

**H00**  
**Department of General Services**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 05</u></b> <b><u>Actual</u></b>	<b><u>FY 06</u></b> <b><u>Working</u></b>	<b><u>FY 07</u></b> <b><u>Allowance</u></b>	<b><u>FY 06-07</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$51,381	\$50,296	\$60,897	\$10,601	21.1%
Special Fund	1,219	1,381	3,174	1,793	129.8%
Federal Fund	801	787	812	25	3.1%
Reimbursable Fund	<u>23,666</u>	<u>25,007</u>	<u>25,480</u>	<u>473</u>	<u>1.9%</u>
<b>Total Funds</b>	<b>\$77,067</b>	<b>\$77,471</b>	<b>\$90,363</b>	<b>\$12,891</b>	<b>16.6%</b>

- The fiscal 2007 general fund allowance increases by \$10.6 million, or 21.1% over the fiscal 2006 working appropriation. Factors contributing to this increase include \$2.5 million of additional personnel related costs; \$5.0 million for additional funding for deferred maintenance projects; \$1.5 million for the Governor's initiative to procure renewable energy, and \$1.6 million for the lease payment for the new Calvert Street Garage.
- The allowance includes an additional \$1.5 million in special funds to reflect the budgeting of fees charged for use of the eMaryland Marketplace on-line procurement system.

***Personnel Data***

	<b><u>FY 05</u></b> <b><u>Actual</u></b>	<b><u>FY 06</u></b> <b><u>Working</u></b>	<b><u>FY 07</u></b> <b><u>Allowance</u></b>	<b><u>FY 06-07</u></b> <b><u>Change</u></b>
Regular Positions	712.00	643.00	636.00	-7.00
Contractual FTEs	<u>19.41</u>	<u>26.52</u>	<u>26.45</u>	<u>-0.07</u>
<b>Total Personnel</b>	<b>731.41</b>	<b>669.52</b>	<b>662.45</b>	<b>-7.07</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	30.02	4.72%
Positions Vacant as of 12/31/05	52.00	8.09%

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

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## *H00 – Department of General Services*

- The allowance abolishes 8 PINs offset by the addition of 1 new position to the budget. Three additional PINs have been reprogrammed to provide security at the 2100 Guilford Avenue facility.
- The department's budgeted turnover rate of 4.72% would require that approximately 30 positions remain vacant throughout the year. The number of vacant positions on December 31, 2005, after taking into consideration the 8 positions abolished in the budget, is 55 positions representing a vacancy rate of 8.65% which is well in excess of the budgeted turnover rate.

## *Analysis in Brief*

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### **Major Trends**

***Implementation of Prox/Camera Surveillance Control Entry System:*** The department's implementation of an integrated ID-video prox entry system was expected to be nearly complete by the end of fiscal 2006. Performance data provided by the Department of General Services (DGS) now indicate that the system will not be operational in most State facilities until the close of fiscal 2007.

***Small Procurement Contracts:*** Performance data for the department's goal to more efficiently handle small procurements indicates that this objective is falling far short of expectations.

***New Procurements in DGS-supported Agencies:*** The department's Managing for Results data indicates less than expected performance regarding the department's objective to ensure that at least 80% of all new procurements are on time, under budget, and meet identified requirements.

***Change Orders and Litigation Costs on Capital Improvement Projects:*** Performance data concerning the department's objective to reduce the dollar amount of change orders and litigation losses, while indicating improvement in this objective, does not measure the correct data from which to make an accurate assessment of performance.

### **Issues**

***Contract to Provide Internet-based Procurement System:*** Legislation passed at the 2004 session required changes to the fee structure for the State's Internet-based procurement system known as eMaryland Marketplace (eMM). Delays in the implementation of regulation required to change the fee structure consistent with the legislative intent were further exacerbated by the failure to promptly receive Board of Public Works (BPW) approval of contract modifications consistent with the legislatively mandated changes. As a consequence, the vendor operating eMM has not been paid for services provided since July 1, 2005. **The Department of Legislative Services (DLS) recommends that DGS explain why the contract modifications have not been brought to BPW and what actions will be required to ensure that the State is not or no longer in violation of its contract with the eMM vendor.**

*H00 – Department of General Services*

***Operating Maintenance Funding Increased:*** The fiscal 2007 allowance provides \$7 million in general funds for facilities maintenance projects. This represents a \$5 million increase over the base \$2 million annual funding level which is exempt from the spending affordability calculation. **DGS should discuss its plans to ensure the additional funds are spent strategically. DLS also recommends budget language to restrict funds for this purpose.**

***Incomplete Report on Potential Efficiencies and Cost Savings:*** Budget language in the fiscal 2006 operating budget withheld a portion of the department’s general fund appropriation pending the receipt of a report on the potential cost savings and efficiencies that could be achieved by combining certain services and functions performed by DGS and the Department of Budget and Management. The report was non-responsive. **DLS recommends that the committees not release the restricted funds until a more thorough assessment that includes potential merging of functions between the two agencies is presented to the committees.**

**Recommended Actions**

	<u>Funds</u>	<u>Positions</u>
1. Amend language to increase the department’s authority to use special funds to fund operations.		
2. Add language reducing general funds.		
3. Add language restricting the appropriation for deferred maintenance projects.		
4. Add language to restrict funds for the purpose of funding deferred maintenance projects.		
5. Reduce general funds to reflect abolishment of seven long-term vacant positions.	\$ 325,740	7.0
6. Reduce funds for new vehicle purchases.	56,271	
7. Add committee narrative requiring a report on eMaryland Marketplace.		
<b>Total Reductions</b>	<b>\$ 382,011</b>	<b>7.0</b>

*H00 – Department of General Services*

**H00**  
**Department of General Services**

***Operating Budget Analysis***

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**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 Analysis: Managing for Results**

**Implementation of Prox/Camera Surveillance Control Entry System**

**Exhibit 1** shows the MFR performance data for DGS's goal to fit-out all department-managed State facilities with an integrated ID-video prox entry system. As the numbers indicate, the implementation of the new system has been slower than originally anticipated by the department. For instance, in DGS's MFR submission for the 2005 session, the department's goal was to have 26 of the 30 managed facilities equipped with the new system by the close of fiscal 2006. However, DGS has since revised this fiscal 2006 objective down to only 16 facilities which is the same number of facilities equipped with the new system at the close of fiscal 2005.

**Exhibit 1**  
**Number of Facilities with Prox/Camera System**



	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Est. #1</u>	<u>FY 06</u> <u>Est. #2</u>	<u>FY 07</u> <u>Est.</u>
DGS secured facilities	29	30	30	30	30	30
Number of facilities with Prox/Camera System	7	7	16	26	16	28
Percentage of facilities with Prox/Camera System	24.1%	23.3%	53.3%	86.7%	53.3%	93.3%

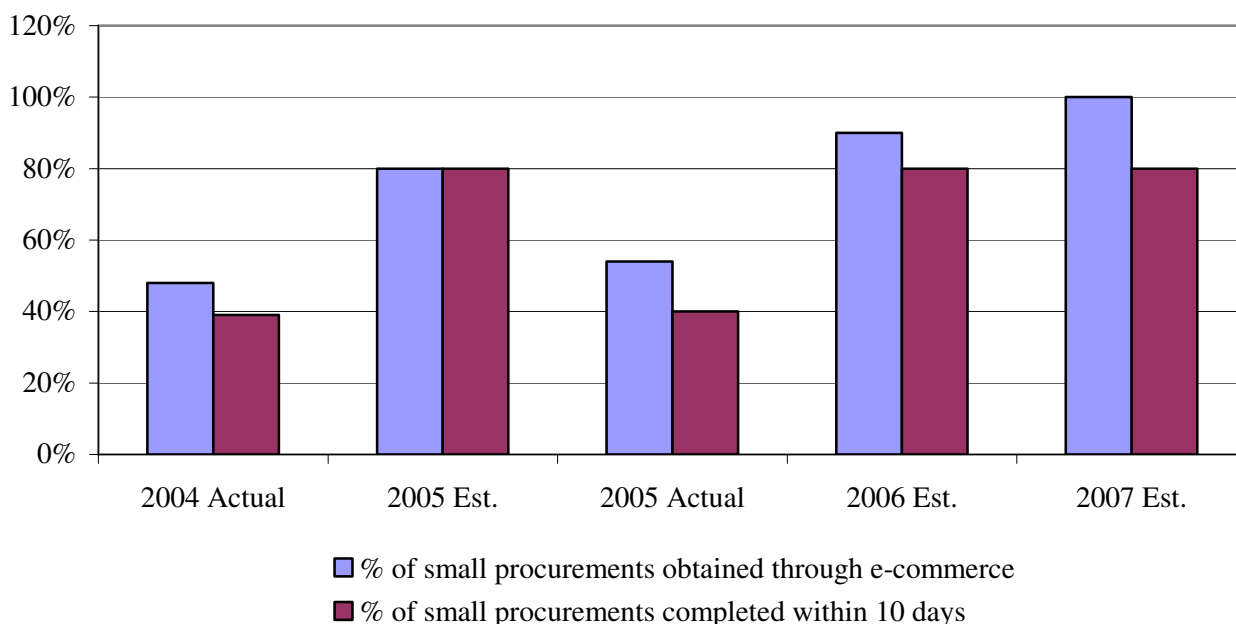
Source: Department of Budget and Management

DGS's management of the State identification card (ID) system was called into question several years back when an audit issued by the Office of Legislative Audits in October 2004 cited a number of deficiencies with DGS's management and oversight of the process. Later it was determined that a completely new prox/camera entry system would replace the old ID card system, and the fiscal 2005 budget provided an appropriation to fund the new entry system. **The department should be prepared to update the committees on the progress of the new ID card system and discuss the factors that have contributed to the delay in the implementation of the system specifically designed to provide a safe and secure place for State employees to work. DGS should also discuss whether it believes a higher level of efficiency can be achieved if the Department of Budget and Management (DBM), which already maintains the personnel information for State employees, or the Department of State Police is tasked with taking over the initiative.**

## Small Procurement Contracts

**Exhibit 2** shows the MFR performance data for the department’s goal to complete 80% of small contracts within 10 days. An important and integral component of this goal is the use of the State’s Internet-based procurement system known as eMaryland Marketplace (eMM). The eMM web site was designed to provide interactive bidding and catalog purchasing capabilities. The interactive bidding component allows on-line public sector companies to post solicitations and receive bid responses. It is this system that the department was relying on to improve the process of soliciting and receiving procurement bids, particularly small procurements.

**Exhibit 2**  
**Small Procurement MFR Performance Data**  
**Fiscal 2004 – 2007**



	<b>FY 04</b> <b><u>Actual</u></b>	<b>FY 05</b> <b><u>Est.</u></b>	<b>FY 05</b> <b><u>Actual</u></b>	<b>FY 06</b> <b><u>Est.</u></b>	<b>FY 07</b> <b><u>Est.</u></b>
% of small procurements through e-commerce	48%	80%	54%	90%	100%
% of small procurements completed within 10 days	39%	80%	40%	80%	80%

Source: Department of Budget and Management

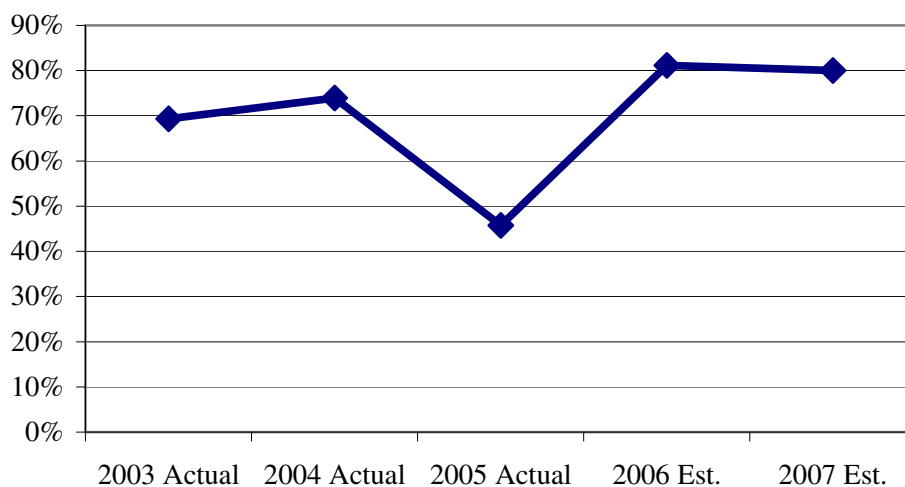
As the figures in Exhibit 2 show, DGS has not achieved its MFR objective and, in fact, has performed below estimated expectations in fiscal 2005. It should also be pointed out that the department’s fiscal 2006 MFR submission revises the fiscal 2004 actual data downward from a

reported 88% of small procurements received through e-commerce and 69% of small contracts completed within 10 days to just 48% and 39%, respectively. **The department should be prepared to comment on the following: why the 2004 actual data was revised, the factors that contributed to a poor performance measure for fiscal 2005 as compared to the estimates, why the department believes that the MFR objectives will be met in fiscal 2006 and 2007, and the adequacy of State’s eMM procurement system and its ability to produce a more streamlined procurement system.**

### New Procurements in DGS-supported Agencies

**Exhibit 3** shows the department’s MFR performance data regarding its objective to ensure that at least 80% of all new procurements are “on time, under budget, and meet identified requirements.” As the graph shows, there was a precipitous decline in this MFR measure for fiscal 2005 well below prior year actual performance and well below the estimated performance for fiscal 2005 presented with the department’s fiscal 2006 budget. **The department should be prepared to discuss the poor fiscal 2005 performance and why it believes the fiscal 2006 and 2007 performance will show improvement.**

**Exhibit 3  
Number and Percent of New Procurements  
Completed On Time, On Budget, and On Target**



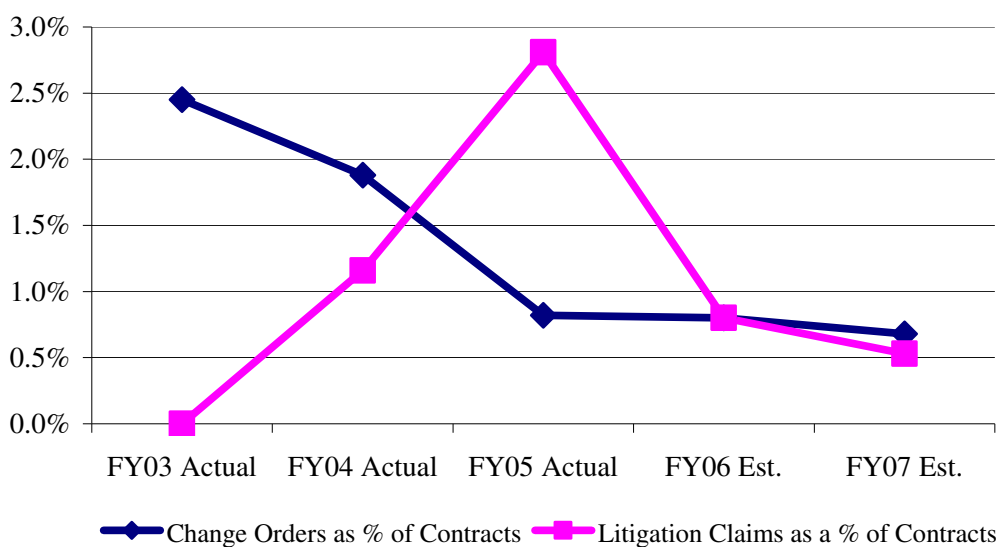
	<u>FY 03 Actual</u>	<u>FY 04 Actual</u>	<u>FY 05 Est.</u>	<u>FY 05 Actual</u>	<u>FY 06 Est.</u>	<u>FY 07 Est.</u>
Number of new procurements	1,043	940	1,000	844	892	930
Number of new procurements completed on time	723	695	800	386	724	744
Percentage on time, on budget, and on target	69.3%	73.9%	80.0%	45.7%	81.2%	80.0%

Source: Department of Budget and Management

## Change Orders and Litigation Costs on Capital Improvement Projects

One of the department’s MFR objectives is to reduce by 10% the dollar value of change orders resulting from design errors and omissions and litigation costs resulting from disputed change orders on capital improvement projects. The performance is measured against a fiscal 2004 baseline of \$1.41 million for change orders and \$0.87 million for claims. The Department of Legislative Services (DLS) observes that the performance measure does not take into consideration the dollar value of evaluated contracts and thus does not accurately measure performance. For instance, the fiscal 2004 value of contracts was \$74.7 million compared to \$129 million in fiscal 2005; therefore, any comparison between the two different amounts should factor in the total for change orders and claims as a percentage of the total contract value. The performance measure, therefore, should compare the year-over-year change in percent of total change orders and claims as a percentage of total contracts. **Exhibit 4** shows the data using the DLS recommended revised performance measure. **DGS should revise this MFR performance measure.**

**Exhibit 4**  
**Change Order and Litigation Claims MFR Data**  
**Fiscal 2003 – 2007**



**\$ in Millions**

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Est.</u>	<u>FY 07</u> <u>Est.</u>
Dollar value of contracts	\$106.0	\$74.7	\$129.0	\$125.0	\$147.0
Dollar value of change orders	2.60	1.41	1.07	1.0	1.0
Dollar value of litigation claims	0.0	0.87	3.62	1.0	0.78
Change orders as a percentage of contracts	2.45%	1.88%	0.82%	0.80%	0.68%
Year-over-year percentage change in change orders	n/a	-23.3%	-56.4%	-2.4%	-15.0%
Litigation claims as a percentage of contracts	0.00%	1.16%	2.81%	0.80%	0.53%
Year-over-year percentage change in claims loss	n/a	116%	142.2%	-71.5%	-33.7%

Source: Department of Budget and Management

## Governor's Proposed Budget

As shown in **Exhibit 5**, the department's fiscal 2007 budget allowance is \$90.4 million which is \$12.9 million, or 16.6% more than the fiscal 2006 working appropriation. General funds, which comprise \$60.9 million of the proposed budget, increase by \$10.6 million representing 82.2% or the total proposed increase. Special funds, derived from a variety of activities conducted by the department, account for only \$3.2 million, or 3.5% of the budget. Special funds do, however, increase by \$1.8 million representing 14% of the total increase in the department's budget. The increase in special funds is primarily attributable to the budgeting of \$1.5 million in fees expected to be generated through eMM. These fees will provide the source of funds to pay the eMM vendor contract. Fees generated by the department's management of the Maryland State Agency for Surplus Property located in Jessup account for most of the remaining increase in special funds. Reimbursable funds representing funds budgeted in other agency budgets, which are used to reimburse DGS for its operation and maintenance of State facilities statewide or represent pass-through lease costs, increase just \$473,000, or 1.9% over the fiscal 2006 working appropriation.

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

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
2006 Working Appropriation	\$50,296	\$1,381	\$787	\$25,007	\$77,471
2007 Governor's Allowance	<u>60,897</u>	<u>3,174</u>	<u>812</u>	<u>25,480</u>	<u>90,363</u>
Amount Change	\$10,601	\$1,793	\$25	\$473	\$12,891
Percent Change	21.1%	129.8%	3.1%	1.9%	16.6%

**Personnel Expenses**

One new position .....	\$42
Eight abolished positions .....	-370
Increments.....	727
Employee and retiree health insurance .....	889
Workers' compensation premium assessment.....	196
Retirement.....	306
Turnover rate reductions – from 6.07 to 4.76%.....	434
Other fringe benefit adjustments.....	31

*H00 – Department of General Services*

**Other Changes**

Enhanced funding for non-capital facilities renewal projects – spending affordability exempted amount budgeted in excess of \$2.0 million and the allowance provides \$7 million.....	5,000
Debt service payment for Calvert Street Garage .....	1,573
Equipment for Calvert Street Garage.....	30
Green Component Initiative.....	1,500
eMaryland Marketplace fees to vendor.....	1,500
Cost of operating Jessup surplus property facility – special funds derived from property sales .....	127
Additional contractual employee salary costs – (reduction in the turnover rate) .....	32
Fully annualized capital lease payments for new printing and reproduction equipment purchased in fiscal 2006 .....	150
Additional fuel and utilities – includes additional costs of new House Office building .....	400
Purchase of 12 new vehicles .....	120
Reduced rents paid for parking – rent to the Naval Academy reduced by one-half to reflect the parking that will be available in the Calvert Street garage .....	-134
Transfer of quick copy operation to Maryland Correctional Enterprises (formerly State Use Industries).....	-423
Maintenance and repair contracts – primarily HVAC and elevator .....	249
Janitorial services – the amount is still \$500,000 more than fiscal 2005 actual as most contracts have been re-bid and reflect additional costs.....	-124
Primarily reimbursable funds for operation of Saratoga Street complex and pass-through capital leases.....	678
Governor's Transition Fund – required by State Government Article Section 3-208.....	50
Insurance premiums charged by DBM for State Insurance Trust Fund.....	119
Office and other supplies reduced to fiscal 2005 actual levels .....	-75
Other .....	-136
<b>Total</b>	<b>\$12,891</b>

HVAC = Heating, ventilation, and air conditioning

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

## **Personnel**

The department's budget supports the funding for 636 regular full-time positions. Total funding to support the salary and fringe benefit costs of the department's positions is \$39.3 million, or 43% of the department's entire budget. The allowance abolishes 8 positions. With these abolitions the department's contingent of full-time positions is down 76 positions from the fiscal 2005 actual. The department had planned to abolish another 3 positions; however, additional security requirements at the 2100 Guilford Avenue facility necessitated the need to reprogram 3 vacant positions assigned to security at the facility. These positions are budgeted with a 75% turnover rate to reflect the planned completion of phase I renovations at the 2100 Guilford Avenue facility. The budget does include the addition of 1 new full-time position to serve as the assistant to the chief of the department's cost center. The cost center provides the cost estimates used to support the State's capital budget program. The cost center, at one time staffed with 4 positions, is now staffed by just 1 person. This individual is nearing retirement, and the department wishes to have someone fully trained and capable of taking over the job upon the incumbent's retirement.

## **Non-Personnel**

Significant non-personnel components to the department's budget include the following:

- The allowance provides \$7 million in general funds to fund the department's deferred maintenance program. This is \$5 million more than the traditional \$2 million annual appropriation. The Spending Affordability Committee recommended that any amount funded over the base \$2 million appropriation would be excluded from the spending affordability calculation.
- Completion of the construction of the Calvert Street parking garage anticipated for mid-fiscal 2007 will require semi-annual lease payments to fund the debt service for the bonds sold to build the facility. The first two debt service payments were funded from capitalized interest from the bond proceeds. Annual debt service payments of approximately \$1.5 million will be required through fiscal 2032 to retire the debt.
- The Governor's initiative to increase the State's use of renewable energy includes \$1.5 million to be used to procure energy derived from renewable sources such as hydroelectric and wind generated electricity to name a few. The department intends to use a reverse auction bid process.
- The allowance provides \$1.5 million in special funds derived from fees collected in connection with the State's Internet-based eMaryland Marketplace. Additional discussion of this item can be found in the Issues section of this analysis.
- The allowance includes \$120,000 in general funds for the purchase of 12 vehicles to replace vehicles with high mileage.

## **Issues**

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### **1. Contract to Provide Internet-based Procurement System**

#### **Background**

House Bill 702 from the 2004 session, enacted as Chapter 515, Acts of 2004 altered the fee structure charged for access to the State's Internet-based procurement system known as eMaryland Marketplace (eMM). Prior to enactment of HB 702, the vendor operating eMM charged companies wishing to access eMM one of two basic subscription fees:

- \$150 annual fee allowed a vendor to enter business information, identify goods and services, and view and respond to all open bids; and
- \$225 annual fee allowed vendors to enter business information, identify goods and services, view and respond to all open bids, and receive automatic notification via email for all requests for bids for goods and services for which the vendor had registered.

The vendor operating eMM would be paid from the collection of subscription revenues. These fee revenues were designed to ensure that the operation of eMM would pay for itself and thus remain budget neutral. The provisions of Chapter 515 amended several sections of the State Finance and Procurement Article effective July 1, 2006, to require the following:

- a fee to simply access eMM was prohibited;
- to pay the cost of operating eMM a fee specified by DBM is to be deducted from the procurement contract price from a responsible bidder from whom a procurement contract is awarded;
- the fee shall be set at an amount that is sufficient to pay the cost of operating eMM; and
- DBM shall establish by regulation, and adjust each fiscal year as necessary, the fee that is to be deducted from each procurement contract awarded.

#### **Cost Recovery Issues**

As required, DBM drafted the regulations required by Chapter 515 to change the fee structure. However, these regulations were not made effective until mid-October 2005 over three months into the fiscal year. Moreover, modifications to the current vendor contract have not been presented to the Board of Public Works (BPW) for approval. The result is that the vendor has been unable to collect any fees for the service provided through eMM. The fiscal 2007 allowance includes the addition of \$1.5 million of special funds to recognize the collection of the fee revenues that will be used to fund the vendor contract. DLS believes that there are two fundamental problems with the way eMM is setup. First, there is little information concerning how much it costs to administer eMM thus making the fee structure completely arbitrary. Second, there is reason to believe that fee charged to a successful bidder is simply being tacked onto the contract; therefore, rather than receiving additional

revenue, the State is paying more for goods and services. **DLS recommends committee narrative requiring DBM and DGS to study the eMM system and report on how the costs should be allocated and recovered. DGS should be prepared to explain why contract modifications have not been presented to BPW and what impact this may be having on the delivery of services provided by the eMM vendor. DGS should also discuss what if any plans there are to pay the vendor for the services it has provided during fiscal 2006 for which it has not received payment.**

### **Proposed Legislation Would Alter Fee Structure Once Again**

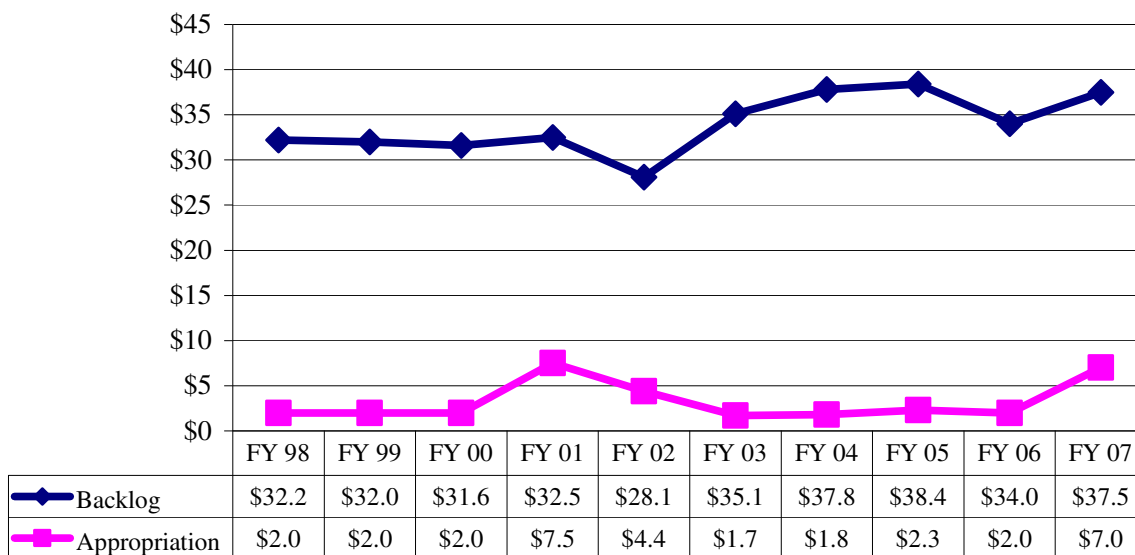
Legislation introduced in the 2006 session, House Bill 819, seeks to again alter the fee structure for the use of eMM. House Bill 819 would for the most part return the fee structure to the system it was prior to the enactment of Chapter 515 except that it would exempt Executive Branch agencies from the fee. **DLS has not completed its fiscal note on this bill, but DGS should be prepared to discuss the merits and/or drawbacks of the proposal and provide the committees with an assessment as to whether eMM is providing the State with an efficient cost effective Internet-based procurement system.**

## **2. Operating Maintenance Funding Increased**

For the last five years, operating spending by DGS on facilities maintenance projects above the base level funding level of \$2 million has been excluded from the spending affordability calculation. This exclusion was initially authorized in the Spending Affordability Committee's December 2000 report when it was reported by DGS that the facilities maintenance backlog if left unaddressed would result in considerable deterioration of the State's infrastructure and lead to higher costs in the long run.

Despite the exclusion, the reported fiscal 2007 backlog is \$37.6 million of which \$25.1 million is rated as medium priority level 4 through 6 (posing a high economic risk). As shown in **Exhibit 6**, only in fiscal 2001 and 2002 was the amount appropriated for this initiative in excess of the base \$2 million funding level and in fiscal 2003 and 2004 the funding level was actually below base.

**Exhibit 6**  
**Operating Maintenance Funding and Backlog**  
**Fiscal 1998 – 2007**  
**(\$ in Millions)**

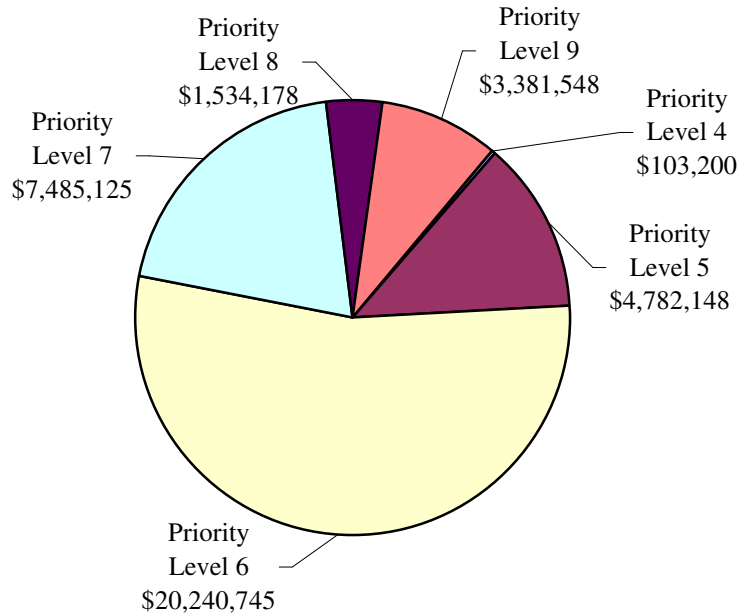


Source: Department of General Services

Exhibit 7 shows the fiscal 2007 backlog for each of the department’s priority levels.

Appendix 5 provides a summary of the department’s priority categorization.

**Exhibit 7  
Fiscal 2007 Operating Maintenance Budget Request**



Key = 4 (Higher Priority) to 9 (Lower Priority)

<u>Priority Level</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>Total</u>
Estimate	\$103,200	\$4,782,148	\$20,240,745	\$7,485,125	\$1,534,178	\$3,381,548	<b>\$37,526,944</b>
% of Total	0%	13%	54%	20%	4%	9%	<b>100%</b>
# of Projects	3	137	607	212	44	95	<b>1,098</b>

Source: Department of General Services

In the summer of 2004, DGS provided the General Assembly with a report detailing the department’s deferred maintenance backlog. In this report DGS recommended that in order to properly maintain State facilities it would require a consistent annual appropriation of \$5 million. At this funding level, the department assessed that it could eliminate the backlog by 2018 or significantly reduce the backlog by 2014. The \$5 million threshold was the most the department felt it could expend in a year with the project managers it has dedicated to the task. This was based on a total funding amount of \$17 million for deferred maintenance and capital facility renewal projects. The combined fiscal 2007 allowance for the two distinct functions is \$17.9 million. **DLS recommends that DGS discuss its plans to ensure that the additional funding is strategically expended. DLS also recommends budget language that would restrict the funds only for this purpose to ensure that funds are used for this high priority purpose.**

### **3. Incomplete Report on Potential Efficiencies and Cost Savings**

Budget language included in the fiscal 2006 operating budget bill withheld \$500,000 in general fund appropriations to DGS pending the receipt of a report that identified potential efficiencies and costs savings that could be achieved by reassigning duties between DGS and DBM. On February 16, 2006, DBM submitted a very brief two page letter to the committees indicating that little to no efficiencies would be achieved by transferring duties between the two agencies.

DLS advises that DBM's letter to the committees is non-responsive to the General Assembly's request. The letter presents no analysis and assessment of the functions performed and services provided by the two agencies. DBM only communicates that the duties performed DGS are not duplicative to the duties performed by DBM and thus no efficiencies are possible. **DLS recommends that the committees consider not approving the release of the restricted funds until such time that DBM and DGS present the committees with a more thorough study that includes a list of potential services that could be merged between the two agencies.**

## ***Recommended Actions***

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1. Amend the following language:

Funds are appropriated in other agency budgets and authorizations for capital projects to pay for services provided by this program. Authorization is hereby granted to use an amount not to exceed ~~\$2,000,000~~ \$2,500,000 of these receipts as special funds for operating expenses in this program provided, however, that authorizations for capital projects may not provide more than ~~\$1,500,000~~ \$1,750,000 for this purpose.

**Explanation:** This amended language increases the authorization to use funds appropriated in other agency budgets for capital projects as special funds for operating expenses.

2. Add the following language:

Provided that the general fund appropriation made to the Department of General Services (DGS) shall be reduced in the amount of \$500,000 to reflect a corresponding increase in the department's authority to use funds appropriated in other agency budgets for capital projects as special funds to support DGS operating expenses. Further provided that no amount of the general fund reduction shall be applied to the general fund appropriation for facility renewal projects funded under budget code H00G0101.

**Explanation:** This language reduces the Department of General Services general fund appropriation to reflect a corresponding increase in the department's authority to use funds appropriated in other agency budgets for capital projects as special funds to support DGS operating expenses.

3. Add the following language:

Further provided that \$7,000,000 of this appropriation made for the purpose of funding the Department of General Service's deferred maintenance program may only be expended for non-capital deferred maintenance projects and may not be transferred for use for any other purpose.

**Explanation:** This language restricts the appropriation for the Department of General Service's deferred maintenance program to ensure that the funds are only used to support the program and not used to fund any other purpose.

*H00 – Department of General Services*

4. Add the following language:

.provided that \$1,500,000 of this appropriation made for the purpose of purchasing renewable source energy, may not be expended for that purpose, but may only be expended for the purpose of funding deferred maintenance projects administered by the Department of General Services under budget code H00G01.01. Funds not expended for deferred maintenance projects shall revert to the general fund.

**Explanation:** This language directs the Department of General Services to increase the funding for deferred maintenance projects by prohibiting the use of funds for the purchase of renewable energy.

- |  | <u>Amount<br/>Reduction</u> |    | <u>Position<br/>Reduction</u> |
|--|-----------------------------|----|-------------------------------|
| 5. Reduce general funds to reflect abolishment of 7 long-term vacant positions. The following PINs have been vacant for between 12 and 24 months and should be abolished: 05804, 05919, 05963, 06020, 06021, 083136, and 083137.   | \$ 325,740                  | GF | 7.0                           |
| 6. Reduce funds for new vehicle purchases. The department's fiscal 2007 allowance provides funds to replace 12 vehicles; however, 4 vehicles will not register high mileage until late into fiscal 2007 and therefore should be deferred for replacement to fiscal 2008. | 56,271                      | GF |                               |
| 7. Adopt the following narrative:  |                             |    |                               |

**Report on the eMaryland Marketplace Procurement System:** The committees are concerned that the State's Internet-based procurement system known as eMaryland Marketplace (eMM) is not providing the State with a cost effective efficient procurement system. The committees request that the Department of Budget and Management (DBM) and the Department of General Services prepare and submit to the committees a study of the eMM system. The report should provide an assessment of the eMM system's costs and fee structure, provide recommendations for ways in which the system could be improved to ensure that the bidding and awarding of State procurement contracts is efficient and cost effective and ensure that costs are allocated equitably. The report should also include an assessment of other State Internet-based procurement systems. The report is due September 1, 2006.

*H00 – Department of General Services*

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>	
eMM Procurement System Improvements	DBM and DGS	September 1, 2006	
<b>Total General Fund Reductions</b>		<b>\$ 382,011</b>	<b>7.0</b>

***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$50,940	\$1,504	\$801	\$24,430	\$77,675
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	583	47	0	663	1,293
Reversions and Cancellations	-143	-333	0	-1,426	-1,902
<b>Actual Expenditures</b>	<b>\$51,380</b>	<b>\$1,219</b>	<b>\$801</b>	<b>\$23,666</b>	<b>\$77,067</b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$49,862	\$1,334	\$787	\$24,834	\$76,817
Budget Amendments	434	47	0	173	654
<b>Working Appropriation</b>	<b>\$50,296</b>	<b>\$1,381</b>	<b>\$787</b>	<b>\$25,007</b>	<b>\$77,471</b>

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

## ***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)	n/a

**Finding 1:** DGS did not take appropriate action to correct significant problems noted with the control, security, and issuance of State 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.

\*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	712.00	643.00	636.00	-7.00	-1.1%
02 Contractual	19.41	26.52	26.45	-0.07	-0.3%
<b>Total Positions</b>	<b>731.41</b>	<b>669.52</b>	<b>662.45</b>	<b>-7.07</b>	<b>-1.1%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 36,975,803	\$ 37,117,641	\$ 39,311,167	\$ 2,193,526	5.9%
02 Technical & Spec Fees	926,558	1,098,417	1,130,665	32,248	2.9%
03 Communication	994,358	985,796	953,689	-32,107	-3.3%
04 Travel	28,735	12,411	11,115	-1,296	-10.4%
06 Fuel & Utilities	11,695,165	13,031,215	14,683,548	1,652,333	12.7%
07 Motor Vehicles	923,294	741,180	824,461	83,281	11.2%
08 Contractual Services	13,793,370	13,913,524	15,674,671	1,761,147	12.7%
09 Supplies & Materials	1,513,499	1,431,909	1,483,969	52,060	3.6%
10 Equip - Replacement	110,530	177,490	327,046	149,556	84.3%
11 Equip - Additional	337,431	4,872	35,372	30,500	626.0%
12 Grants, Subsidies, and Contributions	417,000	367,000	367,000	0	0%
13 Fixed Charges	3,489,541	3,684,334	4,217,531	533,197	14.5%
14 Land & Structures	5,861,914	4,905,535	11,342,391	6,436,856	131.2%
<b>Total Objects</b>	<b>\$ 77,067,198</b>	<b>\$ 77,471,324</b>	<b>\$ 90,362,625</b>	<b>\$ 12,891,301</b>	<b>16.6%</b>
<b>Funds</b>					
01 General Fund	\$ 51,380,754	\$ 50,295,993	\$ 60,896,862	\$ 10,600,869	21.1%
03 Special Fund	1,218,635	1,381,231	3,173,807	1,792,576	129.8%
05 Federal Fund	801,432	787,349	811,905	24,556	3.1%
09 Reimbursable Fund	23,666,377	25,006,751	25,480,051	473,300	1.9%
<b>Total Funds</b>	<b>\$ 77,067,198</b>	<b>\$ 77,471,324</b>	<b>\$ 90,362,625</b>	<b>\$ 12,891,301</b>	<b>16.6%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

**Fiscal Summary  
Department of General Services**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Executive Direction and Support Services	\$ 1,722,785	\$ 1,552,727	\$ 1,566,634	\$ 13,907	0.9%
02 Office of Security Administration	2,913,959	2,832,588	3,053,814	221,226	7.8%
01 Finance And Administration	11,469,663	11,835,551	12,383,364	547,813	4.6%
01 Facilities Operation and Maintenance	35,649,001	37,485,499	38,611,271	1,125,772	3.0%
02 Maintenance Of Woodstock Center	3,947	0	0	0	0%
04 Saratoga State Center - Capital Appropriation	418,190	100,000	100,000	0	0%
05 Reimbursable Lease Management	6,828,771	6,553,146	7,111,593	558,447	8.5%
07 Calvert Street Garage Annapolis	0	0	1,657,169	1,657,169	
01 Procurement and Logistics	5,776,021	5,803,331	9,196,505	3,393,174	58.5%
01 Real Estate Management	2,161,769	2,104,345	2,148,404	44,059	2.1%
01 Facilities Planning, Design and Construction	10,123,092	9,204,137	14,533,871	5,329,734	57.9%
<b>Total Expenditures</b>	<b>\$ 77,067,198</b>	<b>\$ 77,471,324</b>	<b>\$ 90,362,625</b>	<b>\$ 12,891,301</b>	<b>16.6%</b>
General Fund	\$ 51,380,754	\$ 50,295,993	\$ 60,896,862	\$ 10,600,869	21.1%
Special Fund	1,218,635	1,381,231	3,173,807	1,792,576	129.8%
Federal Fund	801,432	787,349	811,905	24,556	3.1%
<b>Total Appropriations</b>	<b>\$ 53,400,821</b>	<b>\$ 52,464,573</b>	<b>\$ 64,882,574</b>	<b>\$ 12,418,001</b>	<b>23.7%</b>
Reimbursable Fund	\$ 23,666,377	\$ 25,006,751	\$ 25,480,051	\$ 473,300	1.9%
<b>Total Funds</b>	<b>\$ 77,067,198</b>	<b>\$ 77,471,324</b>	<b>\$ 90,362,625</b>	<b>\$ 12,891,301</b>	<b>16.6%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

**Priority Classes**

The prioritization process used by attempts to identify the consequences of not funding projects bases the priority class on the following:

Highest Level: Serious prolonged impact of facility mission:

- 1 High risk of litigation from failure to provide a mandated service.
- 2 High risk of cessation of a mandated service.
- 3 High risk of reduction of a mandated service.

Mid Level: Short-term impact on mission capability but very high level of economic risk:

- 4 Fineable code violations, serious life safety issues.
- 5 Destruction of related assets.
- 6 Accelerated deterioration of the asset, end of normal life expectancy.

Low Level: No impact on mission capability and low economic risk associated with:

- 7 Restoring an asset to its design effectiveness.
- 8 Restoring an asset to design efficiency.
- 9 Improving an asset above its original design effectiveness.