective.

(2) <u>Feasibility and Cost/Benefit Study.</u>	35,000	10,000
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This initial study is necessary if we are to have a new system in operation in late 1989. Both the Department of Administration and the Cash Management Task Force have made strong recommendations that we undertake this project. The existing system is inefficient, has limited capabilities, and relies on outdated unreliable, unrepairable equipment.

(3) <u>Justification for Warrant Writing System Study.</u>		
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Currently warrants are created on punched cards, a technology perfected in 1801. These cards are sorted and read by machinery built in the 1950's and finally processed by modern computers.

This study will allow us to determine exactly what can be done to improve this system and what costs and benefits will result.

Why we must change from Punched Cards.

- The existing punched card machinery is unreliable and difficult to repair. Parts and service are currently difficult to obtain and will soon become impossible to obtain.
- The computer center will soon have a disaster back up. We will not be able to utilize it as it will not have punched card machinery.
- Punched cards themselves are obsolete. As we may soon be the only user of them, they can be expected to become cost prohibitive.

Potential Benefits of Developing a New System.

The savings indicated are based on the State of Michigan's experience during Fiscal 1982 adjusted to our current volume of activity. This is provided to give some estimate of what is possible. The proposed study would provide detailed estimates of all potential benefits.

Conversion to Paper Warrants.

- Savings of \$21,000 per year in paper costs.
- Presorting by zip code will reduce personnel requirements and save \$6,000 a year in postage.
- The remittance advice could be attached to the warrant and automatically stuffed into envelopes resulting in personnel savings.
- Warrant numbers and amounts could be printed on the warrant automatically eliminating error and reducing printing and computer costs.
- Security against forgery greatly enhanced.
- Storage costs reduced by two thirds.

Expansion of System Capabilities.

- Direct immediate stop payments possible. Amount involved estimated at \$~~800,000~~^{\$30,000} a year.
- Recovery of forged endorsements amounting to \$900,000 a year.
- Automatic processing of requests for duplicate warrants possible.
- Ability to offset payments against amounts owed to the State. Estimated at \$250,000 for vendors and \$300,00 for tax refunds.
- Ability to place date of payment on warrant vouchers so that they are held until the actual due date for payment. Savings due to increased cash float estimated at \$800,000 a year for each day payment is delayed.

Each of the functional areas is relatively autonomous, but proceeding with automation as one organization should provide continuity of management directive, prioritization and compatibility of hardware and procedures where desirable.

<u>(B) Office Automation</u>	<u>FY 86</u>	<u>FY 87</u>
(1) <u>Study to determine needs.</u>	\$ 25,000	\$ 10,000
In FY 86, the agency's general office operations would be studied with a view to implementation in FY 87. In FY 87, the Insurance and Securities operations would be studied with a view to implementation in FY 88. Our own Personnel will conduct as much of the study as possible.		
(2) <u>Purchase of Office Automation Equipment.</u>	-0-	90,000
This estimate is based on Office Automation Industry experience. Existing outdated equipment and manual methods would		

be replaced with word processing and micro productivity plus the addition of Management Information Analysis and Reporting capabilities.

(3) Insurance and Securities

(a) Short term enhancements	19,000	-0-
(b) Initial loading and conversion of data.	3,500	-0-

Installation of a relatively simple computer system will result in a substantial reduction in time spent searching for information and responding to inquiries from the Public, the Insurance Industry, and other Securities Agencies.

Total General Funding Required	<u>\$ 95,000</u>	<u>\$110,000</u>
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(12) Consumer-Senior Citizen Information and Education Program

There continues to be an outpouring of requests, particularly from our senior citizen population, for increased personal contact by our policyholder service staff to disseminate insurance information on a person-to-person basis. The Insurance Division has provided this service on a limited basis when the budget permits and selective calls are made to outlying areas of the state where demand is the greatest.

The Insurance Division's past experience with a limited seminar program has been well received and testimonials from consumers support our belief that the education and information program needs to be revitalized and prioritized for fiscal year 1985 and the 1987 biennium.

Because of the many changes in the Social Security benefits and private insurance offerings which supplement those benefits, a critical need for direct first-hand information for the elderly necessitates a continual program of seminars in key areas throughout the state. In responding to these requests a program implemented on a continual basis with established schedules is recommended as the most efficient approach to consumer education.

A program outline and cost projection follows:

Consumer-Senior Citizen Information Program

- (A) Two key Employees Traveling
 - (1) Property, Casualty
 - (2) Life, Health

(B) <u>Nine Areas (Central City)</u>	<u>Frequency of Seminars # of Calls/Year</u>
(1) Billings	2
(2) Butte	1
(3) Glasgow	1
(4) Glendive	1
(5) Great Falls	1
(6) Helena	1
(7) Kalispell	2
(8) Missoula	2
(9) Shelby-Plentywood	1

Other areas will be contacted based on demand.

(C) Program Cost (Additional Expenses)

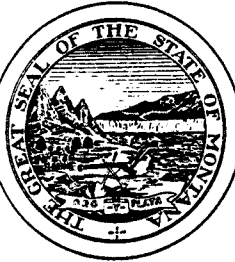
	<u>Fiscal Year</u> <u>1986</u>	<u>Fiscal Year</u> <u>1987</u>
(1) Lodging: 2 persons X \$24/day X 20 days	\$ 960	\$ 960
(2) Per Diem: 2 persons X \$14.50/day X 20 days	580	580
(3) Auto Expense: 8,000 miles X \$.2525	2,020	2,020
(4) Rental of Meeting Rooms: 20 X \$25	500	500
(5) Instructional Supplies & Audio Visual or other aids	<u>1,000</u>	<u>500</u>
Sub-total	<u>\$ 5,060</u>	<u>\$ 4,560</u>
(6) Continued Education & Training Consumer Information Staff:	\$ 1,000	\$ 1,000
Travel Costs Associated with Regional & National (NAIC) Meets:	<u>\$ 4,000</u>	<u>\$ 4,000</u>
Program Total	<u><u>\$10,060</u></u>	<u><u>\$ 9,560</u></u>

(13) Summary of Modified Requests

	<u>General</u>	<u>Fund</u>
	<u>FY 86</u>	<u>FY 87</u>
(A) Cost of Department Reorganization	\$63,040	\$ 74,990
(B) Training Funds	5,310	5,310
(C) Securities Division - Contingency Funds	10,000	10,000
(D) Insurance Division - Contingency Funds	25,000	25,000
(E) Consumer - Senior Citizens Educ. Program	10,060	9,560
(F) Equipment Replacement for State Warrants	26,000 (1)	-0-
(G) Office Automation - Equipment and Study	95,000	110,000
 Total Modified Budget	 <u>\$234,410</u>	 <u>\$234,860</u>

(1) The \$26,000 item is a biennial appropriation for replacement of equipment used in preparing state warrants. This appropriation would be used if the existing equipment fails and cannot reasonably be repaired.

DEPARTMENT OF ADMINISTRATION
INFORMATION SERVICES DIVISION



TED SCHWINDEN, GOVERNOR

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HELENA, MONTANA 59620

TO: Richard Hall, P/P/P Coordinator
State Auditor's Office

FROM: Sharon Ranstrom, Supervisor
Project Development Section
Systems Development Bureau
Information Services Division

DATE: February 4, 1985

SUBJECT: STATE AUDITOR'S OFFICE - AUTOMATION PROJECT

The following recommendations and cost projections are a result of recent meetings conducted to obtain a general understanding of the agency and to estimate resources and funding needed for long-term information processing and storage improvements. Recommended actions, with alternative methods when possible, and estimated costs are provided.

RECOMMENDATIONS

There are several problem areas that should be addressed from an agency wide prospective. These include:

- Dependence on outdated equipment and supplies.
 - Record/document storage is inconvenient and outgrowing available space.
 - Information retrieval is cumbersome and time-consuming.
 - There is little consistency between functional units in information management philosophy, approach, direction, or equipment.
 - Information system planning has been inadequate.
- The need for automated tools (spreadsheets, graphics, word processing, calendaring, etc.) that have the potential for improved individual productivity has not been analyzed.

An agency-wide automation project should be initiated with management level team to direct the project. Within the overall project, smaller teams could be formed and/or consultants could be used to address specific areas. The areas or functions that should be addressed are as follows:

Office Automation (OA). The scope of this portion of the project would include administrative and individual productivity issues: word processing, spreadsheet and graphics, and calendaring.

The study could be conducted internally or consultants could be hired.

- . Internally. A team of Auditor's Office personnel could be formed. Consultation is available from the ISD's Information Center Bureau, but they do not conduct the study. Guidelines for organizing and conducting the study are available.

Cost: Approximately 2,000 man-hours

- . Consultant. Private sector consultants are available to conduct OA studies. The Department of Labor and Industry recently contracted with a firm. The cost of that study was approximately \$50,000.

Cost: \$50,000

- . Implementation. Cost: Equipment \$90,000

Records Management. The scope of this portion of the project would cover the current filing and storage problems. Both retention and retrieval requirements and available technology would require analysis. Retention and retrieval requirements should be defined internally. The evaluation of alternative technology would require assistance from a records management consultant. ISD's Records Management Bureau provides some support in this area or a private sector consultant may be an appropriate choice.

Cost: Records Management No Charge

*Private sector (non-vendor) consultant \$4,000

(There is no current experience to back this estimate.
The assumption is 40 hours at \$100 per hour.)

Warrant System. The scope of this portion of the project should include short and long-term objectives. The system depends totally on use of outdated equipment and supplies. The manual portions of the system are manpower intensive requiring many hours of manual sorting, matching, logging, and searching.

- . Short-Term. It is possible that some efficiencies could be gained by minor enhancements to the system. New management of the organization should be given a budget for ongoing technical support consultation and cost justifiable enhancements. These enhancements would be stop-gap measures only, and should be implemented only if short-term benefits or risk prevention justify the expenditure.

Cost:	SDB and computer resources	\$11,000
	Equipment	1,500

Refer to Dave Ashley's memorandum regarding analysis to upgrade from paper stock.

Cost:	SDB Services (feasibility)	\$6,800
	Travel	4,500

Long-Term. Design and development of a new system should be anticipated. This topic was studied by the Cost Management Task Force and a presentation made (September 1984) to the State Auditor's Office (Jo Isaak) identifying the problems and proposed solutions. The basic facts and alternatives have not changed, although a determination was made not to pursue funding for the entire project during this biennium.

Cost:	\$616,500
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This cost includes SDB services, computer resource cost, equipment, and travel. If this project is deferred, cost justification must be anticipated at annual cost of living factors at a minimum.

Payroll/Personnel/Position Control (P/P/P) System. The scope of this portion of the project should include long-range planning for the system. The potential for reducing paperwork, distribution of some centralized functions (balance and editing), and increased on-line capabilities should be considered. System support and enhancements budgets for the project have already been prepared. This project is in addition to the ongoing support and enhancement of the system.

Cost:	\$93,000
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This cost includes SDB services and computer resource cost for development. The analysis and specification could be accomplished for \$11,000, deferring implementation to FY88-89.

Insurance/Securities. This portion of the project should include short and long-range objectives.

Short-Term. It is possible that some efficiencies could be gained by enhancement to the existing Insurance Licensing and Registration System by:

- 1) Making the information more readily accessible to the staff.
- 2) Reducing dependence on outdated equipment/media (cards)

3) Assuming operational control (Input/Output).

These enhancements would be stop-gap only. A new system will probably be needed in the next 4 to 6 years.

Cost:	SDB Services	\$17,000
	Computer Resources	7,500
	Equipment	4,500

Also, the securities data currently maintained on the System/6 might be converted to the host with the above considerations. If the insurance system could be used as a base and modified for securities information, the costs would be comparable to the insurance system upgrade.

Long-Term. Both the insurance and securities areas could be much more effective with better capabilities for information retrieval. Since some of the functions are very similar, the systems should be studied together. There are other states that have automated, and these systems might be appropriate for Montana. The basic requirements should be identified first, the available software analyzed, and a decision made to obtain available software or to proceed with development of a system.

Cost:	SDB Services	\$ 11,900
	(Requirements and Software Evaluation)	
	Travel	3,600

OPTION A: Install Software
Securities

Consultant	\$ 70,000
Equipment	4,500

Insurance

Consultant	\$ 70,000
Equipment	6,000

OPTION B: Develop Software

SDB Services	\$162,000
Computer Resources	56,000
Equipment	10,500

CLOSING

In summary, each of the functional areas could benefit from automation. There may be short-term improvements possible for the Warrant and Insurance Agent Licensing Systems, but these should be considered only temporary solutions. Major redesign, rewrite, or system procurement should be planned within 5 years.

VISITORS' REGISTER

Gen. Govt & Highways

COMMITTEE

Agencies State Auditor

~~BELL~~ NO. _____

DATE

2/14/85

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Mike Trevor	Information Services		
Jeff Brandt	" "		
Wayne Phillips	Auditor	X	
R.G. "Mike" Tucker	auditor	X	
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