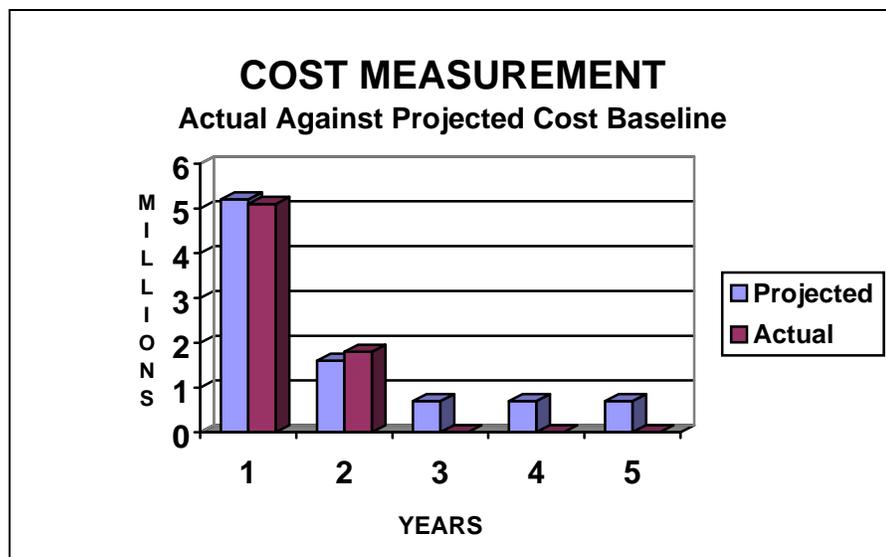


[Editor's Note: This chapter is an example of a cost/benefit measurement report. It is written as though reporting in the second year of the project described in Chapters 2 and 3. This clarifies the relationship between the planning stage studies and the post-implementation measurement and reporting phase.]

Annual APD Update: Section VII
Cost / Benefit Measurement Report: Year 2

Overview: Costs and benefits are conforming closely with those projected during the planning phase of this systems development project.

Costs: Costs incurred this fiscal year were about ten percent more than projected for this fiscal year, primarily due to support services and training costs. In response, the State has initiated cost control procedures to closely regulate contractor task assignments and performance and to provide in-house training. Further, reduced expenditures will be sought in the site and facility categories, given the local recession in the commercial real estate market and the corresponding drop in market prices. Part of this year's costs were offset by last year's lower than anticipated prices, which resulted from keen competition for the system hardware contract.



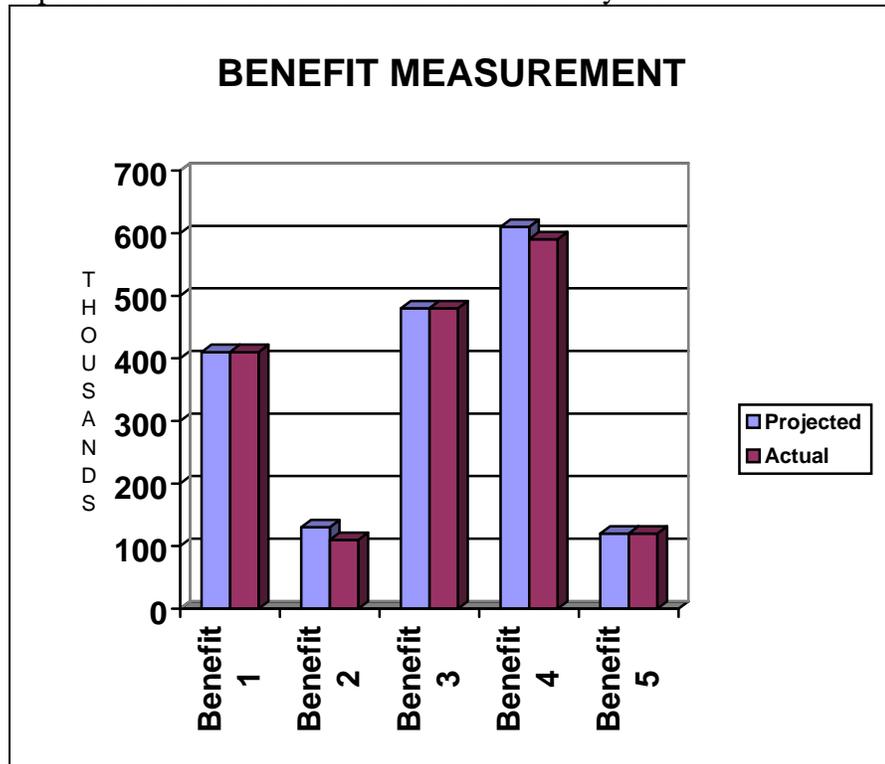
Benefits
Measurement:

The graph at the top of the next page depicts the relationship of actual costs to projected costs. Details are on page 5

Benefits were lower than anticipated in only two of the six benefit categories: overtime (benefit 2) and service bureau processing costs (benefit 4).

Overtime was reduced \$111,291 — \$38,709 short of the \$150,000 target. The overtime was required early in the year, when caseworkers were adapting to the new system and had not yet achieved operational efficiency. Given the performance of the last eight months, we expect that the full reduction of \$150,000 will be met next year.

Moderate service bureau processing costs (\$21,655) were incurred this year, due to a slight slippage in full cut-over to the new system. Fully \$589,340 of the projected \$610,995 in benefits was realized. We expect that the full benefit will be realized next year.

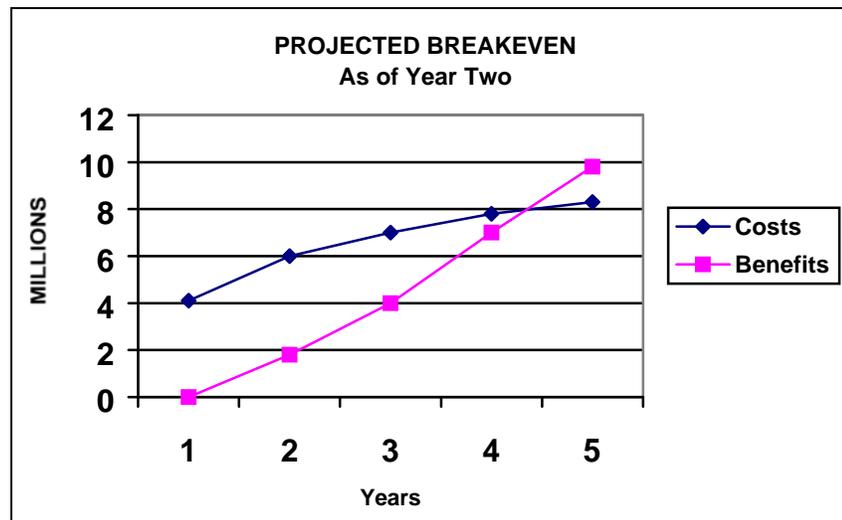


The graph at the bottom of the preceding page depicts the relationship of actual benefits to projected benefits. Details are provided on page 5.

The State's plan to reduce caseworkers' administrative duties to 10% of their time has been realized (benefit 1), proven by repeating the study originally conducted in support of the cost/benefit analysis. In addition, the objective to control staff expenditures in meeting caseload growth was realized this year (benefit 3) and is on track for future years. With the new system and reductions in administrative duties, caseworker caseload increased from the old system's average of 460 per year, to 500 (annualized) in the first six months and 550 (annualized) in the last six months. Increasing operational efficiency and minor procedural improvements (already effected) should enable the caseworkers to attain the projected 560 case workload next year. Finally, the projected cost savings resulting from eliminating the use of courier services was realized (benefit 5).

**Projected
Breakeven:**

The State still anticipates that the systems project will breakeven, at approximately the same time as originally projected. See below.



Performance Baseline: The State has also made considerable progress toward the performance objectives set forth in the cost/benefit analysis. The chart below shows the baseline, current average, and target average.

The current average was based on the last six months of operations, considered a more accurate representation due to increasing operational efficiency. While the goal has not been achieved in all cases, the State is implementing procedural changes to support full realization of the benefits by next year.

PERFORMANCE BASELINE AND TARGET			
Category	Baseline	Current Average	Target Average
Input processing	7 days	3 days	Same day
Internal control checks	3 days	1 day	1 day
Report transmission	4 days	Same day	Same day
Acceptance of client data	3 weeks	8 days	1 week
Delay to benefits	3 months	6 weeks	1 month

Summary: There were no unanticipated costs. There are preliminary indications that some unanticipated benefits may accrue. Based on information provided by the personnel office, absenteeism and employee turnover rates among caseworkers have decreased significantly. If this trend continues, the staffing plan may be further reduced for increased cost-avoidance benefits.

**Cost / Benefit Measurement Profile
Year Two**

SYSTEM LIFE COST PROFILE						
Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Non-Recurring Costs*	3,580,472	0	0	0	0	3,580,472
Recurring Costs*	1,621,868	1,782,320	0	0	0	3,404,188
Total Costs*	5,202,340	1,782,320	0	0	0	6,984,660
Total Projected Costs	5,321,868	1,621,868	796,145	796,145	796,145	9,332,171
Difference	-119,528	160,452	0	0	0	40,924
SYSTEM LIFE BENEFITS PROFILE						
Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Total Benefits*	65,000	1,722,058	0	0	0	1,787,058
Total Projected Benefits	65,000	1,782,422	3,081,271	2,755,058	3,039,414	10,723,165
Difference	0	-60,364	0	0	0	-60,364
CUMULATIVE BENEFIT / COST PROFILE (ACTUAL AND PROJECTED)						
Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Cumulative Total Actual and Projected Benefits*	65,000	1,787,058	4,868,329	7,623,387	10,662,801	N/A
Cumulative Total Actual and Projected Costs*	5,202,340	6,984,660	7,780,805	8,576,950	9,373,095	N/A
COMPARISONS						
Description	Actual to Date		Current Projected		Baseline	
Total Benefits	1,787,058		10,662,801		10,723,165	
Less Total Costs	6,984,660		9,373,095		9,332,171	
Net Benefit (Cost)	-5,197,602		1,289,706		1,390,994	
Benefit/Cost Ratio	.26		1.14		1.15	
Breakeven	N/A		58		58	

* Actuals, years 1 and 2.