Legislative Audit Division

State of Montana

Report to the Legislature

Performance Audit

Examination of the Delivery of E–Government Services

Information Technology Services Division
Department of Administration

This report provides findings and recommendations related to Montana's e-Government services. Areas for e-Government services improvement include:

▸ **Management controls could be enhanced.**

▸ **A formal project risk management plan is needed.**

▸ **Require agencies to report detailed analysis of e-Government services impacts on agency resources to the Legislature.**

▸ **A business case analysis is needed regarding the state's options for providing future e-Government services.**

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.

PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. The audit work is conducted in accordance with audit standards set forth by the United States Government Accountability Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, mathematics, statistics, economics, political science, criminal justice, computer science, education, and biology.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.
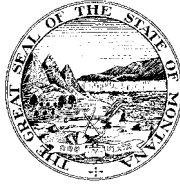
MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Joe Balyeat, Vice Chair	Representative Dee Brown
Senator John Brueggeman	Representative Hal Jacobson
Senator Jim Elliott	Representative Christine Kaufmann
Senator Dan Harrington	Representative Scott Mendenhall
Senator Lynda Moss	Representative John Musgrove, Chair
Senator Corey Stapleton	Representative Janna Taylor

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor

Deputy Legislative Auditors:
James Gillett
Jim Pellegrini

June 2006

The Legislative Audit Committee
of the Montana State Legislature:

This is our performance audit of the State of Montana's e-Government services administered by the Department of Administration (DofA). This audit was requested by the Governor and approved by the Legislative Audit Committee.

This report provides information to the Legislature on the state's provision of e-Government services, the funding model used to support these services, and related controls. Findings and recommendations address enhancing management controls, developing a formal project risk management plan, reporting e-Government services impacts on agency resources, and developing a business case analysis regarding the state's options for the provision of future e-Government services. Written responses from DofA and the Governor's Office are included at the end of the report.

We wish to express our gratitude to the staff of the Governor's Office, DofA, Montana Interactive, LLC and various state agencies for their cooperation and assistance during this audit.

Respectfully submitted,

/s/ Scott A. Seacat

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Performance Audit

Examination of the Delivery of E-Government Services

Information Technology Services Division
Department of Administration

Members of the audit staff involved in this audit were Misty Wallace and Mike Wingard.

Table of Contents

Table of Contents

List of Figures and Tables

Elected, Appointed and Administrative Officials

Office of the Governor   Brian Schweitzer, Governor

Bruce Nelson, Chief of Staff

Department of   Janet Kelly, Director
Administration

Dick Clark, Chief Information Officer and Division Administrator,
Information Technology Services Division

Jeff Brandt, Deputy Chief Information Officer,
Enterprise Operations, Information Technology Services Division

Audrey Hinman, Bureau Chief
Architecture and Internet Services Bureau, Enterprise Operations,
Information Technology Services Division

Introduction

Government information and services are increasingly being made available via the Internet. This concept is termed e-Government. The Governor requested, and the Legislative Audit Committee approved, an audit of Montana's e-Government services, also known as e-services. The state's primary method for developing and maintaining e-services is through a self-funded contract with a third-party contractor. The contract is held by NIC Inc. doing business in Montana as Montana Interactive, LLC (MI). Audit work primarily focused on state e-services from 2001 to present. Audit testing included interviewing various agency and contractor staff, attending e-services related meetings, reviewing documentation, and analyzing e-service usage and financial reports.

Montana's E-Government Services

An e-Government service is defined by DofA as an application, or series of applications, on the Internet that provides a specific service to a citizen or business. The application(s) are interactive and/or transaction based. This means information is collected or provided by the customer and a service is then delivered (a transaction is completed). MI has provided services for the development, implementation, and maintenance of state e-services since 2001 with 81 in existence and 30 more projects in development. A few examples of Montana e-services are the Department of Correction's Correctional Offender Network, the Department of Revenue's Income Tax Express, and the Department of Fish, Wildlife, and Parks Online Licensing System.

MI and agencies jointly provide the resources required to develop and implement e-services. A process has been established for the development and implementation of an e-service. This process is used to determine if the proposed e-service is a "win" for the customer, the agency, and the portal (mt.gov). Agencies are not required to use MI for e-services. The current e-services model allows agencies the flexibility to use other contractors, develop e-services internally, or negotiate options with MI. We conclude DofA has a process and criteria in place to identify, evaluate, and prioritize the development and implementation of e-services. We found the e-services determination and development process allows

agencies flexibility to negotiate terms with MI, as well as use other options.

E-Service Fees

There are two types of fees associated with an e-service. The first fee is a convenience fee charged by MI to pay for the services it provides the state. For purposes of this audit report, a convenience fee is defined as a dollar amount added to a transaction. In general, any e-service that collects money of any amount has a convenience fee added to it. The other fee associated with e-services is a fee charged for acceptance of electronic payment. These fees are associated with the method used to pay for e-service transactions. All parties involved agree to fee amounts and negotiate the terms. Agencies also have the option to absorb e-service fees into their budget or pass the fees on to the customer. We conclude e-service fee determination methodologies are in place, consistently applied, and appear to be equitably assessed.

Flow of State Funds

Revenue collected by MI from e-service customers goes into MI's bank account and is remitted back to the State as frequently as requested by each agency with some exceptions. Revenue generated from e-services and put into MI's account is termed collectively as the Transaction Revenue Fund. We found the way the state funds e-services is comparable with other state's funding models. Other funding models do exist that are state supported or a combination of state and convenience/transaction fee funded. However, other states' revenue collection processes and controls regarding the approach used to provide e-services differ compared to Montana.

Management Controls Could Be Enhanced

Based on our analysis of e-services, DofA is meeting the requirements of the Montana Electronic Government Services Act (sections 2-17-1101 and 1103, MCA). However, DofA management controls of e-services and the contractual relationship with the contractor, MI, could be enhanced. We found several management control areas for e-services could be improved. We recommend DofA strengthen management controls over the provision of e-services by:

▸ Increasing monitoring of related revenue activities,

> ‣ Standardizing the revenue remittance frequency to the State Treasury for all affected agencies,

> ‣ Obtaining assurance contractor financial and information system internal controls are in place, and

> ‣ Providing comprehensive guidance to agencies through state policy regarding e-service operations in areas such as proper recording of e-service expenditures.

Project Risk Management

Another recommended management control is to safeguard resources by identifying the state's risks related to the provision of e-services and minimizing the impacts associated with those risks. To ensure the success of e-services, continuity of the self-funded model, and to protect Montana's investment in e-Government, DofA should apply additional project risk management practices by developing a comprehensive formal plan. This type of plan should contain components of both contingency planning and business continuity planning since a range of risks exist from possible e-service interruption factors to reliance of the entire project on a limited number of revenue sources. We recommend DofA develop a formal e-Government services project risk management plan that incorporates elements of both contingency and business continuity plans.

Measuring the Success of E-Government Services

Due to the growing importance of the function and role of e-services in relation to government practices, the Governor should evaluate the way the state provides existing e-services by measuring their success. As e-services become the primary way government delivers services, this information becomes critical to evaluating this method of service provision and overall agency operations. We believe the Governor could improve future services by requiring agencies provide more comprehensive analysis of e-Government. We found most agencies analyze e-service usage data and are not actively gathering or reviewing other industry standard inputs, outputs, and outcomes. Other states report efficiencies gained and related dollar savings in addition to usage type data.

A more comprehensive view would include monitoring/evaluating agency business practices to reflect impacts of e-service

implementation and a more global on-going analysis of how e-services are currently provided versus other options.

Currently, there is limited or no information regarding the impacts or potential future impacts of e-services on agency resources. As part of legislative decision-making on policy and appropriations, legislators should have information regarding agency resources needed for e-services and how these services affect state agency operations. We recommend the Governor require agencies to report more detailed analysis of e-Government services impacts on agency resources to the Legislature.

A Business Case Analysis is Needed

While the relationship with the current e-service contractor has been successful, e-services are growing, technology is improving, and the availability of alternative approaches to provide e-services is increasing. We believe the Governor should conduct a comprehensive examination of how e-services should be administered over the next few years once the impacts of e-services on agency resources have been fully identified. This business case analysis should consider:

‣ Alternative provision of e-services possibilities,

‣ On-going initiation and utilization of e-services, and

‣ The funding of e-services.

We believe a business case analysis that incorporates these elements has not been feasible to develop up to this point because the state's focus has been on initiating and establishing the existing e-services. Now with at least five years of usage trends and financial information available on e-services, the Governor could direct an analysis to determine whether the existing business arrangement used to provide e-services remains the best value for the state and the most efficient and effective option for future e-services. We recommend the Governor initiate the development of a business case analysis regarding the state's options for providing future e-Government services.

Chapter I – Introduction and Background

Introduction

Government information and services are increasingly being made available electronically to citizens and businesses via the Internet. This concept is termed e-Government. The Governor requested, and the Legislative Audit Committee approved, an audit of Montana's e-Government services, also known as e-services. The Department of Administration (DofA) has oversight responsibilities of e-services with guidance from the Electronic Government Advisory Council. Statutory requirements are in the Montana Electronic Government Services Act of 2001 (sections 2-17-1101 through 1105, MCA).

E-Government is a major strategic initiative of the state's information technology (IT) plan. The state's website, mt.gov, is the portal (single electronic access point) through which e-services can be accessed. The state's primary method for developing and maintaining e-services is through a self-funded contract with a third party contractor. The contract is held by NIC Inc. doing business in Montana as Montana Interactive, LLC (MI). NIC Inc. focuses exclusively on the government market and has established e-services in 17 states in addition to Montana.

Audit Scope and Objectives

Audit work primarily focused on state e-services from 2001 to present. Our audit objectives were to:

▸ Identify the methods used by the state and/or state agencies to provide e-services.

▸ Determine the processes and criteria established to identify, evaluate, and prioritize the development and implementation of e-services.

▸ Review the methodologies used to determine the fees used to pay for the Self-Funded Electronic Government Services term contract with MI.

▸ Determine if controls are in place to measure the success of e-services.

Audit testing included interviewing various agency and contractor staff, attending e-services related meetings, reviewing documentation, and analyzing e-service usage and financial reports.

Audit work excluded review of state agency e-services not provided by MI such as government-to-government e-services, intranets, agency websites, and agency specific downloadable information and forms.

What is an E-Government Service?

An e-Government service is defined by DofA as an application, or series of applications, on the Internet that provides a specific service to a citizen or business. The application(s) are interactive and/or transaction based. This means information is collected or provided by the customer and a service is then delivered (a transaction is completed). The goal of an e-service is to provide a start-to-finish solution to the customer. As an example, a citizen seeking a permit or license provides all necessary information, payment is collected, and the state delivers the service including all necessary information and documentation (in this case a permit or license) to the customer. Additional examples are:

▸ Web systems that allow customers to enter search criteria and then receive information from those systems;

▸ Filling out a tax form and paying taxes online;

▸ Purchasing goods and paying for them using an online shopping cart;

▸ Any service that accepts an electronic payment using the payment portal.

Montana E-Government Services

MI has provided services for development, implementation, and maintenance of Montana e-services since 2001 with 81 in existence and 30 more projects presently in development. Examples of e-services developed by MI are:

▸ Montana Business and Occupational Licensing: Online License Renewal.

▸ Department of Corrections: Correctional Offender Network.

▸ Department of Fish, Wildlife and Parks: Online Licensing System.

▸ Secretary of State: Business Entity Search.

▸ Department of Labor and Industry: Unemployment Insurance Online Claim Filing Service (UI4U).

 ▸ Montana Historical Society Museum: Shopping the Online
   Store.

 ▸ Department of Revenue: Business and Income Tax Express.

A list of all of Montana's e-services provided by MI as of November
2005 is located in Appendix A. The following chart illustrates the
e-service growth Montana has experienced since 2001, when the MI
contract was initiated.

Figure 1

Montana E-Government Services

**Source: Compiled by the Legislative Audit Division from
MI and DofA records (unaudited).**

MI and agencies jointly provide the resources required to develop
and implement e-services. The next sections detail each entity's
resource inputs.

Services Provided by MI

Services provided by MI under the Self-Funded E-Government
Services term contract are available to any state agency, authorized
political subdivisions, local governments, and certain non-profit
agencies. MI provides all front-end work. Front-end work is

development of the Internet application and integration between the Internet application and the agency database. Services provided by MI include:

‣ Development and implementation (production) of the Internet application that interfaces with agency databases.

‣ Training on use of services.

‣ Marketing of service capabilities.

‣ Customer service support.

‣ Maintenance of existing services.

‣ Collecting and reporting summary statistics on e-services performance and usage.

‣ Electronic payment acceptance options.

‣ Annual surveys of customers/government partners.

Agency Resources Required for E-Services Provided By MI

MI does not provide agency database programming (backend work) or the technology and equipment needed at the agency level for an e-service to function. For an e-service to function, agencies must have a database with Internet capabilities. Depending on the agency, agencies provide internal resources and staff and/or hire IT contractors. Information services available on the Internet such as agency websites, downloadable forms and or documents, and search engines used primarily for the purpose of finding web content are services not provided through MI. Each agency has its own processes and methods for developing informational e-services as compared to transactional e-services. We did not evaluate the level of agency resources needed for e-service backend work.

The following chapters outline the development process for transactional e-services, the self-funded contract model, management controls of e-services, and how the state can measure the success of e-services.

Chapter II – E-Government Services Determination and Implementation Process

Introduction

This chapter addresses two of our audit objectives:

▸ To determine the processes and criteria established to identify, evaluate, and prioritize the development and implementation of e-services.

▸ Review the methodologies used to determine the fees that fund e-services provided by MI.

The primary decision makers for day-to-day e-services are Department of Administration (DofA) management, Montana Interactive, LLC (MI) staff, and the agency-designated project manager for the e-service being developed or administered. Additional guidance comes from the Electronic Government Advisory Council (Council). The Council meets quarterly to review reports from MI's general manager and guide e-services as necessary.

Identification of New E-Services

A process has been established for the development and implementation of an e-service. First, someone must envision an e-service that fits the contracted work criteria and definition of an e-service developed by DofA. New e-services are identified in four ways:

1. An e-service is developed and successful in another state.
2. An agency internally identifies a government service that could be available on the Internet.
3. A business or customer base asks for specific services to be provided on the Internet.
4. DofA and MI solicit an agency to develop specific e-services based on industry knowledge and technological capabilities.

Three Wins Test

Once there is an idea for an e-service, DofA management, agency designees, and MI's general manager meet to conduct an overview of the project and gather initial information. The agency outlines what it envisions for its project. After the meeting, DofA management

and the MI general manager analyze each project through a process labeled the "Three Wins Test." The process is explained below.

Is it a Win for the customer?   The first step involves review of the target market by identifying if customers are interested in using this type of e-service. Additionally, decision makers review if the proposed e-service will provide added convenience or dollar savings. This step also determines if a software solution exists that could be purchased by the agency rather than developed.

Is it a Win for the agency?   This step includes deciding if the agency or the state will gain efficiencies and possibly cost savings by implementing the e-service. This step is the responsibility of the agency and is not assessed by DofA or MI, but is included in their decision-making process.

Is it a Win for the portal, mt.gov?   In the final step, DofA management determines if the service will bring new users to the portal (mt.gov), which could potentially increase the awareness and use of existing e-services. This step also verifies the service is not already available. An additional test is if a convenience fee can be added to the service to support e-services.

If a project contains all three "Wins," all parties involved discuss timeframes for development and implementation of the service, agency resources required, electronic payment acceptance terms, conditions, options, and fees.

Project Prioritization

The demand for online access to government services is growing. As noted, there are over 30 projects scheduled for development. MI's development schedule is a list of all approved e-services that have passed the Three Wins Test. Once an e-service is approved and scheduled, it means everyone involved has agreed to work on the project and dedicate resources as needed. E-services are listed on the schedule in priority order. Project rankings are determined by evaluating the value of the service and the project resources available. The level of importance in providing the service defines

value and the available personnel and funding to complete the project defines resources. All parties involved must reach a consensus on project priority during the initial determination process. For any disagreements on priority standings, the Council provides input.

E-Services Development Process

The development and implementation process of an MI e-service involves the following steps:

‣ MI staff meet with the agency to gain an understanding of internal processes related to the program service and to share design ideas.

‣ E-services may be moved ahead of schedule or bumped down the development schedule depending on many factors. Development schedule progress and revision decisions are made weekly.

‣ A pilot project is provided to the agency for review and acceptance.

‣ Once a service is produced, it is tested for a specific time period and "bugs" are worked out.

‣ MI trains agency personnel and customers, as needed, on how to use the e-service.

‣ The service "goes live." This means the service is available on the Internet for customers to use.

Agencies Have Other E-Service Options

Agencies are not required to use MI for e-services. The current e-services model allows agencies the flexibility to use other contractors, develop e-services internally, or negotiate options with MI. Several agencies choose to use IT contractors other than MI for e-services because they have used the contractors for years for other IT-related work and the contractors are familiar with agency systems and processes. Another reason agencies may not use MI is the amount of time involved to develop a new e-service with MI. Demand for MI services is great and agencies may have to wait longer to implement a new e-service using MI compared to hiring another contractor. We did not review e-services developed internally by agencies or by other contractors.

Chapter II – E-Government Services Determination and Implementation Process

> **Conclusion: We conclude DofA has a process and criteria in place to identify, evaluate, and prioritize the development and implementation of e-services. We found the e-services determination and development process allows agencies flexibility to negotiate terms with MI as well as use other options.**

E-Services Fees

There are two types of fees associated with an e-service. The first fee is a convenience fee charged by MI to pay for the services it provides the state. Convenience fees are deposited into MI's private account and support e-services provided by MI. For this audit report, a convenience fee is defined as a dollar amount added to a transaction of an e-service. In general, any e-service that collects money of any amount has a convenience fee added to it. Currently, 32 of 81 (40%) e-services are charged a convenience fee by MI.

Examples of e-service convenience fees are:

▸ For citizens who pay their state taxes online using the Department of Revenue Income Tax Express e-service, a $1.50 convenience fee is added per transaction. MI retains that $1.50.

▸ For the Department of Justice (DOJ) Driver Records e-service, the customer pays $6.50 per driving record. In this case, DOJ receives $4 and MI retains $2.50 per transaction.

The other fee associated with e-services is a fee charged for acceptance of electronic payment (e-payment). These fees are associated with the method used to pay for e-service transactions and are termed "cost of sale" fees. There are two e-payment methods available (credit/debit cards or electronic checks). Fees vary depending on the method used. These fees are charged by and paid to the credit card network and merchant banks. For example:

▸ If a customer pays for an e-service transaction by credit/debit card, the customer must pay additional "cost of sale" or e-payment fees of 1.995 percent of the purchase amount to the credit card network and $0.25 to the merchant bank. These are flat rates charged anytime a customer uses a credit/debit card to make a payment.

▸ If customers pay by electronic check, they are charged a flat $1 per payment.

Fees Based on Experience and Market Analysis

DofA and MI determine the amount of e-service related fees in coordination with the applicable agency. The national and local markets are assessed, as well as the past experiences of MI's parent company, NIC Inc., to determine the fee amount. All parties involved agree to fee amounts and negotiate the terms. The Council has the authority to recommend changes to fees based on the financial viability of the portal or e-Government. Agencies can seek further advice from the Council.

Fees Payments Options

Determining who pays e-service related fees is another item for agencies to negotiate. Agencies have the option to not charge the customer convenience or e-payment fees, only charge partial fees, or charge the customer all fees associated with the e-service. In the case of fees not passed on to the customer in whole or in part, all or a portion of convenience fees or e-payment fees are absorbed or paid by the agency.

Review of e-service fees show fees appear to be standardized or equitably assessed. For example:

▸ All agencies that use the Virtual Cashier/Terminal e-service are charged a flat $1 convenience fee per transaction. The Virtual Cashier/Terminal e-service allows all government entities to accept electronic payment for services from any location using the Internet.

▸ All fees for the Department of Labor and Industry's business and occupational licensing e-services are the same. Although governing boards and related licensing fees vary, MI charges each business and occupational licensing board a $1.50 convenience fee per transaction.

Overall, we found fee determination methodologies are in place and appear to be consistent. Additionally, agencies have the option to negotiate fees charged and to determine who pays those fees through negotiation with DofA, MI, and seek advice from the Council.

Chapter II – E-Government Services Determination and Implementation Process

> **Conclusion: We conclude e-service fee determination methodologies are in place, consistently applied, and appear to be equitably assessed.**

The following chapter discusses the self-funded model used to fund e-services provided by MI.

Chapter III – Self-Funded E-Government Services Model

Introduction

This chapter addresses our audit objective regarding identification of methods used by the state and/or state agencies to provide e-services. In 2001, the state entered into a five-year Self-Funded Electronic Government Services term contract that provides a method for state agencies to develop and fund e-services. This contract is funded from e-service fees collected by the contractor from service users. Consequently, the contractor is not paid directly by the state for e-services provided and does not receive any transaction-based funds until after services are satisfactorily established. This contract was renewed in January of 2006 for an additional five-year term.

Agencies that currently use MI's services believe Montana's self-funded model is visionary and the state would not have developed 81 e-services in less than five years using any other service method. This transaction based self-funding model is used instead of the state having to provide upfront funding for development and maintenance of Montana's e-services. Montana Interactive, LLC (MI) reported investing approximately $771,000 in start-up costs for the state's e-services in 2001.

E-Service Revenue Sources

E-Government's primary source of revenue is derived from data resellers who use e-services to access Montana information to resell to various industries, which generates e-service transaction revenue. The highest volume, most commercially valuable e-service the state offers is access to motor vehicle records. In fact, the overall e-service contract was dependent upon MI having control of this service (selling driving records electronically to data resellers). NIC Inc. (NIC) stated in its proposal to DofA that without this service, it could not merit an investment in Montana. In addition to data resellers, revenue is generated from Montana businesses and citizens using e-services.

The following table depicts total revenue amounts resulting from the 32 revenue-generating e-services and highlights the most used

e-services in the transaction column. Many agencies have multiple
e-services and all figures listed in the table are cumulative.

Table 1

<u>**Revenue Generated from Montana E-Services**</u>
2005 Calendar Year-End Totals

Agency	Transactions	E-Service Payments Processed by MI	Amount MI Retains	% Retained by MI
Justice	1,722,898	$3,396,139	$1,335,441	39%
Fish, Wildlife, & Parks	56,765	9,713,831	289,835	3%
Sec. of State	47,633	611,019	235,760	39%
Revenue	18,015	87,011,394	17,563	0.02%
U of M	17,984	32,216,321	17,984	0.06%
Labor and Industry	9,084	1,025,175	34,622	3%
Virtual Cashier (All)	5,508	866,597	23,972	3%
OPI	1,197	41,988	2,928	7%
Historical Society	337	20,256	679	3%
Administration	301	65,820	1,561	2%
Corrections	58	58,527	52,727	90%
Totals	**1,879,780**	**$135,027,060**	**$2,013,075**	**2%**

Source: Compiled by the Legislative Audit Division as reported by MI (unaudited).

As the table illustrates, MI processes approximately $135 million per
year in e-service payments on behalf of the state and retains just over
$2 million (less than 2%) in convenience fees based on a charge per
transaction. For some agencies, MI pays the costs associated with
electronic payment acceptance such as credit card and electronic
check fees from this two percent based on agency negotiations with
the contractor. After these expenses, MI's gross profit is
approximately $1.75 million.

**Most E-Services Are Not
Revenue Generating**

As noted, 32 of 81 e-services provided by MI are revenue generating.
If the agency does not charge a fee for the e-service, MI does not
charge a fee. A few e-services are agency funded with MI collecting
an upfront fee from the agency and no additional convenience fees
from transactions after the e-service is implemented. The following

table highlights the total costs incurred by MI from 2001 to 2005
from e-services that are not revenue generating services. These costs
are subsidized by the revenue generating e-services. The total costs
reported by MI for e-services provided to agencies are for production
and maintenance, but exclude costs incurred by MI associated with
customer support, help desk, systems administrator, security,
hosting, etc. These figures also exclude costs incurred by the
agencies to develop e-services and costs incurred by MI for work on
revenue generating e-services that do not produce enough revenue to
cover MI costs.

Table 2

Costs Subsidized by Revenue Generating E-Services
From 2001 to 2005 Calendar Year-End

Agency	Total MI Costs
Administration	$ 161,860
Health and Human Services	155,153
Transportation	64,030
Labor and Industry	54,560
Revenue	42,665
Governor's Office	37,517
Secretary of State	26,805
OPI	22,415
U of M	8,505
Board of Pardons and Parole	5,685
Justice	3,630
Total	**$ 582,825**
Average Per Year	**$ 116,565**

**Source: Compiled by the Legislative Audit Division as
reported by MI (unaudited).**

Flow of State Funds

Revenue collected by MI from e-service customers goes into MI's
bank account and is remitted back to the state as frequently as
requested by each agency with some exceptions. For example,
Department of Revenue Business Tax Express e-services funds do
not pass through MI's account and some agencies sweep MI's
account rather than wait for MI to remit funds. According to MI,

more consistency in the methodologies used for e-service collection and remittance processes for all agencies would be helpful now that 81 e-services exist. Revenue generated from e-services and put into MI's account is termed collectively as the Transaction Revenue Fund. MI's account is set up as a trust account. A trust account is an escrow account containing funds administered by a trustee (in this case a contractor) for the benefit of the state. The flow of state funds for e-services to and from this private account is not set up like e-service fund accounts in other states. According to NIC documents, the account was established outside of DofA's State Treasury because there was no specific guidance relative to use of e-service transaction revenue. Other NIC clients (states) have statutory guidance about the flow of state funds resulting from the electronic collection of fees by a contractor. Other states set up a state controlled transaction revenue fund account or deposit funds directly to the State Treasury.

Conclusion

Balancing the demand as well as the financial viability of e-Government is the largest challenge associated with the self-funded e-services model. We found the way the state funds e-services is comparable with other states' funding models. Other funding models do exist that are state supported or a combination of state and convenience/transaction fee funded. However, other states' revenue collection processes and controls regarding the approach used to provide e-services differ compared to Montana. We found other states that control the revenue generated from their e-services and pay the contractor directly for services provided. The following chapter addresses how controls for Montana e-services could be enhanced.

Chapter IV – Management Controls Could Be Enhanced

Introduction

This chapter addresses e-service controls related to all of the audit objectives as well as oversight of Montana Interactive, LLC (MI). Oversight of e-services and MI is the responsibility of the Department of Administration (DofA) per the Montana Electronic Government Services Act. Section 2-17-1103, MCA, establishes DofA's primary statutory role and responsibilities for e-services as:

▸ Provide the ability for state agencies to offer e-services by providing a reasonable and secure infrastructure.

▸ Provide a point of entry for e-services to achieve a single face of government.

▸ Encourage a common look and feel for all e-services.

▸ Set technological standards for e-services.

▸ Use technology that enables the greatest number of customers to obtain access to e-services.

▸ Promote the benefits of e-services through educational, marketing, and outreach initiatives.

▸ Share and coordinate information with political subdivisions, whenever possible.

▸ Contract with private entities, charge convenience fees, and allow private entities to collect the convenience fees on selected e-services in order to provide funding for the support and furtherance of e-services.

Based on our analysis of e-services, DofA is meeting the requirements of the Montana Electronic Government Services Act. However, DofA management controls of e-services and the contractual relationship with the contractor, MI, could be strengthened. The following sections discuss audit concerns with management controls and how those controls could be enhanced.

E-Services Controls Could Be Enhanced

Management controls are any plans, policies, procedures, and resources designed to ensure management meets its objectives effectively and efficiently. Controls ensure:

‣ Compliance with policies, plans, procedures, laws, and regulations.

‣ Information on agency/program operations is reliable.

‣ Assets are safeguarded.

‣ Risk is minimized.

‣ Resources are used economically and efficiently.

Management controls you would expect to see for e-services would include:

‣ Appropriate checks and balances, such as independent verification of contractor data,

‣ Policies and procedures that provide detailed operational guidelines,

‣ Short-range and long-range plans for operations,

‣ Standards of performance,

‣ Appropriate financial controls,

‣ Appropriate general security controls and application controls for data processing systems significant to the agency/program operations,

‣ Information and reports summarizing activities and results,

‣ Comparison of agency/program activity against established goals, objectives, and standards of performance, and

‣ Management receiving adequate information to make informed decisions and take appropriate actions.

E-Services In Need Of Improvements

We found improvements could be made in several of DofA's management control areas. Listed below are examples of problem areas with e-services, which indicate the control structure should be strengthened. Recommendations regarding the following management control limitations are consolidated into one multiple part recommendation at the end of the section. We have also referred audit work in several e-service financial and information system areas to Legislative Audit Division (LAD) financial compliance and information system auditors.

- The MI general manager reports e-service activity quarterly and annually to DofA. This is DofA's primary monitoring method for oversight of e-services. These reports provide an overview of e-services, but lack detail to fully inform management about e-service related activities. For example, reports do not contain information about who the primary users of state e-services are and uses two different methods to calculate total revenues and individual e-service revenues.

  Based on our analysis of the information contained in quarterly and annual reports versus general information available regarding e-services, as well as the level of importance of these reports, MI could provide more comprehensive information about Montana e-services.

- The annual independent financial statement audits of MI are not audits of e-service payments processed by MI ($135 million in 2005). Currently, there is limited or no monitoring of these transactions at the fund/account level and MI's government partners rely on MI data to verify funds collected on behalf of the state are the amount of funds returned. For example, most agencies rely on MI to provide e-service activity and financial reports for their e-services and were unsure if they could provide internal data to compare to MI's data. According to our audit work, agencies that can provide this data are not actively making this comparison. This indicates most agencies rely significantly on information provided by MI for their e-services and are not actively verifying MI reported information. Additionally, DofA does not directly monitor e-service transaction revenue activity and relies on information presented by MI in quarterly and annual reports. Overall, we believe state agencies have several accounting functions at their disposal and could monitor e-service transactions more closely.

- MI has varied access to agency databases such as read/write access that may or may not be logged or monitored by the agency. This type of access could result in accidental or intentional changes to state records stored on those databases. If MI has access but agencies do not do independent verification, then a fundamental control weakness exists. We believe this is a potential noncompliance issue that our information system auditors will follow-up on.

- The transaction revenue generated from e-services is collected by MI and deposited into MI's private bank account. Since this account is established outside the control of the State Treasurer, DofA Treasury Unit staff do not monitor its activities. Also, while this account was designated as a trust account, it was not approved by the Board of Investments as required by law

(section 17-6-101 and 105, MCA) and the state has no direct access to the state revenue in the account, except in the event of MI going out of business. This set of circumstances is further complicated by other state law and contract language that does provide for an outside private account and appears to be contradictory as to what money is allowed to be collected and maintained by the contractor in the private account for the provision of e-services. This issue has been referred to LAD financial-compliance auditors.

- Section 17-1-102(4), MCA, indicates agencies must input all necessary transactions to the state's accounting system to present the receipt, use, and disposition of all money for which the agency is accountable. We found cases of unrecorded expenditures for two agencies resulting from the way the convenience fee from some e-services is paid to MI. For example, the two agencies only record the net revenue remitted to them and do not record the fees the agencies charged but MI retained. The unrecorded expenditures result in state accounting records being inaccurate and those agencies being in non-compliance with state law. In 2005, the amount of unrecorded expenditures related to e-services was approximately $1.5 million for those two agencies. This issue has been referred to LAD financial-compliance auditors.

Potential Interest Earnings Lost to the State

One effect of not having strong management controls is the concern for the potential loss of interest earnings to the state. In 2005, approximately $6.1 million of state revenue resulting from several agency e-services was collected and held for 30 days or longer in MI's Transaction Revenue Fund account. The monthly average of state revenue in the Transaction Revenue Fund account remitted back to state accounts every 30-40 days is approximately $500,000. The mission of DofA's Treasury Unit is to receive and account for all money deposited by state agencies and ensure the timely transfer of the state's funds to the central bank clearing account to maximize investment earnings. We believe the method of remittance currently being employed is non-compliant with state law for timely deposits because deposits from MI are not made within the specified timeframe. Section 17-6-105(6), MCA, states deposits for money owed to the state should be made at least weekly.

In 2005, the average daily balance of state revenue in MI's account was approximately $16,7000. For this amount, the state loses almost $6,000 per year in interest if that money is held for 30 days and $10,000 if it is held for 40 days, based on the fiscal year 2005 Short-Term Investment Pool (STIP) yield rate. For fiscal year 2001, the STIP yield rate was three times that of fiscal year 2005. As the amount of state revenue collected for e-services increases, the potential for lost interest earnings could increase. For example: three months into 2006, one agency experienced revenue collections from their e-services three times the amount of their e-service total revenues for 2005. The revenues from this agency's e-services are remitted to the state from MI's account every 30-40 days. State revenue from some other e-services is remitted back to the state more frequently such as daily or weekly, which increases interest earned on state revenues.

Additional Controls Could Be Incorporated Into MI's Contract

Additional controls could also be incorporated into the contractual arrangement with MI. The current contractual arrangement between the state and MI does not include any requirements for assurances over the adequacy of the service provider's financial (Transaction Revenue Fund account) or information system controls. Since the state significantly relies on the financial and information system data reported by MI, we believe the state needs some level of assurance over MI's internal controls. This could be achieved by strengthening overall DofA monitoring activities of MI and e-services or by other methods.

Requiring a SAS 70 Review Would Enhance Management Controls

One method available to provide the state with an additional level of assurance of MI's internal control system is a Statement on Auditing Standards No. 70 (SAS 70) review. A SAS 70 review is a third party review and testing of a service provider's internal controls. This type of review provides assurances financial and information system controls are in place and accurately reporting information. Other state contracts for computer-based (information system) contractor services require a SAS 70 audit. For example, the Montana State Lottery and the state Medicaid contracts require a SAS 70 review of their service providers.

According to literature on SAS 70 reviews, this type of audit can be expensive with costs in the $100,000 range per audit depending on the scope of the review and size of the organization. Additionally, SAS 70 audits for other Montana contracts are required to be conducted annually or bi-ennially and at contract renewal times. However, DofA should consider requiring a SAS 70 review of MI in the e-services contract or some equivalent level of review of MI activities to help strengthen management controls regarding the provision of e-services. This would also provide e-service government partners and users assurance of the reliability of the e-services financial and information system data reported by MI.

NIC Inc. (NIC), MI's parent company, is a publicly registered company and as such must comply with the Sarbanes-Oxley Act of 2002 (SOX) under the jurisdiction of the Securities and Exchange Commission (SEC). MI believes NIC's SOX compliance reduces the need for a SAS 70 type review of MI's internal controls. SOX is management's assertion internal controls over financial reporting are effective. Along with this assertion, an attestation engagement is required. An attestation engagement requires an independent auditor to issue an opinion on the fair presentation of the organization's financial statements. However, in NIC's annual report to the SEC they state, "We manage operations for each contractual relationship through separate local subsidiaries that operate as decentralized businesses with a high degree of autonomy." Based on this statement in the beginning of the report, we determined NIC's SOX compliance does not necessarily assure the reliability of information provided by MI to its government partners.

Guidance on E-Service Revenue Collections By a Contractor Is Not Comprehensive

Agencies do not have comprehensive guidance in statute, administrative rules, or in the Montana Operations Manual (MOM) regarding electronic collection of state revenue by a third party contractor. One of DofA's statutory roles is to guide agencies in accounting practices through policy. As a result, DofA could take the lead in seeking or providing specific guidance to state agencies for e-services and related processes. The Legislative Audit Division audit report on Enterprise IT Management (05DP-06) from

October 2005 includes recommendations related to DofA taking a stronger leadership role in information technology government practices. These recommendations are applicable to e-Government. Additionally, the DofA Information and Technology Services Division (ITSD) mission states ITSD leads by example and they establish the rules, standards, tools, and procedures for agencies to follow so they can better fulfill their missions.

Summary

In summary, we identified audit concerns related to:

1. Existing controls include only part of DofA's oversight responsibilities over state revenue and do not include direct monitoring of e-service transaction revenue activities.

2. Some agency accounting records do not accurately reflect expenditures.

3. MI has varied access to agency databases that may or may not be logged.

4. Montana does not have comprehensive assurance regarding the e-service provider's financial and information system controls.

5. The potential exists for lost or unrealized interest on state revenue.

6. Guidance on e-service revenue collections by a third party contractor is not comprehensive.

E-services are a relatively new concept and strengthening controls should be viewed as an enhancement. Control activities are essential to efficient and effective operations and to accountability for resources entrusted to managers. The state and/or agencies pay MI indirectly for services and emphasize the "free" services provided, which we believe is a contributing factor for the limited control structure. Controls also become more necessary as risk increases. As e-Government continues to grow the potential for inefficiencies, inaccuracies, and loss or damage becomes more significant.

E-services are serving thousands of Montana citizens and businesses and involve most state agencies. The ITSD's current mission is to ensure the services provided for the state's information technology infrastructure are reliable, secure, cost effective, and meet the

business requirements of state agencies and citizens. The mission also states ITSD will provide the leadership necessary to ensure the state gains full benefit from its current and future investments in technology. For these reasons, we believe DofA should expand its monitoring of the contracted provision of e-services by strengthening its management control structure.

Recommendation #1

We recommend DofA enhance management controls over the provision of e-services by:

A. Increasing monitoring of e-services revenue activities.

B. Standardizing the revenue remittance frequency to the State Treasury for all affected agencies.

C. Obtaining assurance contractor financial and information system internal controls are in place.

D. Providing comprehensive guidance to agencies through state policy regarding e-service operations, specifically in areas such as proper recording of e-service expenditures.

Project Risk Management

Another management control is to safeguard resources by identifying the state's risks related to the provision of e-services and minimizing the impacts associated with those risks. For example, the current approach Montana uses to provide e-services relies on one contractor for all of the state's e-services using a funding model sustained primarily by a single revenue source (Department of Justice driving records e-service). In 2001, Montana only received two valid proposals for an e-service provider using a transaction funded service model. Consequently, the number of contractors available and willing to provide e-services in a similar manner appears limited in the event the existing e-service contract is no longer available or cost effective. Governments exist to provide services to people and e-services are becoming a primary method used to provide government services. The state assumes risk in this situation on several levels.

The existing e-services contract between the state and MI has some project risk management measures in place. For example, the contract language includes provisions that:

▸ MI provide a contract performance security in the form of a $250,000 surety bond to the state.

▸ The state maintains ownership of all e-services source code developed by MI. This information is deposited with an escrow agent at a local bank in a disk format on a quarterly basis.

▸ A transition period clause exists requiring MI to continue to operate for a period of up to twelve months upon termination of the contract under certain circumstances to ensure continuation of e-services while the state determines its alternatives.

MI and DofA have also addressed risk by increasing the number of revenue generating e-services thus making it a more stable business venture. However, we believe existing risk management could be enhanced by incorporating more detailed plans for what the state would do in the event MI were to stop providing Montana's e-services or the state terminates the contract.

Montana Has E-Service Options

To ensure the success of e-services, continuity of the self-funded model, and to protect Montana's investment in e-Government, DofA should apply additional project risk management practices associated with a management control structure by developing a comprehensive formal plan. A project risk management plan should include identification of the risks mentioned, related impacts, and identification of the state's options to minimize risks. Some of these options could include:

▸ Identification of potential contract services with a different entity using the same or a different funding model.

▸ Alternative contract services with the current or other entity using the same or a different funding model.

▸ Provide services internally using DofA's ITSD. This could be potentially funded using transaction revenue generated from e-service sales of government data and the related convenience fees.

▸ Establish a contract with MI that is directly paid by the state for services provided rather than indirectly from e-services transaction revenue.

DofA does not currently address these types of elements in a written plan. This type of plan should contain components of both contingency planning and business continuity planning since a range of risks exist from possible e-service interruption factors to reliance of the entire project on a limited number of revenue sources.

Recommendation #2

We recommend DofA develop a formal e-Government services project risk management plan that incorporates elements of both contingency and business continuity plans.

The following chapter addresses measuring the success of Montana e-Government services as well as the need for on-going evaluation of the way Montana provides e-services.

Chapter V – Measuring the Success of E-Government Services

Introduction

This chapter addresses the audit objective "determine if controls are in place to measure the success of e-services." In Chapter IV, we recommended the Department of Administration (DofA) strengthen management controls over the provision of e-services via its contractual relationship with the contractor. This chapter builds upon enhancing controls by recognizing the relationship between government services and future e-Government initiatives since e-Government is becoming more prevalent. According to current information technology literature, the e-Government initiative will no longer include the "e" in a few years. It will just be called government since it will be the primary way government does business and provides services. Additionally, some agencies are experiencing federal mandates to implement e-services.

In Montana, e-Government has recently moved from an initiative stage to an objective stage as stated in the 2006 Montana Information Technology Strategic Plan. Due to the growing importance of the function and role of e-services in relation to government practices, the Governor should evaluate the way the state provides existing e-services by measuring their success. Currently, e-service information gained and lessons learned from development experiences are informally communicated when new e-services are developed. There is no formal review conducted of existing e-services. As e-services become the primary way government delivers services, this information becomes critical to evaluating this method of service provision and overall agency operations.

We found the Montana Electronic Government Act does not grant DofA the specific authority to require agencies to report the detailed data necessary to evaluate e-services. Also, the Electronic Government Advisory Council functions in an advisory capacity only and the Montana Information Technology Act (MITA) is not specific in the area of e-Government. As a result, the recommendations in this chapter will be made to the Governor. Article VI, section 4, of the Montana Constitution and

section 2-15-103, MCA, grants the Governor authority as the chief executive officer of the state to formulate and administer the policies of the executive branch. Additionally, DofA recently had the Governor give a directive to the executive branch in order to assure agencies comply with the portal's (mt.gov) "common look and feel" concept for agency websites. We believe the Governor could improve future e-Government services by requiring agencies provide more comprehensive analysis now that e-services are established and trend data is available. The following sections discuss audit concerns in relation to the future of e-services.

E-Services Success

E-Government stakeholders consider an e-service successful by measuring its adoption rate. The adoption rate is the percentage of people using the e-service versus the total amount of people that use a particular government service from all service delivery methods. For example, if the state Board of Nursing knows how many licensed nurses there are in Montana and how many nurses renew their licenses using the e-service online, they can calculate the adoption rate. Other e-service success factors include revenue generated versus total production and maintenance costs, awards or national recognition, and citizen or business compliments. According to DofA management, to ensure the success of an e-service:

▸ Target markets for the e-service need to be analyzed,

▸ E-service users need training,

▸ E-service fees should be reasonable and/or comparable to other service delivery methods,

▸ The service needs to be marketed, and

▸ Performance measures in the form of usage reports need to be in place.

Industry E-Service Success Measurements

According to industry reports, e-service success performance measures include:

• **Input measures** — the resources put into e-Government efforts such as costs and amount of time associated with staff, development, contractors, and maintenance.

- **Output measures** — those immediate actions resulting from e-Government efforts such as number of hits, downloads, amount of time users spend on a site, number of transactions completed, dollar amounts processed through each site, and tracking of customer requests/complaints/questions.

- **Intermediate outcomes** — outcomes that are expected to lead to a desired end. These outcomes include accessibility of services, accuracy of information provided, adoption rates within specified user groups, ease of use, level of citizen satisfaction, usefulness, number of agencies participating, etc. Most of these outcomes are measured by customer surveys/feedback.

- **End, or ultimate, outcomes** — the consequences of the program or those "end results that are sought." These outcomes include cost savings from e-Government, staff time savings from e-Government, and trust in government by citizens as measured by surveys.

Based upon our own analysis and in conjunction with national studies, Montana ranks well in the above categories related to output measures and intermediate outcomes. For example, Montana Interactive, LLC (MI) provides a webpage for agencies to access existing e-service summary statistics compiled in a usage report format. The reports list daily, weekly, monthly, and yearly activity. Information contained in the reports includes:

- Number of Hits/Visits/Downloads/Errors.

- Lists of search words that bring visitors to the site.

- Referring domains or the Internet address visitors are using.

- The types of computer operating systems and the Internet browser's visitors are using.

- Popular e-service content.

Improve Gathering and Analysis of E-Services Measures

Although usage data is compiled, agencies could improve gathering and analysis of input measures and end outcomes associated with Montana's e-services. DofA has a system in place to establish e-services based on estimated factors and to ensure the e-service will likely be adopted by an estimated percentage of users. In addition, MI, DofA, and some agencies are actively taking steps to increase adoption rates of existing services by marketing them using public service announcements and other media outlets. However, the

Chapter V – Measuring the Success of E-Government Services

Governor and state agencies should incorporate a broader view of e-services success than just analysis of e-service usage, as industry standards indicate. For example, e-Government offers much potential including:

▸ Increased customer service,
▸ Efficiencies gained,
▸ Cost savings realized, and
▸ Improved data entry accuracy.

We found most agencies are not actively gathering or reviewing this type of data for their e-services. Other states report e-service efficiencies gained and related dollar savings in addition to usage type data. A more comprehensive view would include monitoring/evaluating agency business practices to reflect impacts of e-service implementation and a more global on-going analysis of how e-services are currently provided versus other options.

Examination of Changing Agency Business Practices Resulting From E-Services is Needed

While a determination of the need/value of an e-service includes examination (by some agencies) of how it will affect their business practices and resources needed, documented analysis is not currently incorporated into the initial e-service determination process (step one of the Three Wins Test described in Chapter II). Additionally, there is limited, or in most cases, no information regarding the impacts or potential future impacts of the e-service on agency resources.

E-Service Impacts On Agency Resources Should Be More Comprehensively Analyzed

As part of legislative decision-making on policy and appropriations, legislators should have information regarding agency resources needed for e-services and how these services affect state agency operations. Although no formal information has yet been compiled regarding the positive impact of e-services on agency resources, there is anecdotal evidence of reduced personnel resources and/or the ability to redirect production of existing personnel. This type of information, in a verifiable format, could enhance agency and legislative budget analysis and help determine how, and whether, additional e-services should be considered. Interviews and existing research materials suggest e-services are quickly becoming the status

quo and many of the more obvious e-services have already been developed. However, e-services can still be considered fairly new to Montana state government. As such, detailed analysis of its impacts (present and future) has not been fully or formally envisioned. Instead, efforts have been directed at initiating and expanding e-services.

State agency business practices have and are changing as a result of the provision of e-services. Directing and coordinating the executive branch is the role of the Governor. The Governor should require more comprehensive analysis and reporting of e-services impacts to agency operations to enhance existing controls. Currently, e-services practices are inconsistent among the executive branch. We found:

▸ Fees vary per e-service,

▸ Some e-services subsidize the development of other e-services,

▸ State revenue remitted to the state from MI differs per e-service,

▸ MI has various access levels to agency databases,

▸ And the law is unclear in regards to who specifically has the authority to direct e-services.

We believe the Governor should require more detailed analysis by agencies of e-Government impacts on agency resources and report this information to the Legislature.

Recommendation #3

We recommend the Governor require agencies to report more detailed analysis of e-Government services impacts on agency resources to the Legislature.

A Business Case Analysis is Needed

The arrangement DofA developed and contracted for with MI in 2001 on behalf of the state has allowed for the creation and enhancement of 81 e-services with more than 30 more in development. As noted, there is nearly universal agreement among the stakeholders this arrangement has aided the relatively rapid development of the state's e-services. While the relationship with the current e-service contractor has been successful, e-services are

growing, technology is improving, and the availability of alternative approaches to provide e-services is increasing. We believe the Governor should conduct a comprehensive examination of how e-services should be administered over the next few years once the impacts of e-services on agency resources have been identified. This business case analysis should consider:

‣ Alternative provision of e-services possibilities,

‣ On-going initiation and utilization of e-services, and

‣ The funding of e-services.

MI's contract with the state will be up for renewal in December 2010. According to the Montana Operations Manual (MOM) 1-0727.00 guidelines for contract renewal, factors to consider at contract renewal times include a determination the contract serves the best interest of the state by encouraging effective competition and otherwise promoting economies in state procurement. The MITA (section 2-17-512(2), MCA) also specifies DofA may contract with contractors to carry out their information technology responsibilities, if it is in the state's best interest.

A business case analysis would provide more than technical aspects of the provision of e-services to help comply with the MOM directive and with MITA when the contract expires in four years. We believe a business case analysis that incorporates the elements bulleted above has not been feasible to develop up to this point because the state's focus has been on initiating and establishing the existing e-services. Now, with at least five years of usage trends and financial information available on e-services, the Governor could direct an analysis to determine whether the existing business arrangement used to provide e-services remains the best value for the state and the most efficient and effective option for future e-services.

Recommendation #4
We recommend the Governor initiate the development of a business case analysis regarding the state's options for providing future e-Government services.

Chapter V – Measuring the Success of E-Government Services

Service Name	Agency	Primary Audience	Short Description
Parole Violators	BOPP	General Public	Creates a viewable list of Parole Violators
Correctional Offender Network	COR	General Public	Allows public to search database of convicted Montana felons and see their court history, personal data, location, and in most cases a photograph
Online Query Service	DEQ	General Public	Allows public to search DEQ Remediation Division, Permitting and Compliance Division (Waste and Underground Tank Management Bureau) and Petroleum Tank Release Compensation Board databases for information on sites which may contain potentially hazardous substances and/or petroleum products
Professional License Renewal	DLI	Licensed Professionals	Allows more than 70 different types of professionals to renew, pay for, and print their license online
Professional Licensee Lookup	DLI	General Public	Searchable database of licensed professionals in Montana, informs customer if the professional has any disciplinary history with the state
Professional License Renewal Specialties	DLI	Licensed Professionals	Allows professionals with specialties to renew their licenses and specialties
UI4U Claim Filing	DLI	Unemployed Workers	Allows unemployed workers to file claims electronically
UI4U Review Claim	DLI	Unemployed Workers	Allows unemployed workers to review a claim electronically
UI4U View 1099-G	DLI	Unemployed Workers	Allows unemployed worker to view 1099G information
UI4U Reactivate/Reopen Claim	DLI	Unemployed Workers	Allows Unemployed workers to reactivate or reopen a claim electronically
Coloring Contest	DOA	General Public	This was a coloring contest for kids; they turned in artwork showing what they loved about Montana and a downloadable screensaver was made from the 5 winners
Shopping Cart Sales	DOA	State Agencies and General Public	A configurable shopping cart that any agency can implement to sell items online
State calendar Service	DOA	State Agencies and General Public	An online calendar used by more than 20 agencies and councils; the calendars all automatically become part of the statewide calendar, available to the public

Appendix A

Service Name	Agency	Primary Audience	Short Description
Search Engine	DOA	General Public	Software purchased on behalf of the state that allows for indexing and searching of the entire state website
Virtual Cashier	DOA	State Agencies and General Public	Agencies can quickly set-up a publicly available cashier that will allow customers to provide information and pay online with a credit/debit card or electronic check
Virtual Terminal	DOA	State Agencies and General Public	Same as Virtual Cashier, but not publicly available; agency personnel must accept payments on behalf of customers; also has a report generator so agencies can track payments, and has an interface into SABHRS
Invitations for Bids and Requests for Proposals	DOA	General Public	A single location for potential contractors to see all state bids and requests for proposals
PSAP Inventory	DOA	County and State Public Safety Personnel and General Public	An online inventory of capacity and equipment existing in Public Safety Answering Points (PSAP); allows customers to add, edit, and/or view each entry; the general public can only view
Radio Frequency Permitting	DOA	Public Safety Personnel	Allows public safety personnel to request, modify, and view/print mutual aid frequencies; personnel in DOA and DPHHS can login to the service to approve or deny the requests
Mortgage Broker and Loan Originator Original Licensing	DOA	Licensed Professionals	Allows mortgage brokers and loan originators to apply for their original licenses
Mortgage Broker and Loan Originator License Administration	DOA	DOA Staff	A service for the banking and financial institutions division staff to administer and print out licenses
Banking and Financial Lookup	DOA	General Public	Searchable database of mortgage brokers and loan originators; this service is incorporated into the Professional License Renewal
Online Health Screenings	DOA	State Employees	Allows state employees to register for the yearly health screenings as part of the state health insurance plan
Mortgage Broker and Loan Originator License Renewal	DOA	Licensed Professionals	Allows mortgage brokers and loan originators to renew their licenses
Conference Registration	DOA	State Agencies and General Public	Agencies can setup and administer a conference using an administrative interface; the registration is then publicly available and payment can be taken online
Driver Control Record Access	DOJ	Authorized Companies	Allows large companies such as Choice Point, to send bulk search criteria for driver records and to receive the output also in bulk form; this process runs twice each weekday

Service Name	Agency	Primary Audience	Short Description
Driver Record Point-to-Point	DOJ	Authorized Companies	Similar to Driver Control Record Access, but for much smaller batches of bulk requests; this service can be initiated any time by the customer, for use when they cannot wait for the twice daily run
Driver Record Search	DOJ	Registered Users	Customers can look up an individual driving record by entering the driver's criteria
Residency Verification	DOJ	Other e-Government Services	This is an interface into the driver record database used to verify Montana residency of a customer
Vehicle Search	DOJ	Bankruptcy Trustees	Bankruptcy Trustees can search the Title, Liens and Registration database to receive information on vehicles owned by those filing for bankruptcy
Vehicle Search 2	DOJ	Registered Users	Customers can access the Title, Liens, and Registration database; these customers are given a sub-set of the data
Record Search	DOJ	Authorized Companies	Customer sends a bulk file similar to Driver Control Record Access and is returned a file that indicates whether anything on the selected driver's records has changed in the past month
SVOR Downloads	DOJ	General Public	Customers can download an electronic version of the state's Sexual and Violent Offenders Registry
Temporary Registration Permits	DOJ	Auto Dealers and General Public	When a vehicle is sold in Montana, this service creates a temporary registration permit (TRP) to place on the vehicle; the TRP number and other data is also written directly to the DOJ motor vehicle database so it can be immediately accessed by law enforcement
Income Tax Express	DOR	General Public	Customers can pay personal income tax, back year taxes, and estimated tax, using a credit/debit card, or electronic check
Income Tax Express Short Form	DOR	General Public	Allows customers to file the Montana short form and elderly tax credit form and pay if necessary; this service was retired after the state entered into an agreement with the Free Tax Alliance that required the state to not offer this service for free
Business Tax Express Withholding	DOR	Businesses	Customers can file and make withholding tax payments; these payments are then recorded in the IRIS system
Business Tax Express LFT	DOR	Businesses	Customers can file and make lodging and facilities tax payments; these payments are then recorded in the IRIS system
Business Tax Express RVT	DOR	Businesses	Customers can file and make rental vehicle tax payments; these payments are then recorded in the IRIS system

Appendix A

Service Name	Agency	Primary Audience	Short Description
Business Tax Express COGS	DOR	Businesses	Customers can file and make oil and gas tax payments; these payments are then recorded in the IRIS system
Business Tax Express - Cigarette	DOR	Businesses	Customers can make payments for cigarette stamps; these payments are then recorded in the IRIS system
Business Tax Express - Corporate	DOR	Businesses	Customers can file and make corporate tax payments; these payments are then recorded in the IRIS system
Child Support Payment Display	DPHHS	General Public	Allows customers to view child support payments and payments in arrears made through the state
Radiology Registration	DPHHS	Radiology Machine Owners	This is a comprehensive service that allows businesses, such as hospitals, doctors, and dentists to report details on their facility and on their radiology machines; customers can also report the purchase or disposal of machines
Radiology Administration	DPHHS	DPHHS Personnel	This is an administrative service that allows DPHHS staff to administer, search and organize the database
Radiology Inspections	DPHHS	DPHHS Personnel	This service lets DPHHS personnel enter information online during an inspection of a facilities; the information is then in the database for immediate access
ePassport	FWP	General Public	This service sells state park passports; it was replaced with the Hunting and Fishing Licenses service when the park passport function was moved to the Automated License System (ALS)
Hunting and Fishing Licenses	FWP	General Public	Sale of hunting, fishing, and recreation licenses
Applications and Draws	FWP	General Public	Sale of special FWP permits, including applications and draws
Searchable Properties Service	GOV	General Public	Customers can search a database of available commercial properties in Montana
Appointments	GOV	General Public	Used to apply for vacant positions on boards and commissions appointed by the Governor
Nominations	GOV	General Public	Used to nominate someone to serve on a board or commission appointed by the Governor
Good Ideas	GOV	General Public	Customers submit ideas to the Governor that they think will save the state money or make state government more efficient
Appointments and Ideas Administration	GOV	Governor's Office	This is an administrative service the Governor's Office uses to administer, search, organize, and comment on applications for a board or commission, or ideas submitted to the Governor's Office

Service Name	Agency	Primary Audience	Short Description
Historical Society Memberships	HIS	General Public	Customers can become Montana Historical Society members and pay dues, as well as subscribe to the Society's magazine
Historical Society Shopping Cart	HIS	General Public	An online store for the Montana Historical Society; hundreds of items are available for sale to the public
Motor Carrier Application	MDT	Commercial Truck Drivers	Customers can apply for receiving over-size or over-weight permits online
Civil Rights/DBE Tracker	MDT	Disadvantaged Businesses	Contractors filed information on disadvantaged businesses working on state contracts for the Montana Department of Transportation; this service was discontinued when the federal government quit requiring this information
MDT Pavement	MDT	MDT Personnel	Staff and Contractors of MDT can search and display volumes of data related to Pavement conditions in Montana
Educator Licensure	OPI	Licensed Educators	Educators can renew their license with the Office of Public Instruction
Educator Licensure Lookup	OPI	Educators and their Employers	Customers can view and print an educator's credentials
Business Entity Certificates	SOS	General Public	Customers can search for any registered business in Montana and request certificates of existence or authorization and order certificates of fact
Business Entity Search	SOS	General Public	Customers can search for any registered business in Montana and see if they are properly registered with the state
Certified Copies	SOS	General Public	Customers can request certified documents from the Secretary of State's Office
Registered Principal Name Search	SOS	Registered Users	By entering a first and last name, the service returns a list of all businesses in Montana in which the person is associated
Registered Principal Search	SOS	Registered Users	Customers can find a business registered in Montana and view all officers associated with that business
Business Entity Annual Reports	SOS	Businesses	Businesses can file and pay for their annual business report; the service also allows them to change registered agents
Business Entity Annual Reports -View	SOS	Businesses	Businesses can view their official annual business report filing and print copies
Corporate Records	SOS	Businesses	Customers can request a bulk download of corporations data held by the Secretary of State

Appendix A

Service Name	Agency	Primary Audience	Short Description
UCC Copies	SOS	Registered Users	Customer can order copies of UCC Filings and Montana Effective Financing Statements
UCC Searches	SOS	Registered Users	Customers can search and view data on Uniform Commercial Code filings and Montana Effective Financing Statements
UCC Bulk Data	SOS	Businesses	Customer can download bulk UCC filings
Voter Verification	SOS	Elections Officials	Allows Elections Officials to verify a voter's address using the driver record database if the voter does not have proper identification at the polls.
Voter File	SOS	General Public	Customers can download a portion, or the entire database, of registered voters in the state
UCC Filings	SOS	Registered Users	Customers can file both UCC and Montana Effective Financing Statements
University Tuition Payments	UM	UM Students	UM students can pay for tuition, housing, meal plans, and other monies owed the University
University Tuition Payments Accounting	UM	UM Personnel	This service is for UM staff and it gathers data from several sources for daily accounting reconciliation
University Tuition Payments - MT Tech	UM	UM Students	UM students at MT Tech can pay for tuition, housing, meal plans, and other monies owed the University
Yellowstone Service Security	YEL	Registered Users	Allows customers access to Yellowstone County property ownership data

Department Response

BRIAN SCHWEITZER, GOVERNOR

MITCHELL BUILDING

═══ STATE OF MONTANA ═══

(406) 444-2032
FAX 444-2812

PO BOX 200101
HELENA, MONTANA 59620-0101

RECEIVED

JUN 0 7 2006

LEGISLATIVE AUDIT DIV.

June 7, 2006

Jim Pellegrini
Deputy Legislative Auditor
Legislative Audit Division
PO Box 201705
Helena, MT 59620-1705

Dear Mr. Pellegrini:

The Governor's Office and the Department of Administration have reviewed the May 2006 *Examination of the Delivery of E-Government Services* performance audit report and the recommendations contained therein. Our joint response to the recommendations appears below:

Recommendation #1

We recommend DofA strengthen management controls over the provision of e-services by:

A. Increasing monitoring of e-services revenue activities.

B. Standardizing the revenue remittance frequency to the State Treasury for all affected agencies.

C. Obtaining assurance contractor financial and information system internal controls are in place.

D. Providing clear guidance to agencies through state policy regarding e-service operations, specifically in areas such as proper recording of e-service expenditures.

Response:

A. We concur. The Department will issue a policy requiring agencies to reconcile the Montana Interactive reports to the actual revenue recorded on SABHRS.

    The Department will require a more detailed monthly income statement from Montana Interactive. This information will be provided to the Electronic Government Advisory Council for providing policy direction.

B. We concur. The Department will develop a policy requiring the timely deposit of all eGovernment service revenue. All existing work orders will be updated to comply with this new policy.

C. We concur. The Department will request copies of all internal control policies and procedures from Montana Interactive.

D. We concur. The Department will develop policy detailing the proper recording of revenue and expenditures for eGovernment services.

Recommendation #2

We recommend the DofA develop a formal eGovernment services project risk management plan that incorporates elements of both contingency and business continuity plans.

Response:

We concur. The Department will update our contingency and business continuity plans to specifically address eGovernment services.

Recommendation #3

We recommend the Governor require agencies to report more detailed analysis of eGovernment services impacts on agency resources to the Legislature.

Response:

The Governor's Office concurs. The Governor's Office will work with the Department of Administration and the Electronic Government Advisory Council to develop reporting requirements for agencies regarding eGovernment services.

Recommendation #4

We recommend the Governor initiate the development of a business case analysis regarding the state's options for providing future eGovernment services.

Response:

The Governor's Office concurs. The Governor's Office will work with the Department of Administration and the Electronic Government Advisory Council to form a subcommittee to prepare a business case analysis for future eGovernment services.

Thank you and your staff for conducting the audit in a professional manner.

Sincerely,

Janet R. Kelly, Director

CC: Dick Clark, CIO, ITSD
        Jeff Brandt, Deputy CIO, ITSD
        Audrey Hinman, AISB Chief, ITSD
        Paul Christofferson, Administrator, Administrative Financial Services
        Sheena Wilson, Deputy Chief of Staff, Governor's Office
        Adam Pimley, Deputy Communications Director, Governor's Office
        Misty Wallace, Auditor, Legislative Audit Division
        Mike Wingard, Auditor, Legislative Audit Division