



**TESTIMONY OF JODI SMITH
COMMISSIONER
North Dakota Department of Trust Lands**

Senate Bill 2013

**Senate Appropriations Sub-Committee
February 1, 2021**

Chairman Wanzek and members of the Senate Appropriations Sub-Committee, I am Jodi Smith, Commissioner and Secretary of the Board of University and School Lands (Board). I am here to testify regarding the Department of Trust Lands (Department) total special funds appropriation found in Senate Bill 2013.

The Department's 2017-2019 biennial budget appropriation included \$3.6 million to replace legacy IT systems as authorized by Senate Bill 2013 of the Sixty-fifth Legislative Assembly.

Severe limitations in the legacy IT system, including redundant manual processes, have hampered efficiencies throughout the Department. Many of the Department's core data management systems were developed in the 1980's and 1990's, using designs and tools no longer supported by vendors. Some supplemental system improvements and purchases were implemented over the past 40 years; however, outdated database structures plagued the Department and restricted improvements.

In planning for replacement of the IT systems a business process modeling contractor, Major Oak, was hired in 2016 to identify and document processes and to recommend efficiencies for most operations. Major Oak helped document current state processes for all functional areas of the Department. This was followed by preparation of a model of future-state suggestions to further enhance controls, increase efficiencies, and boost productivity.

Essentially, the Department is replacing all software and IT equipment. This requires a highly coordinated effort between North Dakota Information Technology (NDIT), Office of Management and Budget, and Department staff.

Unclaimed Property

The Department signed a contract with Kelmar, a software company providing specialized services and solutions to assist governments, to assist with the management and administration of the unclaimed property program. With substantial knowledge of state governments, system tools, and process workflows, Kelmar has been helping unclaimed property departments across the United States since 2001. By dedicating their organization exclusively to matters of unclaimed

property, Kelmar maintains the necessary subject matter expertise and reliability to serve as a partner in unclaimed property resources and offer the next step in unclaimed property management. Not only has the Department partnered with Kelmar on software, but we have also drawn on their unclaimed property experience to: increase the amount of unclaimed property returned and reunited with rightful owners; reduce risk associated with administering unclaimed property program operations; implement efficiencies and best practices to manage unclaimed property in safekeeping; and achieve program goals using dedicated and cost effective unclaimed property resources.

The go-live date for Kelmar was April 29, 2019. The URL for the new cloud-based software is <https://unclaimedproperty.nd.gov>. In October 2019, Kelmar visited the Department's Unclaimed Property Division (Division) to ensure the Division was using the software to its utmost capability. Kelmar identified several opportunities for improvement that the Division immediately implemented. Of significance is Kelmar's observation of the Department's office support staff, as Kelmar noted this team is the "gold standard" and is recommending unclaimed property agencies across the nation adopt the standards the Department has implemented.

A testament to the success of the new unclaimed property system is that the number of monthly claims issued have nearly doubled since implementation. Further, the Division advertises over 63,000 additional searchable claims online.

Financial Management and Accounting

In 2017, the Department created a Request for Proposal (RFP) for the combined needs of the Land Management and Financial Management and Accounting systems; however, the number of responses was limited, and those proposals did not meet the Department's requirements. Thereafter, in October 2018, the Department issued the RFP for the Financial Management and Accounting (FMA) system which did not include the Land Management system. In December 2019, the Department awarded a contract to Ernst and Young to implement the Microsoft Dynamics 365 for Finance and Operations system with a go-live date of July 1, 2020.

Land Management

On December 16, 2019, the Department issued the RFP for the Land Management system. The Department went through an extensive review process. On June 30, 2020, the Executive Review Committee approved the Department's vendor preference. In October 2020, the Department executed a contract with Ernst and Young to implement the Microsoft Dynamics 365 product to implement the Surface Land Management system. It is anticipated the go-live will be July 2021. The Department did not have funding to implement the Minerals Land Management System.

Project Successes

The implementation of the Division's unclaimed property software led to the creation of numerous Department efficiencies. Many of these efficiencies were identified in 2016 by Major Oak but were not implemented due to IT restraints. Additionally, the Department has been able to address findings identified by the 2016 Performance Audit Report Number 3036b (Unclaimed Property). Kelmar reviewed the Division's utilization of its system efficiencies six months after the go-live date. This allowed the Division to identify opportunities that were not implemented upon go-live. While the implementation of the FMA system does not create immediate efficiencies, the

Department anticipates significant efficiencies upon the implementation of the Surface and Minerals Land Management Systems. The Department is preparing another review of the Performance Audit findings as they may relate to FMA which were identified in the 2016 Performance Audit Report Number 3036c. Additionally, the implementation of new systems has allowed the Department to ensure necessary controls, previously unable to be implemented, are in place.

Budget

The total cost of the Unclaimed Property system was \$66,956:

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| • Kelmar | \$38,000 |
| • NDIT (Project Management) | \$28,956 |

The total cost to-date of the Financial Management and Accounting system is \$1,829,578:

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| • Ernst and Young | \$1,589,830 |
| • NDIT (Project Management and Data Conversion) | \$84,328 |
| • Major Oak | \$155,420 |

Estimated cost for the Surface Land Management system is \$1,494,318:

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| • Software vendor | \$1,259,985 |
| • NDIT Project Management | \$105,336 |
| • NDIT (Data Conversion) | \$30,210 |
| • Enterprise Project Management Oversight Fee | \$7,500 |
| • Risk Contingency | \$150,000 |
| • Major Oak | \$76,287 |

The Department has successfully implemented two systems; however, the expense of the Unclaimed Property and FMA systems leaves inadequate funding for the Surface Land Management system. The Department was appropriated \$3,600,000 by the Sixty-fifth Legislative Assembly. It is anticipated the Department will need the additional \$1.6 million, as originally requested during the Sixty-fifth Legislative Assembly, to implement the Mineral Land Management system (original request was for \$5,250,000.)

The Department has incurred several unanticipated costs that have resulted in the need for additional funding. Those costs include:

1. The cost associated with the implementation of the Microsoft Dynamics product for the FMA system exceeded the original estimates. The original estimate for this system was \$440,000.
2. Costs associated with ex-Department team members who were unified and now work for NDIT are charged at a per hour rate of \$85 and \$99 to assist with the data migration and implementation of the FMA system. There was no funding budgeted for this expense.
3. The Department contracted with Major Oak to consult on the FMA and Surface Land Management procurement processes for a total cost of \$231,707.

Without additional funding, the Department will not be able to replace the 1988 legacy system that currently manages the Board's mineral assets (inclusive of 2.6 million mineral acres and over 8,200 leases.)

I look forward to working with the committee and would be happy to answer any questions