



**State of Oklahoma
Department of Central Services**

Fiscal Year 2006 Performance Review

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EXECUTIVE SUMMARY

DCS FY 2006 Major Accomplishments – tough but a very productive year.

Agency goals, established through a strategic management review process which incorporates financial management, business processes, human resources development and information technology, are 50% complete. DCS is vigorously improving its automation capacities. Four (4) new information systems are in the implementation phase. Several others are either in the acquisition process or under development. Old systems data conversion is now in progress. A newly developed intranet site serves as a communication and reporting platform for the agency. DCS has revamped its financial management and decision processes, including improved reporting and increased accountability for financial processes at all levels.

DCS established a dedicated OCIA financial management team to assure accountability of the \$1.2B in bond indebtedness. The OCIA finance unit recently underwent its first external audit and received an “unqualified opinion”.

Efforts to ensure DCS is meeting customers' needs are evident in several 2006 projects. The Central Purchasing Division organized commodity councils comprised of representatives from other state agencies and the private sector, to review the State's purchasing needs for food, fuel, and other products and services. Fleet Management organized the State Motor Vehicle Advisory Council, which is currently reviewing the Division's administrative rules as its first effort to improve management of the State's fleet. Customer communication is a top priority throughout the Department.

Summary of the FY 2007 Supplemental Budget Request

Energy, operational and deferred maintenance cost increases have outpaced appropriations and revenues from non-appropriated sources, resulting in a significant budget shortfall in FY 2007. Energy costs have increased significantly over the last two years alone largely due to a 40% utilities rate increase. Operational Maintenance costs have increased because of high demand for construction material resulting from natural disasters. Unaddressed deferred maintenance issues have resulted in several emergency expenditures over the last two years, including new roofs on the State Capitol, Department of Transportation building, Agriculture building, repair of the Sequoyah Building loading dock, to name a few. The department has taken action to reduce operational costs, including reducing lighting, janitorial services, and contractual maintenance programs, and adjusting temperature settings in our facilities to reduce HVAC energy costs. Additionally, the FY 2007 DCS appropriation did not include \$319,000.00 for the mandated 5% FY 2007 pay raise, due to a formulary error. These factors have resulted in a \$3,200,000.00 shortfall this fiscal year.

Summary of the FY 2008 Budget Request

The Department of Central Services' request for FY 2008 accommodates actual operating cost incurred excluding deferred maintenance issues. We have requested \$7.428M dollars more than the FY 2007 base budget. This includes the \$3.2M dollars we have included in the FY 2007 supplemental request to meet operational costs. It also includes \$600K to fund additional construction management staff, funds for a new printing press, \$700K for a facilities management system, and \$1.5M for emergency generators.

Strategic Emphasis

DCS recommends that the legislature develop a funding mechanism to address deferred maintenance needs of the State Capitol facilities and fund Capitol improvement projects in the capitol zone. We have requested legislation to improve our purchasing programs and to require a more rigorous analysis of OCIA capitol improvement requests.

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GENERAL INFORMATION

STRATEGIC DIRECTION

Agency Mission

The Department of Central Services assists customers in accomplishing their missions by providing essential services and quality solutions through: procurement, facilities, real estate, construction, fleet, risk management, property reutilization, printing and distribution, and support to OCIA.

Agency Vision

The Department of Central Services operates cohesively and shares a consistent set of values so that agencies and other entities of the State of Oklahoma have confidence and trust in management systems operated by DCS, and actively partner with DCS to resolve state government administrative issues.

Agency Purpose

Serve and support Oklahoma government.

Core Values

Service	DCS serves customers in a team oriented partnership and in a collegial manner
Integrity	DCS provides cost effective services and programs through emphasis on good stewardship and accountability of the taxpayers' dollars
Quality	DCS provides the best available solutions to the issues of state government through emphasis on quality and effectiveness

Areas of Emphasis

Customers	Facilitate and provide effective and efficient services through collegial and productive relationships with all state agencies
Finance	Develop and maintain sound financial systems and practices to support DCS' services by ensuring accurate and accountable financial performance
Processes	Develop and maintain programs and policies that enhance DCS service performance and improve state agency mission performance
Growth	Develop and broaden the professional skills of DCS' employees in order to promote high value oriented workforce with professional growth opportunities for each employee

Objectives

- Achieve sufficient funding to meet the needs of our customers
- Deliver consistent, quality service through streamlined processes and procedures
- Implement comprehensive, reliable information systems
- Educate, train and support our employees and our customers for optimal effectiveness
- Develop comprehensive internal and external channels of communication

AREAS OF RESPONSIBILITY – FUNCTIONAL SERVICES

DCS Administers:

- Central Purchasing
- Construction and design of state facilities
- Facilities - nineteen (19) State buildings including the Capitol, Governor's Mansion and State Capitol Park, Tulsa and Ada, and historical monuments and markers
- Fleet, fuel management, and alternative fuels programs
- Leasing - plans and manages space in State-owned and commercially leased facilities
- Real Estate Services programs, including properties inventory, sale, purchase, lease, and/or easement of State-owned land
- Risk Management, including commercial and self-insurance programs
- Central Printing, photocopying and graphic design services
- Interagency mail service for state agencies in Oklahoma City area
- Federal Surplus Property Donation program
- State Surplus Property program
- State Procurement Audit program

DCS Provides Direct Administrative Support to:

- Oklahoma Capitol Improvement Authority
- Capitol Preservation Commission
- Oklahoma Capitol-Medical Center Improvement and Zoning Commission
- State Use Committee (overseen by the Central Purchasing Division)
- Public Employees Relations Board

ORGANIZATION

LEADERSHIP

Director of the Department of Central Services

On December 1, 2004, Governor Brad Henry designated John S. Richard as the Director of Central Services and Deputy Cabinet Secretary of Human Resources and Administration. (74 O. S. § 10.1, et seq).

Deputy Director / Chief of Staff

On January 1, 2005, Director John Richard designated Delmas Ford as the Deputy Director of the Department of Central Services.

STRUCTURE

The organizational structure of DCS positions the Department to expediently deliver the highest quality business services to its customers throughout state government. DCS is committed to providing systems and services that our customers can depend on. DCS organization consists of six (6) functional and nine (9) administrative units.

DCS consists of six functional divisions, which deliver centrally managed services to state agencies, boards and commissions. They are: Central Purchasing, Central Purchasing, Office of Facilities and Management, Fleet Management, Property Reutilization, and Risk Management.

DCS supports its mission divisions with nine administrative units. They are: Finance, Information Services, Human Resources, Auditing, Legislative Liaison, Procurement, Rules Liaison, General Counsel and Special Projects.

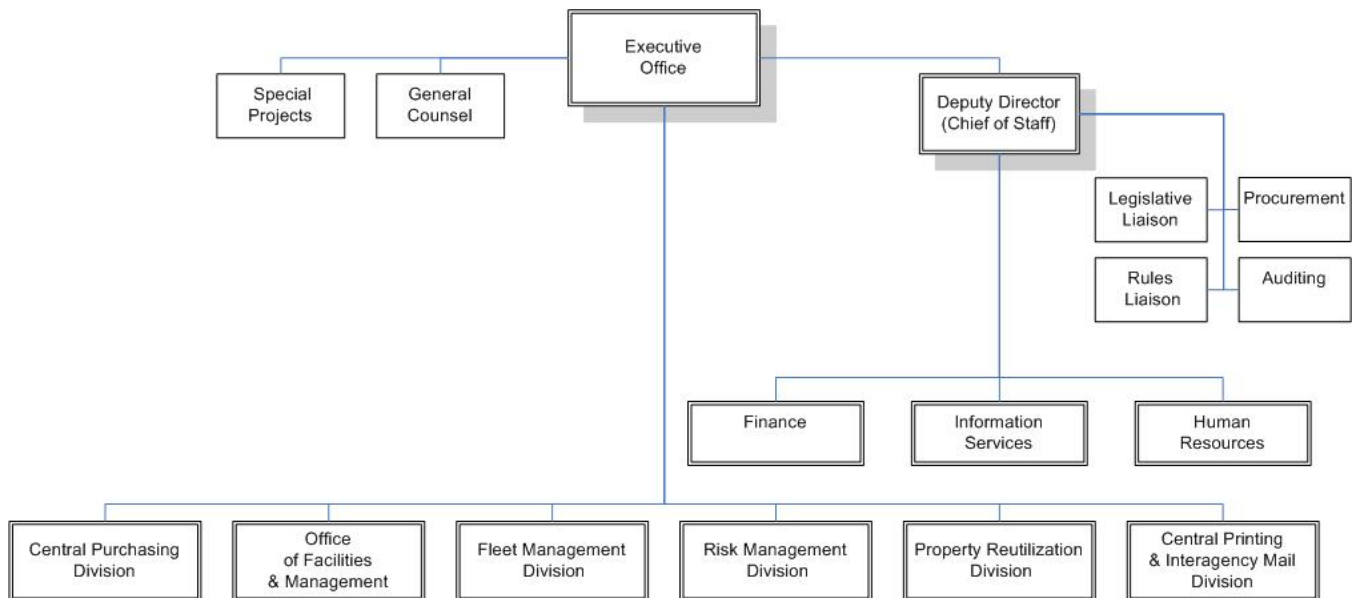


Figure 1 – DCS Organization Chart

EMPLOYEES / HUMAN RESOURCES

Accomplishments / Initiatives

- Implemented an HR data base which integrates HR and financial data for management purposes
- 50% completion of HR electronic time-keeping system
- Completed an employee training needs assessment upon which to base future training and certification needs
- Revision of Employee Policy Handbook is 75% completed

DIVISION	FTE
Administration	9
Auditing	5
Finance	11
Human Resources	3
Information Services	5
Legal	4
Central Printing and Interagency Mail	23
Central Purchasing	31
Fleet Management	20
Office of Facilities and Management (OFM)	89
<i>OFM Administration & Support</i>	7
<i>Construction & Properties</i>	14
<i>Facilities Management</i>	62
<i>Real Property Services</i>	3
<i>State Leasing Office</i>	3
Property Reutilization	15
<i>Federal Property Distribution</i>	11
<i>Surplus Sales</i>	4
Risk Management	9
TOTAL DCS	224
Administratively Supported Programs*	8
GRAND TOTAL	232

Table 1 – Current Number of FTEs According to the Organization Structure

* See Page 5

Key Performance Indicators

- Conducted on-site supervisory training. 100% of DCS supervisors received required training.
- Completed the market adjustments for Contracting Officers in Central Purchasing Division and for the printing staff in Central Printing Division. Initiative started to help prevent employee turn-over due to low pay.
- DCS met its EEO/AA goals in recruiting in all of the minority groups with the results that the number of minority staff at DCS has increased from 29% to 30%.
- Number of employees – 232 as of Dec 31, 2006
 - 70 new hires and 27 promotional actions
 - 34 employee separations

Challenges and Roadblocks

- DCS pay scales are inadequate to draw the necessary talent in highly skilled areas, including: architects, engineers, construction managers, financial managers, auditors and other professionals.
- PeopleSoft constraints in providing the necessary reports and data for the effective employee and position data management.

FINANCES / BUDGET

Accomplishments / Initiatives

- Completely revised internal financial procedures and revamped budgeting process within the agency.
- Trained and educated division chiefs on the preparation of budgets and monitoring their financial position so that each chief now has ownership and responsibility for his/her division's budget.

Key Performance Indicators

<i>Data Presented in \$1000s</i>		<i>FY 2006</i>	<i>FY 2006</i>	<i>FY 2007</i>
<i>Fund #</i>	<i>Fund Title</i>	<i>Budget Work Prog.</i>	<i>Actual Expenditures</i>	<i>Budget Work Prog.</i>
DCS GRAND TOTAL		\$72,545	\$50,709	\$60,676

Administration

19X	General Revenue	1172	747	859
201	Gen Purpose Rev.	54		10
445	Payroll Trust Fund	0		164
TOTAL	Administration	\$1,226	\$747	\$1,033

Core Services

11X	Public Building Fund	-168	660	0
19X	General Revenue	11,267	9,688	10,843
201	Gen Purpose Rev.	113	39	269
205	Risk Management	1,000	0	206
215	State Const Rev.	1,583	920	1,456
225	Severely Handicapped	267	202	179
230	OK Print Shop Fund	2	0	0
231	Postal Service Rev.	634	531	631
240	Asbestos Abate. Rev.	0	0	335
244	Statewide Surp. Prop.	1,813	456	668
245	Build. And Fac. Rev.	15,041	13,926	11,787
250	State Motor Pool Rev.	1,000	10	0
255	Ok Motor Lic Agent Indemnity	1	0	0
260	Risk Manage. Fire Prot.	1	0	48
265	Bid Document & Bond F.	85	79	0
270	Regis. Of State Vendors	281	65	121
271	Vendor Fees & Rebates	125	104	451
272	Purch. Training Fund	13	2	23
275	State Recycling Rev.	31	32	62
443	Interagency Reimb.	0	0	36
445	Payroll Trust Fund	528	406	501
494	Sales Fund Surplus	10	0	0
57X	Special Cash Fund	0	239	0
TOTAL	Core Services	\$33,627	\$27,359	\$27,616

Public Employees Relation Board

11X	Public Building Fund	10	11	0
19X	General Revenue	43	43	47
201	Gen Purpose Rev.	0	0	10
57X	Special Cash Fund	0	0	0
TOTAL	PERB	\$53	\$54	\$57

Table 2 – Budget, Expenditures and Funding Lines

<i>Data Presented in \$1000s</i>		<i>FY 2006</i>	<i>FY 2006</i>	<i>FY 2007</i>
<i>Fund #</i>	<i>Fund Title</i>	<i>Budget Work Prog.</i>	<i>Actual Expenditures</i>	<i>Budget Work Prog.</i>
Capitol Medical Zoning Commission				
11X	Public Building Fund	1	2	0
19X	General Revenue	86	90	82
TOTAL	Zoning Commission	\$87	\$92	\$82
Property Distribution				
11X	Public Building Fund	0	0	0
210	Surplus Property Rev.	3,954	1,445	1,261
245	Build and Facility Rev.	0	0	6
TOTAL	Property Distribution	\$3,954	\$1,445	\$1,267
Central Printing				
11X	Public Building Fund	0	0	0
230	Ok Print Shop Fund	1,665	1,481	1,633
TOTAL	Central Printing	\$1,665	\$1,481	\$1,633
Motor Pool				
19X	General Revenue	0	0	0
250	State Motor Pool Fund	7,169	6,229	6,469
TOTAL	Motor Pool	\$7,169	\$6,229	\$6,469
Alternative Fuels				
11X	Public Building Fund	2	2	0
19X	General Revenue	66	66	43
250	State Motor Pool Fund	0	0	4
251	Alternative Fuels Tech	45	3	9
TOTAL	Alternative Fuels	\$113	\$71	\$56
Risk Management				
19X	General Revenue	38	39	40
205	Risk Manage. Rev.	22,016	12,277	20,575
206	Community Action Ag	505	0	505
223	Foster Families Prot. Fund	544	434	428
255	Motor License Agent ID	251	35	48
260	Risk Mgmt Fire Protec.	1,081	284	687
261	Risk Mgmt Elderly and Handicapped	3	0	3
262	Risk Mgmt Political Subdivisions	213	162	177
TOTAL	Risk Management	\$24,651	\$13,231	\$22,463
DCS GRAND TOTAL		\$72,545	\$50,709	\$60,676

Table 2 (cont.) – Budget, Expenditures and Funding Lines

Challenges / Roadblocks

- Agency is operating as if the State is in a revenue shortfall - conservative personnel actions, reduced maintenance services such as trash, energy management, and reduction in other maintenance contracts.
- Agency was shorted \$319,000.00 for employee pay raise due to a formulary, which worsened the agency's condition.
- In FY 2006 the Agency spent \$4.5 million more from its repair account than it took in. Most was used to support the operations of appropriated buildings which were not funded.
- Unexpected events were funded from operational funds. Examples are: Capitol roof damaged by storm \$860,000.00, Mold removal \$148,789.00, Dock repair \$480,000.00. The agency is at risk of not being able to meet critical operations when future unexpected events occur.
- DCS maintains the State of Oklahoma Capitol facilities including two million square feet of office space in the Capitol complex. The budgetary costs for maintaining one half of that space is appropriated directly to DCS by the legislature annually. The amount funded by the legislature for these appropriated buildings has actually been decreased over the last 10 years, from \$4.26 per square foot in FY 1996 to \$3.21 per square foot in FY 2007 (see Figure 2). Facilities revolving funds have been depleted to the point that our operational capacities have been impaired.

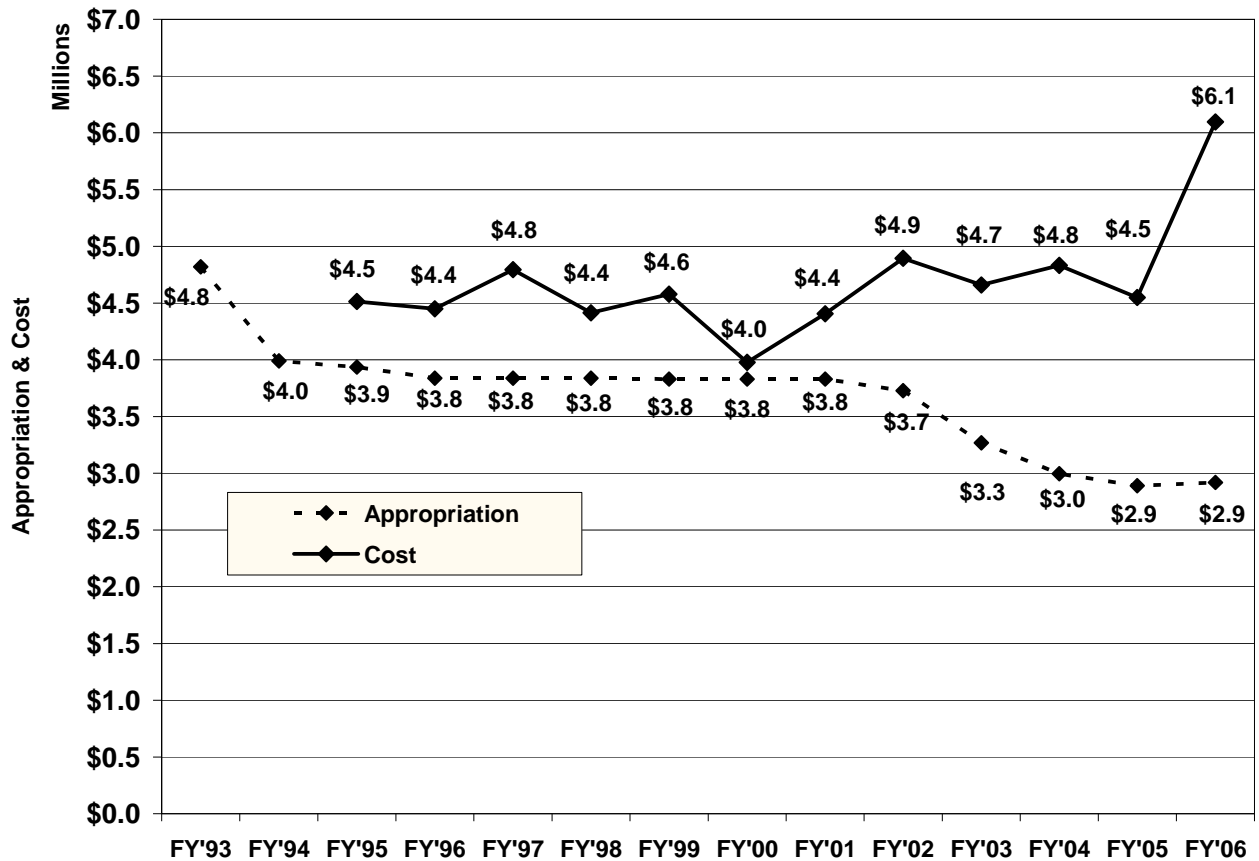


Figure 2 - Buildings Appropriation vs. Maintenance Cost

- Agency needs supplemental appropriation to meet the rest of FY 2007 demands and to increase base appropriation for FY 2008 to meet basic service needs. This will not address the large deferred maintenance issues.
- DCS needs legislative assistance to systematically address deferred maintenance needs in our Capitol facilities.
- The costs of maintaining our buildings have now exceeded \$7.00 per square foot. In the last 24 months, energy costs have risen 40%, and personnel costs have risen 10%. Additionally we are experiencing inflationary increases in our material requirements and services contracts due to natural disasters such as Katrina. As a result, the agency has depleted its revolving fund and carryover funds to the point that we are unable to fund even emergency repair projects much less other necessary depreciation projects. The agency has taken steps to address the shortfall, including initiating energy management, reducing janitorial services, and reducing routine maintenance contracts. However these measures will be insufficient to accommodate our FY 2007 budget shortfall and DCS will require a supplemental appropriation in FY 2007 to meet the needs of our state office facilities.

INFORMATION / TECHNOLOGY

Accomplishments / Initiatives

- Assisted Agency divisions with acquisition and development of the following information systems
 - Fuel Card Management
 - Fleet Management
 - Risk Management
 - Printing Management
 - Accounts Receivable Management (“Great Plains” implementation)
- Online Purchasing Vendor Registration (OK.gov development)
- Construction Management (“Expedition” implementation)
- State Surplus Auction (in house development)
- The Agency Intranet was developed and deployed. It is a place to post information that needs to be disseminated to all agency employees. It also currently provides the interface for the new HR; Help Desk; State Surplus; Land Inventory; Purchasing Requisition log and real asset inventory systems. We are also developing the Leave Request system and Time Sheet system that will also utilize this interface.
- We converted the Agency from Lotus Domino to Microsoft Exchange for our primary Email server. This has allowed for greater flexibility with integration between other Microsoft products.
- We upgraded the Agency data storage by implementing several HP RAID Arrays. This has increased fault tolerance by utilizing RAID V technology and the use of hot swappable hard drives and also provides four times as much network storage space.
- We have improved the security of the Agency’s network by implementing Active Directory policies and deploying a network device to read network activity and alert us when a potential problem has been found.

Key Performance Indicators

- Network – Percent of uptime and the absence of viruses is our primary indicator of network performance. We have made strides in both of these areas and have plans to improve both even further during 2007
- Applications – Accomplishing the development and deployment of new applications to specification within the agreed upon time frame
- Operations Support – Responding and resolving requests for ISD assistance in a prompt and professional manner

Challenges / Roadblocks

- Budget constraints have limited our ability to employ enough developers to ensure a timely response to new system requests. This situation is causing a bottleneck for new system development and is delaying our migration from legacy applications
- Difficulties on obtaining access rights to *PeopleSoft* with which to integrate current and prospective systems

FUNCTIONAL UNITS OVERVIEW

AUDITING

Mission

Plan and perform audits in accordance with professional auditing standards to ensure that programs administered by the Department of Central Services are conducted in accordance with laws and regulations and used in an ethical, effective and efficient manner.

Objectives

- Complete the fiscal year assigned audits in a timely manner
- Assist State agencies in improvement of their procurement and purchase card use practices

Services

Auditors review compliance with the purchasing procedures, State Use laws, State Purchase Card procedures and adherence to and management of contract terms and conditions. When requested by the Director of Central Services, the auditors review and audit construction contracts for compliance with Title 61 of the Oklahoma Statutes. Based on findings from reviews and audits, the Director of Central Services may require retraining of a State agency CPO, reduce the State agency acquisition competitive bid limit or transmit audit findings to the State Auditor and Inspector or Attorney General for further review.

Accomplishments / Initiatives

- The performance of the State's first purchasing and purchase card procedural audits
- 26 completed procurement or purchase card audits
- Enhanced communication and working relationships with State agencies

Key Performance Indicators

- 26 completed procurement or purchase card audits for FY 2006 assignments
- 11 audits in progress
- Effective monitoring of agencies procurement compliance and procedures
- Reliable feedback from the agencies to DCS related to ease of use, timeliness, accuracy, cost and choice
- Better informed state agency purchasing personnel

Challenges / Roadblocks

- Not enough staffing to meet the demand for audits

CENTRAL PRINTING AND INTERAGENCY MAIL

Objectives

- Sound financial systems and practices to support Central Printing and Interagency Mail's (CPIAM's) services by ensuring accurate and accountable financial performance
- Provide efficient services that meet the customers' needs
- An efficient processes management that optimizes CPIAM resources and reduces administrative and operating costs
- Promote accountability and opportunities for each CPIAM employee and manage CPIAM staff effectively

Services

Printing products range from four-color process printing to custom stationery, business cards, receipt books, newsletters, envelopes, brochures, posters, books, forms, tabs. Over the past several decades, Central Printing based much of its revenue on governmental forms printing. With the advent of web-based form printing, Central Printing realized it had to find new and innovative services to continue as a valuable and competitive asset to its customers. These new services included:

- On-demand color printing
- Fulfillment services – applications, certificates, notices, licenses, handbooks, renewal forms
- Automated mail discounts through Central Printing's postal permit and barcode addressing
- Folding and inserting
- Presort Mail discounts for agency-provided US mail
- Large volume envelope printing and storage

Interagency Mail makes 160 stops a day by delivering and picking up the mail for state agencies. Interagency Mail meters first class, presorts, and issues postal permits for bulk mailing

Accomplishments / Initiatives

In FY 2006, Central Printing continued to seek new services and more efficient methods to fulfill its mission through:

- Progressive customer surveys – to quantify the value of our services and to identify the changing needs of our customers
- Marketing of our present services to let the customer know what we provide. Through these efforts we both regained printing jobs from agencies that had not ordered for awhile, and added in the above-mentioned new services for a number of others
- Acquiring a new management system designed for the printing and mailing industry. Our present system is antiquated and does not provide for tracking, scheduling, estimating, inventory and reporting
- Exploring web-based ordering
- Researching digital printing and chemical free processing
- Request for Proposal submitted for a Print Management Information System, which will allow detailed, real time data collection and performance measurement: demand estimating, web ordering, inventory and tracking, scheduling, invoicing
- Initiated strategic research and planning for a Four-color press

- Gained three new Interagency Mail metering customers
- Redesigned Interagency Mail tracking/reporting system

Key Performance Indicators

- Developed and maintained a sound financial system. Budget estimate vs. actual variance was 8.9%, within the 10% allowance
- Efficient processes management.
 - Average turn around time for job completion was reduced by 4 days from FY 2005
 - Reduced equipment down time through more effective PMS (Preventive Maintenance Schedules)
- Meeting the customers' needs. Customer Satisfaction survey: results—86% overall score of satisfactory or higher

<i>Central Printing</i>	<i>Job Requests</i>	<i>Job turn-around</i>	<i>Billing</i>	<i>Expenses</i>
FY 2005	4,547	20 days	\$1,592,998	\$1,242,563
FY 2006	4,625	16 days	\$1,634,256	\$1,480,557

Table 4 – Central Printing Performance

<i>Interagency Mail</i>	<i>Delivered</i>	<i>Metered</i>
FY 2005	744,627	1,106,578
FY 2006	713,637	1,114,577

Table 5 – Interagency Mail Performance

Challenges / Roadblocks

- Limited customer base - limited to State, City and County entities
- Limited utilization of Central Printing by agencies
 - Proliferation of underutilized high speed digital printers at the agency level
 - Agency internal controls hinder outsourcing to Central Printing.
- Educating Customers of Services Provided - Information does not always reach the decision makers
- Constant changes in the printing industry's technology
 - Limited financial resources
 - Policy restrictions

CENTRAL PURCHASING DIVISION

Mission

Provide leadership and services for innovative, responsive, and accountable public procurement by working in partnership with state agencies, local governments and suppliers to provide quality goods and services, striving to optimize taxpayer dollars while carefully monitoring and improving the use of our time, talent and resources.

Objectives

- Provide efficient services that meet the customers' needs by innovative strategic sourcing programs, taking advantage of emerging technologies, practices, resources, and economies of scale, and appropriate consideration of special needs groups and the use of statewide contracts and purchase card systems
- Sound financial systems and practices to support Central Purchasing Division's (CPD's) services by ensuring accurate and accountable financial performance
- Efficient procurement and payment processes that conserve CPD resources through reduced administrative costs
- A trained and effective certified purchasing officer training program, which facilitates consistent and best purchasing practices
- A trained and skilled CPD staff

Services

As required by 74 O.S. § 85.3 and 85.4, the State Purchasing Director, under the supervision of the Director of Department of Central Services, has sole and exclusive authority and responsibility for all acquisitions used or consumed by State agencies. The Division is made up of the following branches and programs:

- Supplies/Operations Branch
- Technical/Services Branch
- Multi-State And Statewide Contracts
- Training
- Customer Relations Program
- Vendor Registration Program

Accomplishments / Initiatives

- Central Purchasing completed the review of the strategic purchasing opportunities with our consulting partner. The four major commodity areas that were targeted were copier/printers; office supplies; prime food vendor; and maintenance, repair and operations (MRO):
 - The prime food vendor statewide contract was awarded with an estimated savings of \$685,000. In addition to the hard cost savings, we now have the ability to utilize p-cards in the purchase process, saving significant administrative costs.
 - The copier contract is in the request for proposal stage. A commodity council of various agency end users was utilized for the creation of the request for proposal.
 - The office supply portal contract has been awarded and is 95% ready for statewide on-line use. The State Use vendors and corporate partner joined to develop the ONESHOP portal. The portal insures

state use items are shipped from the appropriate vendor and eliminates placing multiple orders to multiple vendors for office products. In addition to offering a 61% reduction for disposable office products, the contract will drive compliance for State Use office product suppliers and provide huge state administrative cost savings. State agency training and testing of the portal is being conducted.

- The MRO contract is in the research phase and commodity council meetings are being conducted.
- Increased staff productivity by the development of new statewide contracts and participation in multi-state conferences. In FY 2006, there were approximately 35 new state wide contracts developed and implemented. Agency staff has been participating in conferences with other states to discuss and implement cooperative purchasing incentives.
- Contracting officer skills have been enhanced in analyzing base spend, developing bid proposals, and use of automation tools. Commodity councils have been utilized with both vendor and State agency participation, taking advantage of a cooperative approach to strategic purchasing.
- Five statewide enterprise contracts for IT consulting services were replaced by one competitively bid statewide IT contract offering multiple vendors in nine IT services categories. The resulting purchase process has been streamlined and user guidelines have been provided. To date, \$7 million has been spent among 17 participating agencies.
- On-line vendor registration is 70% completed. Total registered vendors have increased from 2145 in FY 2005 to 2272 in FY 2006.
- With Legislative approval, in cooperation with OSF and State Treasurer's office, an electronic commercial card payment system is being developed.

Key Performance Indicators

- The number of sustained protests remains consistent at 3 - 4 per year
- Agency complaints relating to Vendors have leveled out to less than 80 per year
- Registered vendors with the State slightly increased last year; automation and improved forms have decreased number of resources for maintenance of vendor files
- Increased use of the Purchase Card program, which results in more rebates for the State
- Increased number of agency personnel trained
- Decreased volume of low value of purchase orders (POs) processed in CPD, especially \$0K-\$25K POs, which allow CPD personnel to focus more on high value and complex contracts

<i>Vendor</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006</i>
Complaints*	148	148	89	91	75	79
Valid Protests	1	3	3	3	3	4
Registered with the State	3281	2988	2923	2299	2145	2272
Mailings	9320	8734	7158	5557	5118	3793
Inquiries	4581	5239	4797	4150	3707	2623

Table 6 – Vendor Performance Indicators

*Agencies' complaints about vendors

<i>Purchase Card</i>	<i>FY 2005</i>	<i>FY 2006</i>
Expenditures - State Agencies	\$21 million	\$26 million
Expenditures – Total	\$114 million	\$121 million
Rebate	\$175,000	\$234,000

Table 7 – P-Card Performance Indicators

<i>Training*</i>	<i>FY 2005</i>	<i>FY 2006</i>
Agency Personnel	2323	2869

Table 8 – Training Performance Indicators

* Agency training consisted of a variety of purchasing seminars, CPO classes, purchase card, travel and portal training.

<i>POs Processed</i>	<i>\$0K-\$25K</i>	<i>\$25K-\$50K</i>	<i>\$50K-\$100K</i>	<i>\$100K-\$500K</i>	<i>\$500K-\$6M</i>	<i>Over \$6M</i>	<i>Total</i>
FY05 - Amount	13,723,610	26,690,449	35,453,301	140,973,938	264,375,918	140,678,600	621,895,817
FY05 - Quantity	2,126	726	491	615	169	6	4,133
FY06 - Amount	12,587,809	25,346,556	33,925,499	126,619,049	185,391,331	128,008,621	511,878,866
FY06 - Quantity	1,620	710	467	584	144	6	3,531

Table 9 – Purchase Orders Performance Indicators

Challenges / Roadblocks

- Needed legislative changes to revise current purchasing statutes for more effective procurement practices
- Continue to increase communication between agencies and Central Purchasing Division to improve procurement contracting
- Working with the private sector to ensure that Oklahoma vendors and the State receive the best quality services and products possible

FLEET MANAGEMENT AND ALTERNATIVE FUELS

Mission

Provide economical motor vehicle services to State agencies including policy oversight, leasing, maintenance management, reporting, and educating, training and promoting alternative fuel usage in both the public and private sectors.

Objectives

- Sound financial systems and practices to support Fleet Management's (FM's) services by ensuring accurate and accountable financial performance
- Provide efficient services that meet the customers' needs
- Provide accurate and consistent count of all state owned motor vehicles, operational data and utilization
- Effectively manage the operating cost of the entire fleet of state owned motor vehicles
- Provide opportunities for each Fleet Management and Alternative Fuels employee
- Manage Fleet Management and Alternative Fuels staff effectively

<i>Finances</i>	<i>Fleet Management</i>	<i>Alternative Fuel</i>
Expenditures	FY 2006: \$5,879,812	FY 2006: \$73,114
Budget	FY 2006: \$7,169,353	FY 2006: \$92,173
	FY 2007: \$6,576,500	FY 2007: \$58,881

Table 10 – Fleet Management and Alternative Fuels Financial Performance

FLEET MANAGEMENT DIVISION

Services

The Division provides oversight and advice to State agencies that own, operate and utilize motor vehicles. It also administers the statewide fuel management program.

The State fleet managed by the Division includes passenger vehicles, minivans, full size vans, cargo vans, pickup trucks and box trucks that are available for rent on a daily or monthly basis that average less than the State reimbursement rate.

Accomplishments / Initiatives

The Department of Central Services Fleet Management Division actively pursued opportunities to improve essential services provided to our fellow state agencies. The statewide physical fleet inventory project DCS initiated and completed in FY 2006 was a starting point for our effort to improve the operation and management of the State's passenger vehicle fleet.

Fleet Management's second initiative established a Motor Vehicle Advisory Council comprised of representatives from each state agency with statutory authority to purchase and own passenger vehicles and buses. The Council is collectively developing statewide uniform standards and practices regarding the utilization and management of the State's motor vehicle fleet.

- Purchased a new state-of-art Fleet Management Web-Based Automated Information System to effectively manage the entire state motor vehicle fleet
- Awarded a Statewide Motor Vehicle Contract to be utilized by all state agencies, county government, cities and higher education to improve efficiency at reduced costs
- Maintained an accurate inventory and operational costs of all State-owned motor vehicles including Higher Education
- Established a Motor Vehicle Advisory Council comprised of representatives from all agencies with statutory authority to own passenger vehicles and buses to collectively develop statewide uniform standards and practices for managing the state fleet
- Awarded a comprehensive Automated Fuel Management Contract to be utilized by all state agencies at a price lower than commercial retail outlets

Key Performance Indicators

- Increased customer base and vehicle rentals
RESULTS: FM filled requests from thirteen (13) agencies for twenty one (21) additional new vehicle leases in FY 2006. In addition, FM assisted fifteen (15) current customers by providing thirty three (33) additional vehicles through reassigning low mileage vehicles from the DCS fleet in FY 2006.
- Maintain vehicle rental rates at a cost less than private rental companies and mileage reimbursement for use of an employee's personal vehicle
RESULTS: During FY 2006 Fleet Management leased mid-size vehicles to state agencies for 26 cents per mile which include fuel. IRS mileage reimbursement for this period was 44.5 cents per mile.

<i>Key Data</i>	<i>FY 2005</i>	<i>FY 2006</i>
Number of vehicles in DCS Fleet	909	1050
Average maintenance cost for DCS vehicle	\$461	\$597*

Table 11 - DCS Motor Pool Statistics

** During FY 2006 all automotive parts and supplies took a major price increase due to transportation cost because of fuel prices. In addition, all petroleum byproducts such as tires, lubrications, antifreeze, seals etc took a large price increase due to the price of crude oil. All automotive parts that were made of metal and paper (oil filters etc) also increased in price. Due to the recent decline of fuel and crude oil prices some parts and supplies are coming down in price.*

Challenges / Roadblocks

- Rising fuel prices and associated increases in automotive parts and supplies due to higher transportation costs and oil by-products
- DCS Fleet Management maintained rental rates lower than private vehicle rental and mileage reimbursement even with higher fuel prices during FY 2006

ALTERNATIVE FUELS PROGRAM

Services

In 1990, the State of Oklahoma provided the Alternative Fuels Conversion Loan Program under the Oklahoma Alternative Fuels Act. The State has provided a revolving fund with no interest loans to governmental entities to convert vehicles to alternative fuels as well as installation of refueling facilities. The Committee of Alternative Fuels Technician Examiners has the responsibility of regulating the alternative motor fuels industry, to include alternative fuel technicians, compressed natural gas vehicle conversion companies, and certification of training programs for fleet operators.

Accomplishments / Initiatives

- Purchased three Low Speed Electric Vehicles as a pilot project for Department of Corrections (DOC) and Tourism Department in order to promote a cleaner environment and cost savings versus gasoline operated vehicles.
- Educated state agencies regarding compliance with the National Energy Act of 1992 in the purchase of alternative fueled vehicles.
- Educated private sector through community gatherings in the availability of alternative fuels and vehicles.

Key Performance Indicators

- Introduce a low speed electric vehicle pilot project to DOC for perimeter patrol at Mabel Bassett Correctional Center and conduct monthly efficiency analysis
RESULTS: After seven months the average cost to operate the low speed electric vehicle appears to be lower than to operate a gasoline vehicle. Upon completion of this project in five months, specific data should be available.
- Administer the no interest Oklahoma Alternative Fuels Conversion Loan Fund
RESULTS: Alternative Fuels is working with the City of Tulsa to loan funds to cover the incremental costs of purchasing dedicated CNG vehicles.

Challenges / Roadblocks

- Lack of availability of alternative fuels gas stations in the State of Oklahoma
- Lack of motor vehicle engines that can be converted to operate on alternative fuels

OFFICE OF FACILITIES AND MANAGEMENT

Mission

Provide quality work environments to our customers.

Objectives

- Provide safe and efficient office facilities for State agency programs
- Apply statutes, rules and policies consistently and fairly
- Develop and maintain sound financial systems and practices to support Office of Facilities and Management's (OFM's) services by ensuring accurate and accountable financial performance

- Fulfill the operational and financial requirements of our state agency customers by use of good business practices
- A comprehensive inventory of state owned real property
- Manage OFM staff effectively

Construction and Properties Division, Facilities Management Division, and Real Properties Services (Real Estate Services and State Leasing) merged into one organization to better assist agencies with projects that require both construction and space management services. This consolidation has created efficient services that begin with construction design and building through space leasing and managing Capitol Complex facilities.

CONSTRUCTION AND PROPERTIES DIVISION

Mission

Procure and administer design, construction and maintenance services to effectively support the facility needs of state agencies.

Services

Construction and Properties (CAP) is responsible for design and construction of State facilities and has contractual authority to engage the services of architects, engineers and construction contractors (61 O.S.). The Director of Central Services appoints a State Construction Administrator (SCA) who supervises CAP. Oklahoma statutes require the Administrator to be either a licensed architect or registered professional engineer. The SCA sets policies and procedures as directed by statute and directs a team of professionals to assist state agencies in achieving their construction goals.

CAP Core Values

Communication:	CAP will provide clear instructions and set clear expectations for clients and vendors
Leadership:	CAP, by daily example, will be recognized and respected as the authority for public construction matters
Accommodation:	CAP will remove real and perceived barriers that obstruct doing business with and within the State of Oklahoma
Professionalism:	CAP will maintain the highest standards for design and construction technologies
Accountability:	CAP will manage the Division's internal finances and the resources entrusted by state agencies, proactively and with specificity

Accomplishments / Initiatives

- Improved Public Relations
 - Agencies (clients)
 - Design and Construction Community
- Services to Agencies
 - Unified Requisition Process – *New “one-stop” Requisition*
 - Predesign Services – *Accurately projecting needs and costs*
 - Expanded On-Call and IDIQ (Indefinite Delivery Indefinite Quantity) Services – *Streamlined Service Acquisition*

- “Total Project Management” assistance – *“Soup to Nuts” Project Delivery*
- Improved Competitive Bid Process – *Improved Access to Bidders*
- Streamlined Small Acquisition Process – *Dedicated “Award Staff”*
- Improved Paperwork Process for Most Transactions

Key Performance Indicators

- Compliance with the “Fair Pay Act” (Figure 3)
- Project Statistics (Table 12)
 - Number of Projects
 - Construction Dollars
 - Project Cost: Budget vs. Actual (data not available right now)
 - Time: Initial vs. Actual (data not available right now)
- Response Time within CAP for Agency Requests for Small and Large Projects (Table 13) – CAP objective is 15 days

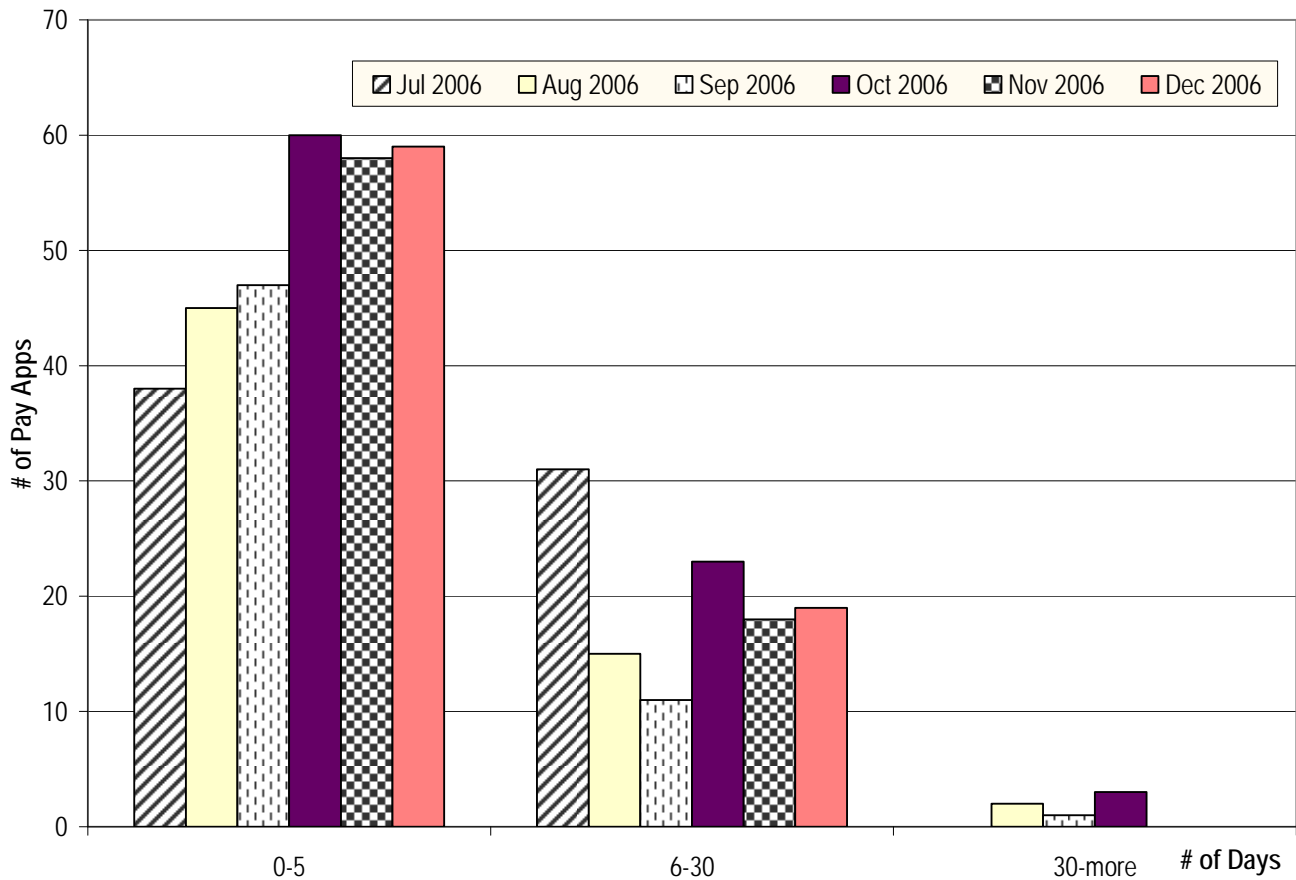


Figure 3 – Monthly Comparison of Payment Application Processing Time in Days

<i>CAP Projects</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>FY 2007 (Projected)</i>
Value	150,000,000	165,000,000	210,000,000	250,000,000
Contracts	698	759	845	850

Table 12 – CAP Projects Value and Volume

<i>Time for Contract Award</i>	<i>Goal</i>	<i>CY 2006 Average</i>
Small Projects (are not bid out)	5	26 (decreasing)
Large Projects (for Bidding and Contract Award)	48	109 (decreasing)

Table 13 – CAP Projects Value and Volume

Challenges / Roadblocks

- Insufficient staff to respond to Agency requests in timely manner
 - Must expand production capacity by adding administrative staff
 - Must increase qualified professional staff to manage State construction projects with predictable outcomes
- Responding to Technical and Market Changes in Construction Delivery - Must fully integrate with the design, construction and building owner communities
- Delivering Construction Services in a Booming Market - Must be a market leader to attract qualified vendors at competitive prices
- Attracting and Retaining Qualified Professional Staff - Appropriate financial resources must be in place to compete with private industry
- Time to Complete Necessary Initiatives - Agency Handbook; Vendor Handbook; Electronic Bid Documents; Contract Updates

FACILITIES MANAGEMENT

Mission

Provide a safe, comfortable workspace for our tenants and guests through quality facilities and responsive service

Services

The Facilities Management Division directs management, operations and maintenance of 2.3 million square feet of space in nineteen (19) major State buildings valued at \$332 million. Primary buildings include the State Capitol, Governor’s Mansion and the office buildings in the Capitol Complex, Tulsa and Ada.

Accomplishments / Initiatives

Facilities Division is taking affirmative action to establish business practices that:

- Open communications with the tenants
- Engage tenant when planning how deferred maintenance money will be spent
- Establish policies on cost based lease rates of individual buildings

- Establish a prioritized deferred maintenance structure
- Establish a database that provides accurate, detailed information about building costs to DCS as well as the tenant
- DCS has established a new lease rate schedule based on fixed cost (bond payments and personnel cost) plus projected cost (operations and maintenance cost and utilities) plus a levy to cover life cycle replacement cost.
- Completed 18 capital improvement projects costing \$2,743,703.00.

Key Performance Indicators

<i>Buildings Maintenance</i>	<i>FY 2005</i>	<i>FY 2006</i>
Number of Custodial Service Complaints	66	156*
Number of Service Complaints	1	12
Major Systems Down Longer Than 2 Hours	14	11

Table 14 – Facilities Maintenance

** We reduced custodial services due to funding.*

Challenges / Roadblocks

Historically, the appropriated buildings have been under funded in past legislative appropriations. Consequently, over the past several years, money was diverted from the rent paying buildings to cover the operating and maintenance cost of the appropriated buildings. Due primarily to the increase in energy costs, the operating expenses of the rent paying buildings exceeds the rental income. Therefore, there is no additional money to supplement the costs of operating the appropriated buildings. The appropriated buildings must be properly funded to cover the cost of normal operation and maintenance with additional funds provided to cover life-cycle replacement of major building systems.

Agency Actions to Meet Operational Demands

The agency has taken a number of steps to meet the financial demands of operating facilities, including the following. Further adjustments will be made as necessary:

- Reduce lighting levels in common areas of the building
- Eliminate decorative energy consuming light bulbs, particularly recessed can lights and track lighting
- On days when heat is needed, lower the set points to 70F°
- On cool days, raise the set points to 75 F°
- Operating the heating and air conditioning system only between 6:00 a.m. and 5:30 p.m. to accommodate normal business operations
- Lower the temperature of domestic water heaters while still meeting health standards
- Reduce levels of janitorial service to less than 5 days per week.
- To reinstate normal temperatures and janitorial services to their previous levels will take \$500,000.00

Priority	Cost
Energy increases	\$633,000.00
Capitol roof replacement	\$860,000.00
Sequoyah Dock	\$480,000.00
<i>Total unfunded items paid from operational budget and carryover</i>	<u><i>\$1,973,000.00</i></u>

Table 15 – Facilities Unfunded Events

Priority	Cost
Replace water line to Capitol	\$425,000.00
HVAC computer control upgrade in Capitol	\$ 44,000.00
Paint interior walls in Capitol	\$ 5,000.00
South Plaza sound system	\$ 3,500.00
North State Capitol Park granite sign	\$ 90,000.00
DOT structural shifting under building	\$650,000.00
Painting windows and sills at Mansion	\$ 10,000.00
Gate Controller at Mansion	\$ 2,000.00
Structural shifting of Jim Thorpe Building	\$120,000.00
Heat exchanger for Sequoyah and Will Rogers buildings	\$250,000.00
Exterior signage	\$ 30,000.00
<i>Total current priority projects cancelled (this is not an all-inclusive list)</i>	<u><i>\$1,629,497.00</i></u>

Table 16 - Current projects cancelled due to shortage of funds

REAL PROPERTY SERVICES

Mission

Real Property Services assists customers in accomplishing their missions by providing essential services and quality office facilities through uniform leasing and space standards; detailed space evaluations; centralized management of real property transactions; uniformity in contractual terms; favorable and economical rental rates; agency staff training and a comprehensive inventory of State owned real property.

Services

Real Estate Property Services unit maintains a computerized database of owned and leased real property while administering real estate transactions. This unit is responsible for assigning all space in state-owned or non-state owned facilities, authorizing the amount of space to be acquired by state agencies, executing all leasing contracts on behalf of state agencies, granting easements, leasing and exchanging parcels of land, buying and selling real

property for and on behalf of state agencies, and developing and maintaining a database of state owned real property.

Accomplishments / Initiatives

- Increased revenue generated from identified leases and easements by 64%
- Developed computerized comprehensive real property inventory software program to implement requirements of O.S. 74 § 129.4.E
- Negotiated rental rates and tenant allowances, maintaining an average rental rate that is below market
- Electronically posted the Space Request form on the DCS website for state agencies use
- Completed sale and transfer of ownership of the Abbott-Miller Building in Ada
- Completed land planning analysis of property acquired for the Lincoln Renaissance Development Plan
- Implementing initial funding request phase for the Lincoln Renaissance Development Plan for the construction of approximately 505,700 square feet of new office space on North Lincoln Boulevard

Key Performance Indicators

- Increase documentation of state owned real property in each county
- Negotiation and maintenance of average office rental rates at or below current private market rates
- Improvement of easement and land lease rates to current market rates
- Completion rate of new office space in Lincoln Renaissance Development

<i>Measure</i>		<i>Goal</i>		<i>Result in FY 2006</i>
# of state owned properties in inventory verified		80%		8%
Maintain rental rate below market:	OKC Avg. Rate:	\$12.00	Avg. Leased Rate	\$9.94

Table 17 – Real Estate Services and State Leasing Performance

Challenges / Roadblocks

- Inconsistencies in language of state laws regarding state agency responsibilities with real property transactions: Clarify language in statutes
- State agencies do not have the expertise to appropriately manage and execute real property transactions: Conduct real property transactions in accordance with real estate industry standards
- Most state agencies do not file transfer and/or ownership documents with DCS when real property transactions are executed: Education and notification through DCS policy and procedures.
- State agencies request the accessibility of forms for real property transactions: Electronically post all forms to the website
- Lack of funding to develop and implement a state-wide program to identify, review and copy each county's official land records of state owned property

OKLAHOMA CAPITOL IMPROVEMENT AUTHORITY

Services

The Oklahoma Capitol Improvement Authority (“OCIA” or the “Authority”) is authorized to issue bonds, notes or other obligations to finance construction of buildings or other facilities for the State of Oklahoma, its departments and agencies. OCIA may also issue refunding bonds to refinance its existing obligations, if economically feasible. Powers and duties of OCIA are set out in its enabling statutes at Title 73, Oklahoma Statutes, Sections 151 and following, as amended. OCIA exists to finance, construct and provide adequate and suitable office space and other needed facilities for departments and agencies of State government.

In addition, OCIA helps provide financing for highway infrastructure for continued economic development in the State. Its enabling laws allow OCIA to purchase land for, and to erect, maintain and operate buildings for the use of State and federal agencies. Such improvements are generally financed through issuance of long-term OCIA obligations, which are in turn retired by rental payments made by agencies occupying the facilities. Members of the OCIA governing board are determined by statute as described below.

Accomplishments / Initiatives

- A staff to administer the outstanding State of Oklahoma bond indebtedness was put together from ground zero. State of Oklahoma indebtedness grew from approximately \$480M to nearly \$1.5B during the FY 2006. Financial statements for the OCIA were prepared for the first time during the year. Additionally, the first independent audit of financial records was commenced and completed with an unqualified report issued
- Full staffing for FY 2008 will assist in the process of establishing complete processes and procedures within the new administrative group. The volume of debt instruments and projects to be managed will be a challenge for the fiscal year

Key Performance Indicators

- Numerous debt schedules have been prepared and distributed to all agencies and regents for higher education with payment schedules as required on time
- All bond closings were completed as scheduled
- Significant improvement in the time required to pay contractors on projects funded by OCIA bonding was achieved

Challenges / Roadblocks

- Continued increases in material cost before completion for most projects will be of concern for the completion of projects based upon initial design and cost estimation
- Ensuring accurate estimates of construction costs for OCIA bonded projects prior to approval

PROPERTY REUTILIZATION

Mission

Procure excess federal property targeted to the needs of agencies and sub-political divisions of Oklahoma, and dispose of excess state property through use of best resale/auction programs.

Objectives

- Maintain sound financial systems and practices to support Property Reutilization (PR's) services by ensuring accurate and accountable financial performance
- Provide effective and efficient services through collegial and productive relationships with all external customers
- An efficient processes management that optimizes PR resources and reduces administrative and operating costs
- Provide opportunities for each PR employee
- Manage PR staff efficiently

Services

Federal Property Distribution

The program operates pursuant to State and Federal regulations and an approved State Plan of Operation. The program acquires and distributes excess and surplus Federal property and acts as a reseller of used Federal vehicles to eligible entities, known as donees. Donees consist of governmental entities, schools, qualified not-for-profit groups and other groups authorized to participate in the program by Federal regulations. Program funds come from a service charge, ranging from five percent (5%) to twenty percent (20%), of the original government acquisition cost for excess and surplus property. The program purchases used Federal vehicles for resale and adds a service charge to the purchase price to establish a sale price to donees. The program receives no appropriated funds.

State Surplus Property

The program receives surplus property of all types from State agencies and redistributes it to authorized entities. Surplus vehicles are received from State agencies, colleges and universities and political subdivisions. Authorized entities include state agencies, political subdivisions, schools, non-profit entities and eligible senior citizen centers. The program conducts monthly auctions that are open to the public. The program is self-funded through redistribution and sales fees and receives no appropriated funds.

The program retrieves and receives surplus property from State agencies and stores it in a warehouse that is open to authorized entities on a daily basis. The program holds public auctions on the second Friday of each month. Items available may include all forms of office furniture and equipment, occasionally household furniture, tools to heavy equipment, many modes of hauling and transportation equipment and vehicles.

Accomplishments / Initiatives

- Development of the 1033 Law Enforcement Program - at present we assist 49 eligible law enforcement agencies; recently four (4) Kiowa helicopters have been donated
- Introduced 1122 Law Enforcement Program - This program is for the law enforcement community to be able to purchase off of GSA contracts

- Installed DCS developed auction software to automate the public auction and daily sales processes. It has made auctions more efficient, provides accountability and allows using fewer personnel.
- Success of the online auction (www.auction.ok.gov) and a steady growth of sales of the public auction.

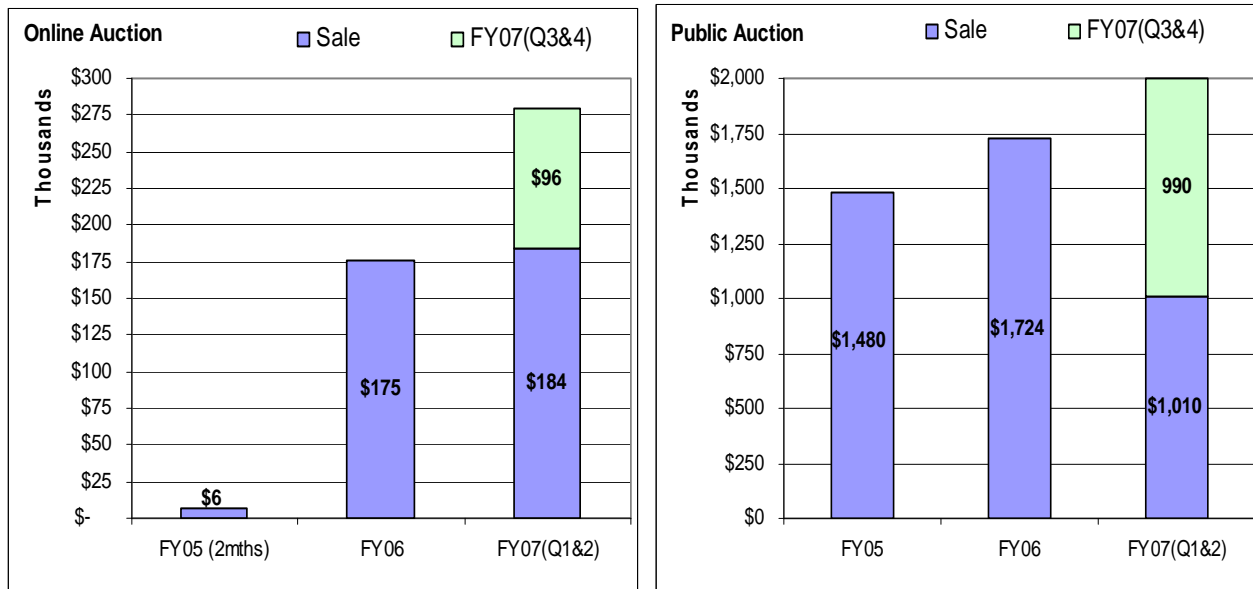


Figure 4 & 5 – Sales Information (4 – Online Auction; 5 – Public Auction)

Key Performance Indicators

- Goal to donate property in all 77 counties, donated property in 75 counties
- Reach \$280,000 with the on-line auction sales and increase the number of registered bidders to 4,200 by the end of FY 2007 (currently 3747)
- Revenue returned to other State Agencies (\$1,311,035.22 was received from auctions of vehicles and large equipment; 90% or \$1,179,931.70 was returned to 34 agencies)
- Business with other governmental entities items sold to 137 other governmental entities, which includes non-profits, private and public schools, police departments, fire departments, higher education, county government, town/cities and hospitals

Challenges / Roadblocks

- Marketing our programs (auction, donation, resale, 1033 and 1122)
- Get FEMA trailers and generally better property for donees
- Because of DRMO (Defense Reutilization and Marketing Office) closing from 63 to 19 locations in the country (Tinker AFB is not available anymore) we expect greater travel expenses
- Increasing disposal fees
- Encourage other State agencies to use our cost effective programs and prevent them from duplicating services
- To make it easier for agencies to dispose of surplus property

RISK MANAGEMENT DIVISION

Mission

Protect the assets of the State of Oklahoma through effective programs in Risk Identification and Assessment, Risk Control, Loss Investigation, Claims Management, and Risk Finance

Objectives

- To provide Risk Management services to all state entities and other entities provided by law
- To stabilize and lower insurance cost for the State of Oklahoma
- To manage Risk Management Division budget efficiently
- To have Total Continuous Improvement (TCI) in Risk Management Division processes
- To provide opportunities for personal growth
- To manage Risk Management staff efficiently

Services

The Risk Management Division (RM) administers a professional risk management program that provides insurance for State entities through commercial insurance lines and self-insurance (74 O.S., § 85.58A et seq.) The Division directs insurance programs for State agencies, higher education, fire departments, motor license agents and employees, conservation districts and foster family homes. Primary insurance coverage types are property, directors and officers, tort liability, and motor vehicle liability.

The Risk Management Division strives to maximize expense control for the State by utilizing programs commonly found in major corporations. These programs include: risk assessment, loss prevention, and loss control, risk transfer, (including contractual risk transfer), insurance, self-insurance, claims management and training.

The Division consults with and provides advice to customers engaging both internal and outsourced program controls. It works closely with all customers to protect customer interests. Using internal allocation models proposed by an actuary, the Division equitably distributes premium expense based upon customer loss exposure and actual loss experience. The Division seeks to bring discipline, responsibility, and accountability for risk management issues under the control of each state agency to reduce or prevent losses.

Accomplishments / Initiatives

- Purchased and began implementation of a professional Risk Management Information System
 - Will improve division productivity, flexibility, and response to customer needs
 - Will reduce time and effort of customers related to incident (claim) reporting, insurance survey responses, property updates, commercial insurance claim reporting, communication of underwriting information, and attorney communications
- Continued RM's educational seminar series; six (6) formal seminars were held in CY 2006
- Improved property claim management procedures
 - Partnership with TPA (Third Party Administrator) on large losses
 - Partnership with DCS, Construction and Properties Division
- Opened a Fine Arts market for State fine arts collections and rare book collections; purchased coverage with more favorable terms and conditions than available in property program and for a lower rate; estimated values at present in excess of \$1.9 billion (excludes Historical Society collections)

- Redesigned property insurance program by leveraging Fine Arts program
- Lowered state entity property premiums due to lower than expected historical loss projections
- Lowered state entity tort premiums due to lower than expected historical loss projections
- Lowered premiums for Fire Districts due to excellent loss history

Key Performance Indicators

<i>Measure</i>	<i>Goal</i>	<i>Result</i>
Performance satisfaction survey results	90% <	98%
# of risk control inspections and visits per year	100	119
# of educational programs per year (seminars held)	1	6
Renewal insurance rates compared to previous year insurance rates	below 10% increase	Property rate decreased 0.3%
		D&O rate increased by 0.5%
		Renewals of the two major lines remained flat
Cost of risk comparing to market	lower than 10%	N/A at this time but the State's cost of risk (rate) in comparison to itself is as follows: FY 05: \$1.03/\$1000 of revenue; FY 06: \$0.90/\$1000 of revenue (12.6% down)

Table 18 – Risk Management Performance

Challenges / Roadblocks

- Potential catastrophic losses
 - Exceeding commercial insurance limits
 - Exceeding self-insurance fund capital availability
- Commercial insurance marketplace
 - Catastrophic losses
 - Market availability
 - Loss experience
- Lack of commitment to Risk Control by insured entities