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Department of General Services

Operating Budget Data

(\$ in Thousands)

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$47,697	\$51,523	\$49,829	-\$1,694	-3.3%
Special Fund	1,145	1,251	1,337	86	6.9%
Federal Fund	766	801	788	-14	-1.7%
Reimbursable Fund	<u>23,491</u>	<u>24,502</u>	<u>24,848</u>	<u>346</u>	<u>1.4%</u>
Total Funds	\$73,099	\$78,078	\$76,802	-\$1,277	-1.6%
Contingent & Back of Bill Reductions			-193	-193	
Adjusted Total	\$73,099	\$78,078	\$76,609	-\$1,470	-1.9%

- The largest increase in the fiscal 2006 allowance is \$1.673 million for electricity.
- The largest non-personnel decrease is \$564,000 in building repairs.

Personnel Data

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>
Regular Positions	728.00	712.00	657.00	-55.00
Contractual FTEs	<u>24.34</u>	<u>27.77</u>	<u>26.52</u>	<u>-1.25</u>
Total Personnel	752.34	739.77	683.52	-56.25

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	34.23	5.21%
Positions Vacant as of 12/31/04	98.0	13.76%

- The fiscal 2006 allowance abolishes 55 (39 vacant and 16 filled) regular positions and 1.25 contractual positions. Of the 55 abolished positions 16 are in the State printing and duplication shop and 12 are uniformed officers.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Major Trends

Minority Business Participation Below Goal: The department has a goal of awarding 25% of its procurement contracts to minority businesses. It has yet to reach this goal. The department submitted a report regarding its minority business enterprise efforts in response to the 2004 *Joint Chairmen’s Report* (JCR).

Department Uses Too Many Monetary Measures in Its MFR: Managing for Results (MFR) are for measuring outcomes and goal achievements. They are a tool for management as well as a vehicle for reporting information to the public. However, the department has several measures that report on its “efficient use of funds” or “estimated savings.” These are not very informative.

Theft Reduction: The department has a stated goal of reducing theft at State facilities 15% below the fiscal 2002 level of 129 by fiscal 2005. The department has made uneven progress toward this goal.

Department Underutilizes Its Fleet: The department has 101 vehicles in its fleet, almost half of which do not meet the State definition of being fully utilized.

Issues

Identification Cards: In its October 2004 report, the Office of Legislative Audits found that the Department of General Services (DGS) did not take appropriate action to correct significant problems with the control, security, and issuance of State identification (ID) cards.

Department’s Role in Disposal of State Real Property: Recent problems in the disposal of State real estate point to the need for alternatives to the process.

Critical Maintenance Projects Backlog: The critical maintenance backlog is \$37 million in fiscal 2005, and the fiscal 2006 allowance does not reflect any effort to address it. The department issued a report in response to the 2004 *Joint Chairmen’s Report*.

Place Surplus Inventory on the Internet: The department is responsible for managing and disposing of the State’s surplus inventory. Its approach does not make use of new technologies and methods.

Transfer Department Functions to Other Agencies: The Department of General Services provides a variety of services to other State agencies many of which are redundant with or complementary to services provided by other agencies.

Negotiation Process with Architectural and Engineering Firms: The Department of General Services’ negotiation process with Architectural and Engineering (A&E) firms that win bids may cause major delays.

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Recommended Actions

	<u>Funds</u>
1. Add budget language to restrict the use of underutilized vehicles and prohibit the expenditure of \$11,970 in related operating costs unless the vehicles and related operating expenses are transferred to the Division of Parole and Probation (Q00C02) within the Department of Public Safety and Correctional Services.	
2. Add budget language to require a report to determine the department's essential functions.	
3. Reduce travel expense to actual expenditures.	\$ 6,449
4. Delete 25 vacant PINs.	785,388
5. Adopt committee narrative requiring the Department of General Services to provide a report on surplus property.	
Total Reductions	\$ 791,837

Updates

Joint Chairmen's Report Items: In addition to the reports on the maintenance backlog and minority business participation, the department had two other JCR reports due: one on privatization and one on Managing for Results.

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Operating Budget Analysis

Program Description

The Department of General Services (DGS) serves Maryland and its citizens by supporting other State agencies in achieving their missions. The department performs a variety of functions, including planning, design, and construction management; facilities maintenance; procurement of goods and services; receipt and distribution of excess property; and provision of real estate services. DGS uses the following six goals to guide its Managing for Results (MFR) reporting:

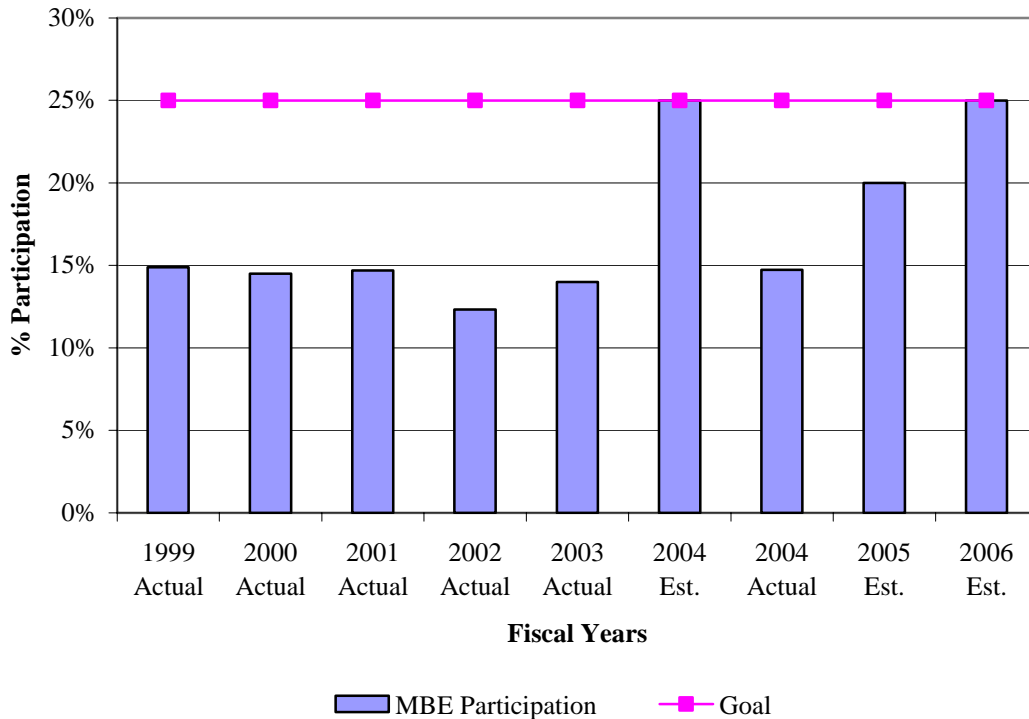
- operate efficiently and effectively;
- manage departmental projects efficiently;
- provide timely and accurate management information;
- achieve responsible asset management;
- provide best value for customer agencies and taxpayers; and
- carry out social, economic, and other responsibilities as a State agency.

Performance Evaluation: Managing for Results Analysis

Minority Business Participation below Goal

The department has a goal of awarding 25% of its procurement contracts to minority business enterprises (MBE). As **Exhibit 1** shows, it has yet to reach this goal overall, although it has achieved it in certain procurement categories such as construction and maintenance services.

Exhibit 1
MBE Participation in State Procurement Contracts
Fiscal 1999 – 2006



Source: Governor’s Budget Books

The department reports that it has a goal of having 20% MBE participation in fiscal 2005 and 25% participation in fiscal 2006. As Exhibit 1 shows that would be a significant increase from the fiscal 2004 actual MBE participation rate of 14.7%; it would mean a 70% increase in two years. In written testimony before the House Subcommittee on Public Safety and Administration on October 19, 2004, the department reported that “Historically, there have been several challenges which prevent DGS from achieving the State’s MBE goals...” The department has reported some recent success, but it is not clear that the department has a plan for achieving sustainable increases in the MBE participation rate in State procurement contracts. It is true that the department can only award contracts to firms that bid on them and if minority-owned businesses do not bid then the department is facing factors beyond its control. However, in the October 19 testimony, the department also reported that “[O]f the total small business population in Maryland, 84% is minority owned.” It seems likely with that high of a percentage of businesses being minority-owned, increasing MBE participation should be achievable.

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The department reports that it has three new initiatives to address the areas where MBE participation is below goal. However, it is noted the DGS' estimated MBG participation has been overly optimistic in the past. It should be prepared to discuss these efforts and its progress toward 20% MBE participation in fiscal 2005 and 25% participation in fiscal 2006.

Department Uses Too Many Monetary Measures in Its MFR

MFR reports serve two primary purposes: (1) a tool for management and (2) a vehicle to provide information to the legislature and the public regarding departmental performance. To that end, MFR reports regularly contain items such as customer survey results, complaint resolution time, and cases disposed in a year. However, DGS includes a number of financial measures in its MFR that do not seem to provide much useful information and are often redundant with information contained in the allowance. **Exhibit 2** gives some examples:

Exhibit 2
Department of General Services
Selected MFR Measures

<u>Program</u>	<u>Objective</u>	<u>Measure Used</u>
Department-wide	Submit timely and accurate budget projections with a 10% margin of error	Size of annual budget and size of margin of error
Office of the Secretary	Decrease non-personnel expenditures by 3% per year department-wide	Annual appropriation and percent savings
Procurement and logistics	Annually achieve 3% savings through cooperative contracting and supply chain initiatives	Annual procurements and estimated savings

Source: Governor's Budget Books

While the Department of Legislative Services (DLS) encourages budget and cost savings efforts, the measures provided here are of little value. The size of the department's budget and its forecasting error are easily obtained by looking at the annual budget figures. While this may be important information for management, it is unclear how including it in the MFR report is useful.

The goals of decreasing non-personnel costs by 3% or achieving 3% annual savings from procurement and supply chain initiatives are also measures that are of minimal value. Cost savings are important, but it is difficult to ascertain if savings are a result of departmental actions, case load changes, economic conditions, or other factors. The goals are also temporary in nature. A 3% reduction each year means that within 23 years the department will be operating on half of its current non-personnel budget or procurement budget. Obviously this is extreme, but that is why these goals

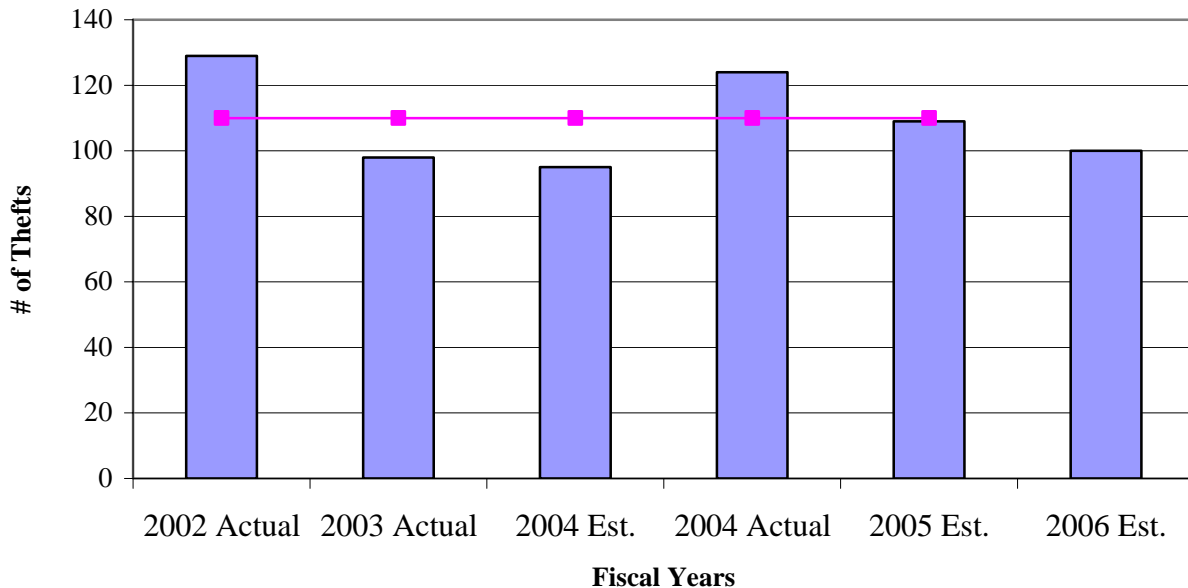
are questionable. They are short-term goals and do not accurately measure efficiency or effectiveness.

DLS recommends that the agency revise its’ MFR measures to address the agency’s major goals and progress towards accomplishing its overarching mission.

Theft Reduction

The department has a stated goal of reducing theft at State facilities to 15% below the fiscal 2002 level of 129 thefts by fiscal 2005. The department has made uneven progress towards this goal as shown in **Exhibit 3**.

Exhibit 3
Theft Activity at State Facilities
Fiscal 2002 – 2006



Source: Governor’s Budget Books

While reducing theft at State facilities is a worthwhile goal and worthy of inclusion in the MFR, the specific goal DGS is using expires in fiscal 2005. There is no goal for theft reduction included in the MFR for fiscal 2006 and beyond. Furthermore, the current goal has not been consistently reached, and it is unclear what new efforts are planned to reach the goal, especially, with the abolition of 12 police officer and building guard positions. The department reports that all 12 of these positions are vacant, which may be part of the reason the department has only achieved its stated goal once in the last three years.

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The department should comment on its theft reduction plans and new goals for fiscal 2006 and forward.

Department Underutilizes Its Fleet

The department has 101 vehicles in its fleet, almost half of which do not meet the State definition of being fully utilized. The Department of Budget and Management has determined that any vehicle not driven at least 10,000 miles in a year is being underutilized. **Exhibit 4** provides a breakdown of the kinds of vehicles DGS is using less than 10,000 miles a year.

Exhibit 4
Underutilized Vehicles in the Department of General Services

<u>Type of Vehicle</u>	<u>Count</u>
Regular passenger car/mini van	18
Pick up truck	13
Commercial/Special Equipment Truck	12
Police Car	<u>6</u>
Total	49

Source: Department of General Services

Fiscal 2005 Actions

The department increased its turnover expectancy rate by 1% across the board as a cost savings measure. This resulted in a savings of \$382,000 of which \$296,000 was general funds. The department reports that the effect is negligible on departmental operations.

Governor's Proposed Budget

The fiscal 2006 allowance decreases by \$1.47 million (1.9%) from the fiscal 2005 working appropriation. **Exhibit 5** presents the details.

Exhibit 5
Governor's Proposed Budget
Department of General Services
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2005 Working Appropriation	\$51,523	\$1,251	\$801	\$24,502	\$78,078
2006 Governor's Allowance	49,829	1,337	788	24,848	76,802
Contingent & Back of Bill Reductions	<u>-147</u>	<u>-3</u>	<u>-1</u>	<u>-42</u>	<u>-193</u>
Adjusted Allowance	\$49,682	\$1,334	\$786	\$24,806	\$76,609
Amount Change	-\$1,841	\$83	-\$15	\$304	-\$1,470
Percent Change	-3.6%	6.6%	-1.9%	1.2%	-1.9%

Where It Goes:

Personnel Expenses

Decrease due to the abolition of 55 positions.....	-\$2,480
Increments and other compensation	658
Employee and retiree health insurance.....	-92
Increase in payments to employee retirement	377
Turnover adjustments	-369
Other fringe benefit adjustments	174

Other Changes

Office of the Secretary

Decrease in management consulting fees due to the completion of the Asset Maximization consulting project.....	-250
Decrease in planned payments for expert witnesses	-66
Decrease in use of outside programming services for information technology unit.....	-54

Facilities Operations and Maintenance

Increase in electricity cost primarily in Annapolis, Baltimore, and Westminster.....	1,673
Increase in fuel oil for State buildings in Annapolis	77
Decrease in planned building repairs primarily in Annapolis, Westminster, and the Schaefer Tower due to a reduction in the workplace improvement initiative.....	-564

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Where It Goes:

Office supplies for Government House.....	31
Decrease in maintenance and repair expenses at State facilities occupied by local jurisdiction agencies	-329
Decrease in building and household expenditures	-79
Decrease in security services mostly in Southern Baltimore	-85
Reduction in aid grant to City of Annapolis for police and fire protection.....	-50
Procurement and Logistics	
Increase in mail and courier expenditures for the State Printing and Duplication unit to pay for outsourced services.....	136
Rent for Records Management.....	196
Decrease due to completion of statewide Fuel Program in fiscal 2005	-120
Facility Planning, Design and Construction	
Special payments in project management and construction.....	98
Statewide critical maintenance.....	-258
Other Operational Changes	
Reduction in purchase or lease of automobiles	-56
Miscellaneous Changes	-38
Total	-\$1,470

Note: Numbers may not sum to total due to rounding.

Contingent Reduction

The fiscal 2006 allowance reflects the elimination of \$193,052, the appropriation for matching the employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Personnel

The fiscal 2006 allowance abolishes 55 regular positions. Of these, 39 are vacant and 16 are filled. Of the filled positions, three are filled by employees who have retired or will retire in fiscal 2005. **Exhibit 6** shows the details of these positions.

Exhibit 6
Abolished Positions for the Department of General Services
Fiscal 2006

<u>Fund</u>	<u>Employment Status</u>	<u>Classification</u>	<u>Compensation Total</u>
GF	Filled	Accountant I	\$51,192
GF	Filled	Office Secretary III	43,118
RF	Filled	Office Appl. Clerk II	38,521
RF	Filled	Office Clerk II	38,201
RF	Filled	Office Supervisor	43,714
RF	Filled	Print Shop Supervisor II	46,813
RF	Filled	Print Shop Supervisor I	43,823
RF	Filled	Office App. Clerk II	37,699
RF	Filled	Print Shop Supervisor III	52,142
RF	Filled	Office App. Clerk II	38,521
RF	Filled	Fiscal Accounts Clerk II	42,529
GF	Filled	CP Const. Mgr.	83,982
RF	Filled	OBS Office Clerk II	39,034
GF	Filled (Ret)	CP Asst. Manager	84,224
GF	Filled (Ret)	CP Engineer Civil Gen.	79,400
GF	Filled (Ret)	CP Engineer Civil Gen.	79,400
GF	Vacant	Admin. Specialist III	40,902
GF	Vacant	Agency Bud. Specialist L	50,324
GF	Vacant	Bldg. Security Officer II	31,545
GF	Vacant	Bldg. Security Officer II	38,799
GF	Vacant	Police Officer II	51,469
GF	Vacant	Bldg. Security Officer Tr.	28,152
GF	Vacant	Bldg. Security Officer I	29,412
GF	Vacant	Bldg Security Officer I	29,453
GF	Vacant	Bldg. Security Officer I	29,791
GF	Vacant	Bldg. Security Officer I	39,033
GF	Vacant	Police Supervisor	73,852
GF	Vacant	Police Officer II	62,437
GF	Vacant	Police Supervisor	57,167
GF	Vacant	Bldg. Security Officer II	30,737
GF	Vacant	Carpenter Tr.	35,295
GF	Vacant	Stock Clerk II	29,412
GF	Vacant	Bldg. Service Worker II	29,412
GF	Vacant	Electrician HV	48,281
GF	Vacant	Electrician HV	38,889
GF	Vacant	Elec. Technician II	37,032
GF	Vacant	Bldg. Service Worker II	29,412
GF	Vacant	Mgt Assoc.	53,328

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<u>Fund</u>	<u>Employment Status</u>	<u>Classification</u>	<u>Compensation Total</u>
GF	Vacant	Maintenance Mechanic Sr.	33,671
GF	Vacant	Program Manager III	66,362
GF	Vacant	Office Secretary III	45,810
GF	Vacant	Maintenance Mechanic	36,602
GF	Vacant	Program Manager Sr. I	93,113
GF	Vacant	Admin. Program Manager I	72,904
GF	Vacant	DGS Proc. Office Supervisor	56,095
GF	Vacant	Administrative Officer I	43,004
GF	Vacant	Maintenance Engineer I	47,717
GF	Vacant	Bldg. Const. Inspector III	43,004
GF	Vacant	Office Secretary II	40,680
RF	Vacant	Illustrator II	37,032
RF	Vacant	Offset Machine Operator II	32,154
RF	Vacant	Graphic Arts Specialist	61,520
RF	Vacant	Fiscal Accounts Tech.	37,032
RF	Vacant	Print Shop Supervisor II	38,889
RF	Vacant	Administrative Aide Gen.	38,889
	Total		\$2,560,925

Source: Department of General Services

Facilities Operations and Maintenance

The largest increase in the fiscal 2006 allowance is a \$1.673 million increase in electricity costs. The bulk of this increase is for facilities in three jurisdictions: Baltimore (\$826,000), Annapolis (\$327,000) and Westminster (\$122,000). There is also a \$564,000 decrease for repairs and maintenance due to a reduction in the workplace improvement initiative. This will result in a reduction in carpet and tile replacement and fewer painting projects at DGS managed facilities. There is also a \$329,000 decrease for repairs at State facilities occupied by local jurisdictions.

Procurement and Logistics

There are 16 abolished positions in the State printing and duplication shop that result in a net decrease of \$531,000 in this unit's planned expenditures in fiscal 2006. This decrease is a result of outsourcing work previously done in-house. The abolitions result in a \$667,000 decrease which is offset by some small increases in postage and a few other operational expenditures.

Issues

1. Identification Cards

Based on a tip called into its fraud hotline, the Office of Legislative Audits (OLA) uncovered a significant issue with DGS' management of State identification cards (ID). In its October 2004 report, OLA found that DGS had not taken appropriate action to correct its significant problems with the control, security, and issuance of ID cards. There were no management controls in place to oversee the issuance of cards or to account for the number of cards currently in circulation. Accountability as to which cards were active and inactive was also lacking.

Prior to December 2003, DBM and DGS were jointly responsible for the issuance of State ID cards. Based on a memorandum issued by DBM, dated December 9, 2003, DGS became solely responsible for the issuance of the ID cards. Control over these cards is significant for security purposes since cardholders are, in essence, allowed unrestricted access to State facilities, and these cards can often be used to obtain free public transportation.

OLA found that from June 2003 through July 2004, DGS had been aware of the problems with the control, security, and issuance of State ID cards but had not taken any significant corrective actions. At the request of DBM, DGS Police conducted a criminal investigation of the ID card process. The investigation documented one employee's admission to theft of cash receipts from the sale of replacement ID cards and an allegation that another employee created and sold about one hundred fictitious ID cards. Because of inadequate records, the full extent of monies misappropriated and the number of improper ID cards allegedly issued could not be readily determined.

The audit report noted that there were a variety of deficiencies in the ID card issuance process as well as in the management and oversight of the cards once they are issued. As of February 15, 2005, the ID card system has not been updated and new cards have not been issued.

The department should be prepared to update the committees on the progress of the new identification card system, why it has taken the time it has to address the problem, and when the new system is expected to be in place. Further, it should be prepared to address what administrative and managerial changes it has implemented to correct the control and oversight of the identification card system.

2. Department's Role in Disposal of State Real Property

The department's Office of Real Estate serves as the State's agent for the disposal of surplus real estate. The basic process is that an agency declares a piece of real estate excess property and notifies the Department of Planning's State Clearinghouse. The Clearinghouse circulates a letter to the other State agencies as well as officials of the local jurisdiction in which the property is located notifying them that this property is available. The Board of Public Works (BPW) determines whether excess property should be (1) disposed of to another government unit, (2) retained by the State; or (3)

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declared “surplus” and disposed of to anyone. If another agency or a local jurisdiction expresses a desire to obtain it, they get first claim and subject to approval by the Board of Public Works (BPW), the property is transferred. Standard practice is that intergovernmental transfers do not charge market value for property and often the agreed price is \$1.

If the property is not claimed by another government entity, the Office of Real Estate is notified. The office then presents the details of the property to BPW, which may take action ranging from rescinding the surplus status of the property, to agreeing that it is surplus, and permitting it to be sold with or without restriction. The office then attempts to dispose of it, consistent with BPW instructions, in whatever way it deems best. This may include offering it in a private sale or making the property’s availability public and soliciting offers. Once an agreement is reached, BPW has final approval authority.

The office may determine the value of a property with a team of in-house appraisers; however, it is not unusual for the office to hire an outside appraiser should the situation warrant it. There are a few exceptions, but the revenues from the sale of property are generally credited to the State Annuity Bond Fund.

In part to secure a voice in the property disposition process, the General Assembly amended SF&P § 10-305 through Chapter 432 of 2004. The amended statute now requires that prior to BPW approval of the sale of any State-owned property with an appraised value over \$100,000, the Senate Budget and Taxation Committee and the House Committee on Appropriations must receive a written description of the property in question. The committees are also provided with a 45-day review and comment period concerning proposed sales.

The Department of Legislative Services recommends the adoption of committee narrative that would require the DGS Office of Real Estate, in consultation with and cooperation from the Maryland Department of Planning, to provide bi-annual excess real property listing reports to the budget committees.

3. Critical Maintenance Projects Backlog

DGS is responsible for maintaining the majority of State facilities. When maintenance issues inevitably arise, they are categorized by the dollar amount required to fix the project. When a project reaches the \$100,000 (and 15-year useful life) threshold, the project is classified as a capital project. At this point, the project can be funded with PAYGO operating funds or general obligation (GO) bond funds. Projects ranging from \$2,500 to \$100,000 in cost are classified as operating maintenance items.

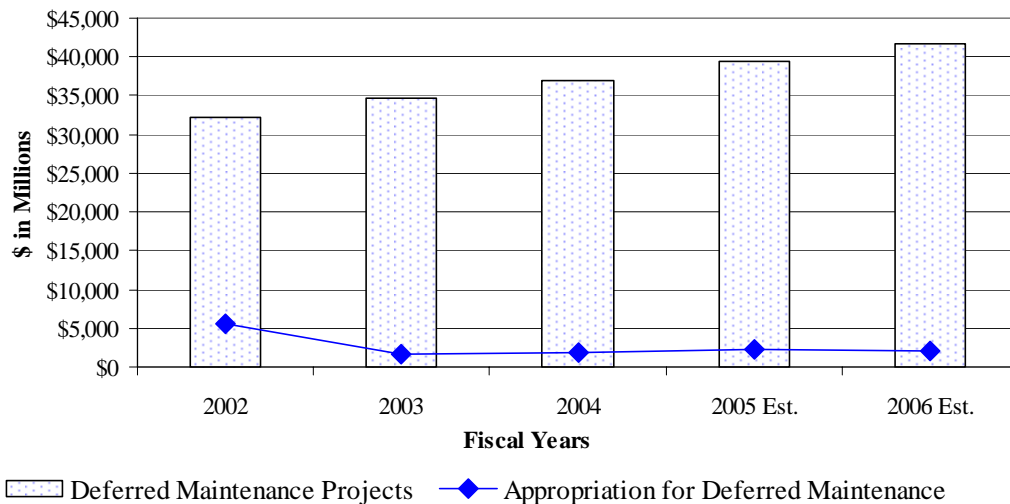
In a report required by fiscal 2005 budget bill language, DGS reports that the current backlog of deferred maintenance projects is \$39.8 million and that it is growing at an average rate of approximately \$2.4 million per year. DGS divides the deferred maintenance into nine levels ranging

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from high risk (1) to no impact (9). It considers the top six levels as high priority projects. Of the \$39.8 million backlog, \$27 million is considered high priority.

DGS further reports that in order to eliminate the entire backlog by fiscal 2018, it would need an annual appropriation of \$5 million. In recognition of the importance of critical maintenance, the Spending Affordability Committee (SAC) exempted up to \$40 million in deferred maintenance from SAC limits in fiscal 2002 and 2003, and the program received only \$5.5M and \$1.7M in fiscal 2002 and 2003, respectively. As **Exhibit 7** shows, the problem is worsening.

Exhibit 7
Deferred Maintenance Activity
Fiscal 2002 – 2006



Source: Department of General Services

In its continued recognition of the importance of addressing the deferred maintenance backlog, SAC exempted up to \$40 million for funds provided for deferred maintenance efforts for fiscal 2006. The fiscal 2006 allowance provides \$2 million for deferred maintenance projects.

In light of the current backlog, the department should be prepared to explain how it determined its fiscal 2006 funding request for deferred maintenance projects.

4. Place Surplus Inventory on the Internet

The department is responsible for managing and disposing of the State’s surplus inventory. This is the responsibility of the Maryland State Agency for Surplus Property (MSASP) with the Division of Procurement and Logistics. MSASP maintains a facility in Jessup where it warehouses the

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property and is open for business weekdays 8:00 a.m. to 4:00 p.m. and selected Saturdays (in calendar 2004 it was scheduled to be open on six Saturdays).

This system is cumbersome and inconvenient to potential customers. The facility is in an out-of-the-way location, open primarily during business hours and is not really that well known to taxpayers, especially those that live some distance from Jessup. It is particularly important that individuals be aware of this service since there are restrictions on who can purchase surplus property. Individuals and non-profit organizations are the two primary groups this service targets.

Increasingly, governments are disposing of surplus inventories via Internet auction and sales. Use of such sites expands the potential market for these goods and, with the auction format, increases the likelihood that the inventory will sell. Individuals, schools, and churches that are interested in functional equipment will be attracted to this service. DGS reports that it has approximately \$600,000 in surplus inventory – \$400,000 of which is either furniture or older information technology equipment.

Internet sales will also assist DGS in addressing some of the audit issues reported in the last MSASP (October 2000) audit report. In this report, OLA found several issues with cash management and accounts management. With Internet sales, the buyers would use either a credit card or an on-line payment service that would directly deposit their payment into a State account eliminating any opportunity for cash receipt mismanagement.

Additional advantages to this system include (1) buyers paying shipping if they are unable or unwilling to pick up their merchandise and (2) current on-line shipping practices regularly build a small profit into the shipping costs. The State is considered a reliable provider; therefore, the reputation of the State will attract some customers that may be more hesitant of buying from another individual across the Internet.

The Department of Legislative Services recommends that DGS establish an account with at least one Internet auction site, establish a goal of placing all new surplus property to be available on the site, and place the entire current State inventory on the site by December 31, 2005. If an auction site is deemed inappropriate, then DGS should, at a minimum, establish its own web site where shoppers can peruse the inventory and place orders.

5. Transfer Department Functions to Other Agencies

In reviewing DGS’ duties, it becomes apparent that many of the duties DGS performs are redundant with or may more appropriately fit within the missions or expertise of other State agencies. **Exhibit 8** presents some details.

Exhibit 8
Comparison of Duties of the Department of General Services with
Other State Agencies

Duty or Function	Agency Better Suited to Perform Duty	Justification
Building Security	State Police	State Police have the managerial infrastructure to oversee a uniformed and armed police service. It fits their mission to protect public safety and the newly important homeland security function – especially of high value targets such as government installations.
Identification Cards	Budget and Management	As mentioned above this was a joint responsibility of DBM and DGS until December 2003. The problems only occurred after DBM was no longer part of the process. Since DBM has access to all personnel files and tracks turnover, DBM may be better suited to manage ID cards.
Procurement	Budget and Management	DBM is the control agency for executive expenditures. The department reviews all agency requests and is intimately familiar with the details of each agency, its spending patterns and budget. Since DBM must review all expenditures at one point or another in the process, it may better fit within DBM’s duties to oversee the State procurement process.
Energy Tracking (Proposed)	Energy Administration	Tracking of the State’s energy use is currently a duty of the Maryland Energy Administration; however, DGS currently administers a fund whose revenues are generated by assessing an administrative fee on agencies’ deregulated energy purchases. DGS is not using the fund for its intended purposes and did not track the State’s energy use when it was DGS’ duty in the recent past. Instead of transferring the duties to DGS, the fund would be transferred to the Energy Administration.

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Duty or Function	Agency Better Suited to Perform Duty	Justification
Project Cost Center (Cost Estimate Worksheets)	Budget and Management	As part of the costing process of capital projects, DGS prepares a cost estimate worksheet for each project. It is DBM that actually reviews and analyzes each agency's capital requests and developing the cost worksheet is consistent with the review and analysis process.
Facilities Management	Budget and Management	DGS provides “professional management and technical services for other State agencies for planning, budgeting , design, construction, and maintenance of State facilities.” Providing budget and managing services may fit better with the mission of the Department of Budget and Management.
Architectural Review	Budget and Management	DBM reviews all State capital projects, and the architectural review could be conducted by DBM.
Portfolio Management Division	Budget and Management	The Portfolio Management Division was formed in July 1998. The division provides services ranging from fiscal management and long-term planning for department capital assets to analysis of marketplace opportunities. Financial management could fit with the duties of DBM more consistently than with DGS.

Source: Department of Legislative Services

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Besides these examples of functions that could be managed by other agencies, DGS has been assigned some functions that were once performed by other agencies. **Exhibit 9** presents a few examples.

Exhibit 9
Other DGS Functions Once Located in Other Agencies

<u>Function</u>	<u>Previous Agency</u>	<u>Dates</u>
Maryland State Agency for Surplus Property	University of Maryland	1947-1987
Records Management Division	Hall of Records Commission, Records Management Division	1953-1984
Parking Lots of Legislative Complex	Maryland General Assembly	Until 1974

Source: Department of Legislative Services and the Maryland Archives website:
<http://www.mdarchives.state.md.us/msa/mdmanual/15dgs/html/15agen.html#energy>

Given the analysis of how other agencies could be better suited to perform many of DGS' functions, the Department of Legislative Services recommends that DGS and DBM jointly prepare a report addressing each function that DGS and DBM perform in order to determine which agency is best suited to perform that function. If it is determined that any functions would be a better fit for another agency, DGS or DBM, the report should include a detailed plan for transferring the function.

6. Negotiation Process with Architectural and Engineering Firms

The Department of General Services' negotiation process with Architectural and Engineering (A&E) firms that win bids can cause major delays. DGS is required to accept the firm with the best technical score for A&E projects and negotiate with that firm as to the details of the work and stipulations in the contract to be in force. If those negotiations should break down for any reason, DGS has two options: either to make the best deal it can with the firm or begin the entire process over. This can leave DGS (and by extension, the State) in a detrimental position. The work needs to be done, but obviously DGS does not want to agree to terms it thinks are unreasonable. However, it is costly and time consuming to restart the bidding process.

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The Department of Legislative Services recommends that DGS comment on the benefits of amending procurement law to allow DGS to negotiate with the next lowest bidder for an A&E contract should it determine that negotiations with the lowest bidder have reached a point where reconciliation and agreement do not seem possible.

Recommended Actions

1. Add the following language:

Provided that no funds to operate the following vehicles, identified with the following vehicle identification numbers (VIN):

3G1JC52624S180566, 1GNNT13W2P2202634, 1FAFP53U6YG147496,
2G1WL52K0W9323985, 3G1JC52654S180030, 1B4GP44G5XB918718,
1G8ED18J0FF191206, 2G1WL52K1W9325082, 1B3ES27C6SD241232,
2FAPP36X3NB180960, 3FAFP66Z8YM111893, 1FMDU34EXVUC64979,
1G1JC524317302795, 1FMRE1122XHB21618, 1GNDYO6E8WD225798,
1G1JC524117302682, 1G1JC524817307071, 2FALP73W3TX210587,
3G1JC52441S198769, 1G1JC5245W7242297, 2FAFP71W9YX209340,
3FAFP66Z2YM118161, 1G1JC524517312745, 1G3NL52T4VM341208,
1B3ES27C6SD231302

may be expended or operated until \$11,970 in general funds and all vehicles listed are transferred to the Division of Parole and Probation (Q00C02) within the Department of Public Safety and Correctional Services.

Explanation: The Department of General Services has 49 underutilized vehicles, the majority of which are passenger cars, minivans, or police cars. This language transfers those vehicles to the Division of Parole and Probation within the Department of Public Safety and Correctional Services to meet the need it has for more vehicles.

2. Add the following language:

Provided that \$1,000,000 of this appropriation is not to be expended until the Department of General Services and the Department of Budget and Management submit a report on potential efficiencies and cost savings that may be possible by reorganizing certain duties and functions of each department to other agencies. The report should provide a plan for transferring duties between the two departments or to other State agencies.

Explanation: The Department of General Services provides a variety of services that fit the mission, goals, and functions of a variety of other agencies. An investigation of potential efficiencies by re-assigning duties to DBM or other departments is in order.

Information Request	Authors	Due Date
Report on streamlining the delivery of services by transferring functions between and out of the Departments of General Services and Budget and Management.	DBM and DGS	Unsuspected

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	<u>Amount Reduction</u>	
3. Reduce travel expenses to be more in line with actual expenditures. Travel expenditures have increased by 67% in fiscal 2004; this reduction still allows a 10% increase over fiscal 2004.	\$ 6,449	GF
4. Delete 25 vacant PINs. The department reports that it has 98 vacant positions as of December 31, 2004. It needs approximately 33 positions to meet its budgeted turnover requirements. The fiscal 2006 allowance deletes 39 of these positions, leaving 59; this reduction leaves 34 PINs. This means the final vacancy rate will be 34 positions which is much closer to the department's historical budgeted turnover rate of 35 (fiscal 2002 – 2004).	785,388	GF
5. Adopt the following narrative:		

Excess Property Identification: The committees request a more active role in the disposition and potential sale of State-owned real property. To facilitate the committees participation, the Department of General Services (DGS) Office of Real Estate, in consultation with and cooperation from the Maryland Department of Planning (MDP), shall provide the budget committees with bi-annual reports that provide an itemized list of State-owned properties either designated by the custodial State agency as excess to the needs of the State, or determined to be excess by MDP through the State Clearinghouse in accordance with Code of Maryland Regulations 14.24.05 (COMAR). Each report shall list the properties according to the custodial State agency. For each property listing, the report shall provide the property address, current status as determined by MDP, the number of parcels, total acreage, and a determination by the DGS Office of Real Estate of the value of the land and value of any building or other improvements on the land. The reports are due July 1 and January 1 of each year.

Information Request	Authors	Due Date
Bi-annual reports that provide an itemized list of State owned properties designated as surplus	DGS and MDP	July 1, and January 1 of each fiscal year

Total General Fund Reductions	\$ 791,837
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Updates

1. Joint Chairmen's Report Items

In addition to the report on the maintenance backlog and minority business participation, the department had two other *Joint Chairmen's Report* (JCR) reports due; one on privatization and one on Managing for Results.

Privatization

In response to the JCR, the department released an updated report on the efficiencies and effects of privatization as well as an assessment of any other opportunities the department believes are available. The department reports that it has outsourced some of its information technology work to AT&T at an expected savings of \$15,000 a year in labor and equipment costs and a staff reduction of 11 positions. Also, as mentioned above, the print and duplication shop has outsourced many of its functions. The department further reports, that it already outsources much of its building and maintenance services such as snow removal, lawn care, and housekeeping.

Managing for Results

The committees expressed concern that the department's MFR reports did not adequately reflect on the quality of the department's customer service. In response the department reports that it has created a new position: the Assistant Director of External Affairs. This position's primary responsibility is to work with the department's client agencies to develop the tools to measure and evaluate customer satisfaction.

Current and Prior Year Budgets

**Current and Prior Year Budgets
Department of General Services
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$51,667	\$1,480	\$755	\$24,500	\$78,402
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-23	0	26	581	584
Cost Containment	-3,494	0	0	0	-3,494
Reversions and Cancellations	-453	-335	-15	-1,591	-2,394
Actual Expenditures	\$47,697	\$1,145	\$766	\$23,490	\$73,098
Fiscal 2005					
Legislative Appropriation	\$50,940	\$1,504	\$801	\$24,430	\$77,675
Budget Amendments	583	-253	0	72	403
Working Appropriation	\$51,523	\$1,251	\$801	\$24,502	\$78,078

Note: Numbers may not sum to total due to rounding.

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Fiscal 2004

- The \$3.5 million reduction in general fund was due to the abolition of 59.5 positions.
- The \$1.6 million reversion in reimbursable funds is due to lower utilization of the print shop.

Fiscal 2005

- The \$583 increase in general funds is due to the cost-of-living adjustment. Funds were budgeted in DBM and were later reallocated to each agency by budget amendment.

Audit Findings

Audit Period for Last Audit:	March 8, 2000 - June 30, 2003
Issue Date:	October 2004
Number of Findings:	7
Number of Repeat Findings:	3
% of Repeat Findings:	43%
Rating: (if applicable)	

- Finding 1:** DGS did not take appropriate action to correct significant problems noted with the control, security, and issuance of State identification (ID) cards. Documentation available at DGS indicated that fraudulent State ID cards had apparently been created and issued, that certain related cash collections were misappropriated, and that there was no process in place to account for all cards issued (active or inactive). Furthermore, the responsibility for the issuance of statewide ID cards and the authority over the State ID program was not established in legislation or regulations.
- Finding 2:** **Adequate accountability and control was not established over cash receipts totaling approximately \$6.3 million. For example, independent verifications were not performed to ensure that all recorded collections were subsequently deposited, and independent supervisory personnel did not account for all sales transactions or review and approve adjustments.**
- Finding 3:** Duties were not adequately separated over certain payroll processing functions.
- Finding 4:** DGS did not analyze a nonbudgeted fund clearing account balance totaling \$2.3 million to determine the composition of the balance.
- Finding 5:** **DGS did not comply with State regulations relating to the collection of delinquent accounts totaling \$272,000.**
- Finding 6:** **Physical inventories of State surplus property were not properly completed and related records were not adequately maintained.**
- Finding 7:** Inventory items were discarded without independent supervisory approval to document that the items had no value.

**Object/Fund Difference Report
Department of General Services**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	728.00	712.00	657.00	-55.00	-7.7%
02 Contractual	24.34	27.77	26.52	-1.25	-4.5%
Total Positions	752.34	739.77	683.52	-56.25	-7.6%
Objects					
01 Salaries and Wages	\$ 36,257,848	\$ 38,188,125	\$ 36,649,601	-\$ 1,538,524	-4.0%
02 Technical & Spec Fees	1,166,759	1,044,210	1,098,417	54,207	5.2%
03 Communication	601,081	1,045,475	985,796	-59,679	-5.7%
04 Travel	11,298	18,860	18,860	0	0%
06 Fuel & Utilities	10,935,589	11,219,860	13,031,215	1,811,355	16.1%
07 Motor Vehicles	783,872	791,408	753,274	-38,134	-4.8%
08 Contractual Services	12,806,761	15,047,628	13,813,524	-1,234,104	-8.2%
09 Supplies & Materials	1,404,543	1,464,144	1,431,909	-32,235	-2.2%
10 Equip - Replacement	253,411	177,490	177,490	0	0%
11 Equip - Additional	628,315	4,872	4,872	0	0%
12 Grants, Subsidies, and Contributions	417,000	417,000	367,000	-50,000	-12.0%
13 Fixed Charges	3,075,006	3,502,392	3,684,334	181,942	5.2%
14 Land & Structures	4,757,237	5,156,898	4,785,534	-371,364	-7.2%
Total Objects	\$ 73,098,720	\$ 78,078,362	\$ 76,801,826	-\$ 1,276,536	-1.6%
Funds					
01 General Fund	\$ 47,696,742	\$ 51,523,469	\$ 49,829,034	-\$ 1,694,435	-3.3%
03 Special Fund	1,145,133	1,251,164	1,337,060	85,896	6.9%
05 Federal Fund	765,700	801,432	787,855	-13,577	-1.7%
09 Reimbursable Fund	23,491,145	24,502,297	24,847,877	345,580	1.4%
Total Funds	\$ 73,098,720	\$ 78,078,362	\$ 76,801,826	-\$ 1,276,536	-1.6%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary
Department of General Services**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
0A Department of General Services	\$ 4,023,971	\$ 4,716,413	\$ 0	-\$ 4,716,413	-100.0%
0B Office of Finance And Administration	10,830,294	11,547,852	0	-11,547,852	-100.0%
0C Office of Facilities Operation And Management	40,304,375	43,384,636	0	-43,384,636	-100.0%
0D Office of Services And Logistics	5,798,521	6,651,889	0	-6,651,889	-100.0%
0E Office of Real Estate	2,714,472	2,115,081	0	-2,115,081	-100.0%
0G Office of Facilities Planning, Engineering	9,427,087	9,662,491	0	-9,662,491	-100.0%
Total Expenditures	\$ 73,098,720	\$ 78,078,362	\$ 0	-\$ 78,078,362	-100.0%
General Fund	\$ 47,696,742	\$ 51,523,469	\$ 0	-\$ 51,523,469	-100.0%
Special Fund	1,145,133	1,251,164	0	-1,251,164	-100.0%
Federal Fund	765,700	801,432	0	-801,432	-100.0%
Total Appropriations	\$ 49,607,575	\$ 53,576,065	\$ 0	-\$ 53,576,065	-100.0%
Reimbursable Fund	\$ 23,491,145	\$ 24,502,297	\$ 0	-\$ 24,502,297	-100.0%
Total Funds	\$ 73,098,720	\$ 78,078,362	\$ 0	-\$ 78,078,362	-100.0%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

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Appendix 4

**Fiscal 2006 Cost Containment Actions
As Submitted by the Agency
Estimated Fiscal 2006 Savings
Compared to Fiscal 2005**

<u>Cost Saving Action/Efficiency Measure</u>	<u>Program Code</u>	<u>Total Funds</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Reimb. Funds</u>	<u>Positions Reduced</u>	<u>Impact of Action</u>
Turnover Expectancy increased by 1%	A0101	\$3,942	\$3,942					Negligible
Turnover Expectancy increased by 1%	A0101	2,161	2,161					Negligible
Turnover Expectancy increased by 1%	A0101	3,766	3,766					Negligible
Turnover Expectancy increased by 1%	A0102	10,958	10,958					Negligible
Turnover Expectancy increased by 1%	A0102	2,803	2,803					Negligible
Turnover Expectancy increased by 1%	A0102	2,197	2,197					Negligible
Turnover Expectancy increased by 1%	B0101	9,422	8,980			\$442		Negligible
Turnover Expectancy increased by 1%	B0101	51,751	41,918			9,832		Negligible
Turnover Expectancy increased by 1%	B0101	9,720	795			8,925		Negligible
Turnover Expectancy increased by 1%	B0101	28,216	24,906		\$1,890	1,420		Negligible
Turnover Expectancy increased by 1%	B0101	408	408					Negligible
Turnover Expectancy increased by 1%	B0101	13,899	1,137			12,762		Negligible
Turnover Expectancy increased by 1%	B0101	10,063	3,939		196	5,928		Negligible
Turnover Expectancy increased by 1%	B0101	2,158	957			1,201		Negligible
Turnover Expectancy increased by 1%	C0101	5,018	3,824	\$88		1,105		Negligible
Turnover Expectancy increased by 1%	C0101	37,564	29,549			8,015		Negligible
Turnover Expectancy increased by 1%	C0101	6,938	6,938					Negligible
Turnover Expectancy increased by 1%	C0101	24,303	21,321	444	1,114	1,423		Negligible
Turnover Expectancy increased by 1%	C0101	1,243	1,243					Negligible
Turnover Expectancy increased by 1%	C0101	5,173				5,173		Negligible
Turnover Expectancy increased by 1%	C0101	1,610	539			1,071		Negligible
Turnover Expectancy increased by 1%	C0101	545		23		521		Negligible
Turnover Expectancy increased by 1%	C0101	3,038	230	323	79	2,406		Negligible
Turnover Expectancy increased by 1%	C0101	1,062	407			655		Negligible
Turnover Expectancy increased by 1%	C0101	2,322	2,322					Negligible
Turnover Expectancy increased by 1%	C0101	1,483	1,053			430		Negligible
Turnover Expectancy increased by 1%	C0101	1,947	1,947					Negligible
Turnover Expectancy increased by 1%	C0101	907	801			105		Negligible

<u>Cost Saving Action/Efficiency Measure</u>	<u>Program Code</u>	<u>Total Funds</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Reimb. Funds</u>	<u>Positions Reduced</u>	<u>Impact of Action</u>
Turnover Expectancy increased by 1%	C0101	3,340	2,677			663		Negligible
Turnover Expectancy increased by 1%	C0101	3,328	3,251			77		Negligible
Turnover Expectancy increased by 1%	C0101	1,022	1,022					Negligible
Turnover Expectancy increased by 1%	C0101	2,249	1,515			734		Negligible
Turnover Expectancy increased by 1%	C0101	2,145	2,145					Negligible
Turnover Expectancy increased by 1%	C0101	3,082	2,340			742		Negligible
Turnover Expectancy increased by 1%	C0101	1,101	1,101					Negligible
Turnover Expectancy increased by 1%	C0101	1,083	1,083					Negligible
Turnover Expectancy increased by 1%	C0101	523	523					Negligible
Turnover Expectancy increased by 1%	D0101	3,681	3,681					Negligible
Turnover Expectancy increased by 1%	D0101	23,225	22,687			537		Negligible
Turnover Expectancy increased by 1%	D0101	1,650				1,650		Negligible
Turnover Expectancy increased by 1%	D0101	2,132				2,132		Negligible
Turnover Expectancy increased by 1%	D0101	2,975	1,474			1,501		Negligible
Turnover Expectancy increased by 1%	D0101	4,042		4,042				Negligible
Turnover Expectancy increased by 1%	E0101	7,645	4,283			3,362		Negligible
Turnover Expectancy increased by 1%	E0101	3,487	1,981			1,506		Negligible
Turnover Expectancy increased by 1%	E0101	4,474	2,660			1,815		Negligible
Turnover Expectancy increased by 1%	E0101	4,902	3,380			1,522		Negligible
Turnover Expectancy increased by 1%	G0101	4,929	4,929					Negligible
Turnover Expectancy increased by 1%	G0101	11,497	11,497					Negligible
Turnover Expectancy increased by 1%	G0101	3,765	3,765					Negligible
Turnover Expectancy increased by 1%	G0101	25,537	25,537					Negligible
Turnover Expectancy increased by 1%	G0101	15,789	15,789					Negligible