



Board Agenda Item 35

DATE: March 1, 2016

TO: Board of Supervisors

SUBMITTED BY: Robert W. Bash, Director of Internal Services/Chief Information Officer
Delfino E. Neira, Director, Department of Social Services

SUBJECT: Resolution Increasing Appropriations for the Internal Services Department and
Department of Social Services

RECOMMENDED ACTION(S):

- 1. Adopt Budget Resolution increasing FY 2015-16 appropriations and estimated revenues for the Internal Services Department- Information Technology Services-ISF Org 8905 in the amount of \$3,259,009 (4/5 vote).**
- 2. Adopt Budget Resolution increasing FY 2015-16 appropriations and estimated revenues for the Welfare Advance Fund Organization 1120 in the amount of \$2,051,014 (4/5 vote).**
- 3. Adopt Budget Resolution increasing FY 2015-16 appropriations for the Protective Services Subaccount Organization 6210 in the amount of \$95,164 (4/5 vote).**
- 4. Adopt Budget Resolution increasing FY 2015-16 appropriations and estimated revenues for the Department of Social Services ISD Org 56108550 in the amount of \$2,146,178 (4/5 vote).**

As explained more fully below, approval of the first recommended action will ensure the Internal Services Department (ISD) has sufficient appropriations to restructure business practices, increase security of the County's network, provide software and hardware equipment to County departments due to an increase in requests, and ensure compliance with software licensing requirements. Approval of the second, third, and fourth recommended actions will allow the Department of Social Services (DSS) to reimburse ISD for costs directly associated with its share of the compliance review findings of International Business Machines, Inc. (IBM) relating to IBM's provision of products and services to the County.

ALTERNATIVE ACTION(S):

Your Board could choose not to approve the recommended actions and require the current business practices remain in place resulting in ISD not fulfill County Department requests, the discontinued use of all IBM products countywide, and potential litigation from IBM.

FISCAL IMPACT:

There is no increase in budgeted Net County cost. Approval of the first recommended action will increase FY 2015-16 appropriations and estimated revenues in the Information Technology Svc-ISF Organization 8905 (\$3,259,009). ISD will be funded with a charge back to DSS (\$2,152,940), and by charges for cabling needs for user departments (\$98,000), additional leased equipment for user departments (\$407,054), the projected

amount of end user software needed for the rest of the current fiscal year (\$315,000), and computer service software which includes ISD's share of IBM's compliance review findings (\$286,015).

The costs for the Department of Social Services (\$2,152,940) to reimburse ISD for its share of the compliance review findings will be funded with State and Federal Social Services Allocations (\$2,051,014), 2011 Realignment (\$95,164) in lieu of State General Funds for Child Welfare Services and Adult Protective Services, and the required net County cost (\$6,762) which offsets the General Relief Program share of cost. The net County cost of \$6,762 will be absorbed by DSS Org 5610 using existing budgeted appropriations in the Data Processing Services account 7296.

Approval of the second recommended action will increase FY 2015-16 appropriations and estimated revenues in the Welfare Advance Fund Organization 1120 (\$2,051,014). Approval of the third recommended action will increase FY 2015-16 appropriations in the Local Revenue Fund 2011 - Fund 0271, Protective Services Subaccount Org 6210 using available fund balance (\$95,164). The fourth recommended action will increase FY 2015-16 appropriations and estimated revenues in the Department of Social Services ISD Organization 56108550 by \$2,146,178, which will be offset by an increase in estimated revenues in the amount of \$2,051,014 through an Operating Transfer in from the Welfare Advance Fund Org 1120 and \$95,164 through an Operating Transfer In from the Protective Services Subaccount Org 6210. The required balance of \$6,762 will be funded with existing appropriations within the DSS ISD Org 56108550 using budgeted net County cost.

Funding for subsequent years will be included in future budget requests for each department, and built into the ISD rates.

DISCUSSION:

On July 15, 2014, the County entered into Master Agreement No. 14-420 with IBM (the "Agreement"), which provided for the purchase of up to \$5,000,000 of licensed software and associated maintenance and support for various County departments over a 5 year term. The Agreement contained a provision allowing IBM to conduct a compliance review upon reasonable notice, to verify that the County's usage of IBM products comported with calculation of charges under the Agreement. A compliance review was conducted between January and July of 2015 by IBM's third party auditor, KPMG International, which disclosed a discrepancy between the number and types of licenses and maintenance purchased, as compared with active licenses deployed to County users and equipment. ISD and DSS (the two affected departments) have verified IBM's audit findings and agree that a payment is due to IBM under the Agreement in the amount of \$2,274,740. Payment of that amount is within the remaining contract maximum and will bring the County's actual usage of IBM products and services back into compliance with the Agreement.

In addition to remaining in compliance with the IBM Agreement, as ISD continues to review its business practices, staff identified items that needed to be addressed immediately.

First, staff has identified a more efficient way of tracking contract expenditures and licensing. Currently, when user departments request products and services, ISD will receive the invoice and send the invoice to the user department to process payment. ISD's new practice will be to process authorized payment upon receipt of invoice and recover those costs through direct billing from the user departments who received the products and/or services. The new process will ensure timely payment to vendors and timely delivery of products and services to user departments.

Additionally, a review of the current security for the network revealed vulnerabilities which required supplemental security protocols immediately be put into place. Also, as a result of an unanticipated increase in the number of County employees, demand for leasing of computer and phone equipment has also increased.

REFERENCE MATERIAL:

BAI #60, July 15, 2014

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with the Clerk - Budget Resolution Org. 8905
On file with the Clerk - Budget Resolution Org. 5610
On file with the Clerk - Budget Resolution Org. 6210
On file with the Clerk - Budget Resolution Org. 1120

CAO ANALYST:

John Hays