



**State of Oklahoma
Department of Central Services**

Fiscal Year 2010 Performance Review

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EXECUTIVE SUMMARY

2010 has been a challenging but fruitful year. The department's appropriated budget has been reduced in FY10 and FY11 overall by 17%. The department has achieved its overall budget objectives through increased efficiencies in energy usage, process improvements and targeted manpower reductions. Our non-appropriated enterprises have worked hard to keep the costs of their services stable through these tough budget periods, and in some cases have delivered more cost effective solutions. Some of the department's more notable achievements include:

- Successfully achieved 20% reduction in facility energy usage since 2008. The Oklahoma State Capitol Complex achieved an EPA energy star 80 rating. These and other cost savings have allowed facility lease rates to remain stable for the third year in a row.
- Implemented Value Plus Leasing Program which has significantly reduced fleet costs by over \$1.5 million annually for participating agencies. Operated the state fleet for an average cost of \$0.37 per mile, compared to a Federal automobile reimbursement rate of \$0.50 per mile. Fleet Management Division is continuing to extend M5 fleet management system to other state entities that own vehicles.
- As of the date of this report, new strategic contracts have resulted in actual savings of over \$8 million dollars for our government customers. The state has entered into a new purchase card contract with Bank of America which provides improved revenues for the state and more effective management oversight capacity.
- Best value procurement implementation has increased the accountability of our contractors and consultants, lowered overall costs, and reduced administrative burden by decreasing disputes over the term of our contracts. Under \$50 thousand construction contracts are now processed in 7 days. The state has completed its first design-build project successfully on schedule and within budget without protest.
- With lower loss experience, Risk Management division has continued to achieve lower premiums, providing FY10 premium credits on Tort, Property and Fine Arts insurance coverage, totaling over \$2 million dollars.
- State entities acquired over \$17 million GAC (Government Acquisition Cost) of Federal Property for \$875,000.00.

Summary of the FY 2012 Budget Request

The Department of Central Services' request for FY 2012 includes as our top priorities including: critical, deferred maintenance projects totaling \$4,000,000; increased facilities operational and energy costs totaling \$550,000; and \$2,752,000 to fund technology capabilities required in our strategic purchasing initiative. The Department is not funded to operate the new Judicial Center; pending legislative decisions on a funding source and methodology will dictate the date on which we place the facility in service.

STRATEGIC EMPHASIS

Facilities Maintenance

With declining resources, DCS is increasingly unable to address critical maintenance backlogs in its capitol facilities. Many of our building systems are well beyond their serviceable life, and systems failures are not only possible but probable. Last year, we experienced major boiler failures in three facilities. DCS required an emergency supplemental appropriation to repair two of those facilities, and the department has depleted its operational accounts to fund the remaining boiler replacement as well as other emergency repairs. Critical building systems failure without immediately available funding will result in long term building closures which will further add to the cost of repair as the affected agencies will incur additional movement and leasing costs. The Department recommends that the Legislature establish and fund a revolving funding account to mitigate known high risk systems and allow timely response to facility emergencies.

Strategic Purchasing

The Department continues to implement consultant recommendations regarding the state's purchasing modernization program. Currently, state agencies have saved over \$8 million dollars from new strategic statewide purchasing contracts. Tiered training for the state's purchasing workforce is under development. New processes regarding spend analysis, contract management, customer support, et al, are being implemented this year. The department has completed the implementation of the new UNSPSC coding system, enhancing spend visibility for goods and services. We are continuing to move forward with electronic commerce in partnership with OSF CORE group to provide our supplier base with increased visibility from solicitation announcements to accounts payable information. Without additional funding, the current implementation of all recommendations will occur over the next five years, and the efficiency of reforms will be limited to affordable technology.

Conservation of Human Resources

As we negotiate turbulent budgetary issues over the next few years, the department believes the conservation of its human resources is the department's most critical internal priority. The department can document significant improvements in all of its operational areas of responsibility. This has only been achieved by investment in our employees to give them the skills to deliver effective services using the latest technology. The department's workforce is the key to ensuring that we get through lean years. They will continue to improve processes and achieve efficiencies that will accommodate budgetary restrictions.

Extending Efficiencies to Political Sub-Divisions

Cities, counties and schools are authorized by Title 74 to utilize contracts and services provided by the department. The department can, in fact, deliver services across a broad range of activities that can yield significant savings for them. Statewide contracts offer volume discounts; fleet rental rates are very competitive; federal property is available at a small fraction of its acquisition cost; design and construction services provide reliable, cost effective project management; and the state purchase card contract is extensively used by non-state government entities. The department is marketing these services, believing in the ease of use and volume savings will save dollars and improve administrative efficiency, ultimately benefiting all tax payers.

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GENERAL INFORMATION

STRATEGIC DIRECTION

Agency Purpose

Serve and support Oklahoma government

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.

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.

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 a high value-oriented workforce with professional growth opportunities for each employee

Objectives

- Achieve effective financial management
- Deliver consistent, quality service through integrated processes and procedures
- Implement and maintain comprehensive, reliable information systems
- Educate, train and support our employees and our customers for optimal performance
- Maintain and enhance comprehensive internal and external communication

AREAS OF RESPONSIBILITY – FUNCTIONAL SERVICES

DCS Administers:

- Central Purchasing
- Construction and design of state facilities
- Facilities - sixteen (16) state buildings including the Capitol; Governor's Mansion and State Capitol Park, Tulsa; and historical monuments and markers
- Fleet, fuel management, and alternative fuel 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 the Oklahoma City area
- Federal Surplus Property Donation program
- State Surplus Property program
- State Recycling program
- State Procurement Audit program
- Statewide Inventory program

DCS Provides Direct Administrative Support to:

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

ORGANIZATION

LEADERSHIP

Director of the Department of Central Services

On December 1, 2004, Governor Brad Henry appointed 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.)

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 on which our customers can depend.

DCS consists of seven functional divisions, which deliver centrally managed services to state agencies, boards and commissions. They are as follows: Central Printing & Inter-agency Mail, Central Purchasing, Construction and Properties, Fleet Management, Property Reutilization, Risk Management and Office of Facilities Management.

DCS supports its mission divisions with ten administrative units. They are as follows: Finance, Information Services, Human Resources, Auditing, Legislative Operations and Legislative Liaison, Procurement, Public Relations, General Counsel, and Special Projects.

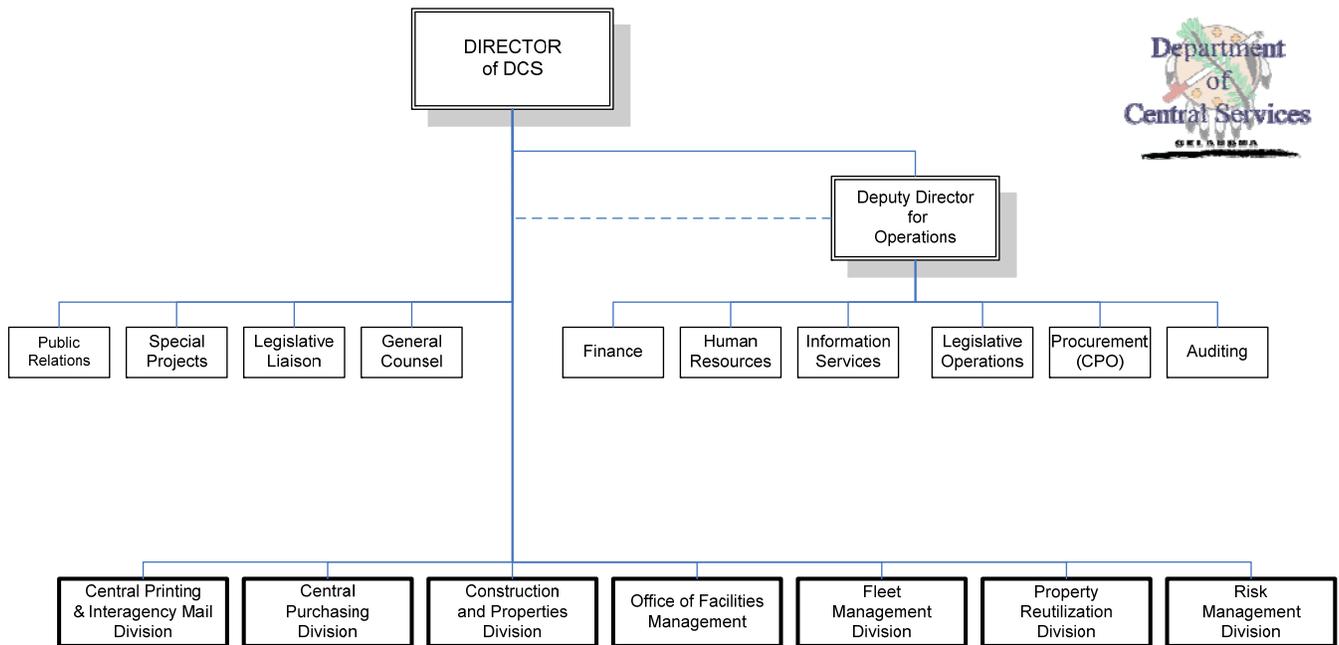


Figure 1 – DCS Organization Chart as of September 1st, 2009

EMPLOYEES / HUMAN RESOURCES

Mission

Provide quality and effective human resource services which support the agency in the achievement of the Department's mission, values, and goals, and which maximize the professional development of all agency staff.

Accomplishments / Initiatives

- Conducted 10 on-site training sessions to assist the agency in achieving the strategic goal of educating, training, and supporting its employees.
- 94% of employees were evaluated by the PMP process per statutory requirements.
- 100% supervisors received mandatory supervisory training.
- Office of State Finance developed a centralized web-based system for all state employees to access their personal employment and compensation related information. HR coordinated this program in DCS by providing training and information to DCS employees in order to “go live” with this feature on March 1, 2010.
- HR completed Phase 1 (in June 2010) of the joint initiative with ISD and the Business Process Analyst to develop a web-based electronic recruitment system of postings and announcements. Phase 2 will incorporate developing a web-based electronic system to process HR recruitment forms with the goal to eliminate paper and save time in the recruiting process.
- HR is in a joint initiative with Administration to establish a new DCS Initiative Group (DIG) that will market agency products and services; coordinate systems integration between DCS, OSF and customers; and develop and refine state business processes.

Key Performance Indicators

- Statutory required supervisory training: DCS will meet 100% goal by the end of FY-11.
- Positions in divisions are periodically reviewed for proper allocation and level assignment: in FY-10 positions were reviewed in Construction and Properties, Property Reutilization (Federal), Central Purchasing, Finance, and Facilities Management for consistency with OPM job family descriptors and market compensation data.
- EEO/AA goals: DCS continues to meet its goals in hiring qualified minority groups, resulting in the number of minority staff ratio at DCS being 32%. In FY-10, 28% of new hires were minorities and 22% of promotional selections were minority applicants.
- Employee growth: 28 employees left the agency for various reasons; 18 new staff members were hired for a net loss of 10 FTE during FY-10. 9 employees were promoted in FY-10.
- Employee turnover: DCS turnover rate in FY-10 was 12.2%.

Challenges / Roadblocks

- Continued inadequacy of DCS pay scales to recruit the necessary talent in highly skilled areas including architects, engineers, construction managers and strategic sourcing specialists.
- Continued need for financial resources to adjust current staff's salaries to be competitive with the regional market. Many of the staff's salaries are three years behind the current mid-point on OPM 2009 Salary Schedule.

- Challenge of restructuring functions and positions to meet the constantly changing needs of the agency and its customers while having to utilize current resources.
- Budget reductions exacerbate the issues above and will limit training and recruitment in the current fiscal year.

DIVISION	FTE
Administration	10
Auditing	6
Finance	9
Human Resources	3
Information Services	5
Legal	3
Central Printing and Interagency Mail	21
Central Purchasing	28
Construction & Properties	19
Fleet Management	21
Office of Facilities Management	69
<i>OFM Administration & Support</i>	12
<i>Facilities Management</i>	55
<i>State Leasing Office</i>	2
Property Reutilization	15
<i>Federal Property Distribution</i>	10
<i>Surplus Sales</i>	5
Risk Management	12
TOTAL DCS	223
Administratively Supported Programs*	9
GRAND TOTAL	230

Table 1 – Number of FTEs According to the Organization Structure as of June 30th, 2010 (* See Page 6)

FINANCE / BUDGET

Mission

Provide outstanding financial and reporting services to both internal and external users in a timely manner. It is the vision of the finance staff to instill confidence in the information and services provided.

Accomplishments / Initiatives

- Completed internal financial policy revisions which maximize mission division chiefs' authority and accountability over their respective budgets.
- Implemented paperless document system for DCS finance, reducing administrative costs and improving efficiency.

Key Performance Indicators

Data Presented in \$1000s		FY-2010	FY-2010	FY-2011
Fund #	Fund Title	Budget Work Prog.	Actual Expenditures	Budget Work Prog.
DCS GRAND TOTAL		\$83,149	\$68,876	\$100,580
Administration				
19X	General Revenue	1,484	2,105	910
201	Gen Purpose Revenue	0	0	0
445	Payroll Trust Fund	0	0	274
57X	Special Cash Fund	200	200	0
TOTAL	Administration	\$1,684	\$2,305	\$1,184
Core Services				
11X	Public Building Fund	0	0	0
19X	General Revenue	12,037	7,529	12,682
201	Gen Purpose Revenue	697	434	587
205	Risk Management	100	75	0
215	State Const Revenue	1,492	1,771	2,699
225	Severely Handicapped	300	242	241
230	OK Print Shop Fund	0	0	0
231	Postal Service Revenue	788	666	735
240	Asbestos Abate. Revenue	0	6	0
244	Statewide Surplus. Properties	2,584	2,687	1,622
245	Build. And Fac. Revenue	15,312	14,361	16,375
250	State Motor Pool Revenue	293	188	0
255	Ok Motor Lic Agent Indemnity	0	18	0
260	Risk Management Fire Prot.	50	0	0
265	Bid Document & Bond Fund	0	0	0
270	Regis. Of State Vendors	62	53	54
271	Vendor Fees and Rebates	436	413	700
272	Purch. Training Fund	39	23	129
275	State Recycling Revenue	27	49	26
430	Homeland Security	0	0	0
443	Interagency Reimbursement	0	0	0
445	Payroll Trust Fund	0	0	1,167
494	Sales Fund Surplus	0	0	0
57X	Special Cash Fund	4,417	4,250	0
TOTAL	Core Services	\$38,634	\$32,761	\$37,029

Table 2 – Budget, Expenditures and Funding Lines

Data Presented in \$1000s		FY-2010	FY-2010	FY-2011
Fund #	Fund Title	Budget Work Prog.	Actual Expenditures	Budget Work Prog.
Public Employees Relation Board				
11X	Public Building Fund	0	0	0
19X	General Revenue	52	48	48
201	Gen Purpose Revenue	2	3	3
445	Payroll Trust Fund	0	0	20
57X	Special Cash Fund	15	16	0
TOTAL	PERB	\$69	\$67	\$69
Capitol Medical Zoning Commission				
11X	Public Building Fund	0	0	0
19X	General Revenue	92	90	85
TOTAL	Zoning Commission	\$92	\$90	\$85
Property Distribution				
11X	Public Building Fund	0	0	0
210	Surplus Property Revenue	1,648	2,490	1,928
245	Build and Facility Revenue	0	0	0
TOTAL	Property Distribution	\$1,648	\$2,490	\$1,928
Central Printing				
11X	Public Building Fund	0	0	0
201	General Purpose Revolving	0	0	0
230	Ok Print Shop Fund	2,087	1,949	2,080
TOTAL	Central Printing	\$2,087	\$1,949	\$2,080
Motor Pool				
19X	General Revenue	0	0	0
250	State Motor Pool Fund	10,401	8,314	6,976
490	American Recovery and Reinv. Act	1,000	0	500
TOTAL	Motor Pool	\$11,402	\$8,314	\$7,476
Alternative Fuels				
11X	Public Building Fund	0	0	0
19X	General Revenue	50	45	46
250	State Motor Pool Fund	14	7	4
251	Alternative Fuels Tech	16	9	369
TOTAL	Alternative Fuels	\$80	\$61	\$419
Risk Management				
19X	General Revenue	40	37	37
205	Risk Manage. Revenue	25,341	20,001	47,930
206	Community Action Ag	0	0	0
223	Foster Families Prot. Fund	730	30	731
255	Motor License Agent ID	105	53	192
260	Risk Mgmt Fire Protec.	987	618	1,215
261	Risk Mgmt Elderly and H	0	0	0
262	Risk Mgmt Political Subdivisions	202	100	202
TOTAL	Risk Management	\$27,453	\$20,839	\$50,307
DCS GRAND TOTAL		\$83,149	\$68,876	\$100,580

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

Summary of FY-12 Budget Request

#	PROJECT	State Appropriated	State Revolving	Federal Funds	Total Funding Change	FTE Changes
1.	Capitol Waterline-Chillers Appropriated Buildings	\$2,300	\$ -	\$ -	2,300	-
2.	Utilities/Operations Cost	\$ 550	\$ -	\$ -	\$ 550	-
3.	Storm Water Management – Capitol Complex	\$ 1,700	\$ -	\$ -	\$ 1,700	-
4.	Strategic Government Modernization Initiative	\$ 2,752	\$ -	\$ -	\$ 2,752	3.00
5.	Alternative Fuels Conservation Act	\$ 5,142	\$ 14	\$ -	\$ 5,156	1.00
6.	State Energy Efficiency and Conservation	\$ 92	\$ -	\$ -	\$ 92	-
7.	Oklahoma Municipal Collective Bargaining Act (OMCBA) PERB	\$ 200	\$ -	\$ -	\$ 200	-
8.	Health Benefits Increase	\$ 1,086	\$ -	\$ -	\$ 1,086	-
9.	Educational Reimbursement	\$ 150	\$ -	\$ -	\$ 150	-
	TOTAL	\$13,972	\$ 14	\$ -	\$13,986	4.00

Table 3 – Summary of FY-12 Budget Request (000's)

Impact of not Funding FY-12 Request by Priority Number

Priority 1 –Capitol Chilled Waterline-Capitol Building:

Failure to fund the cost to replace the waterline for HVAC to the Capitol and chillers in two buildings will lead to catastrophic failure and render the buildings unusable for a significant period of time. The waterline to the Capitol sprung a leak again this past summer which shut down the Capitol for two days. If the operational cost is not funded, the ability to maintain the functionality of buildings will be impaired. The agency does not have sufficient resources to address critical emergency repairs. DOL has recently taken two boilers off line due to cracks and age. Replacement cost is estimated at \$600,000. Failure to replace will result in inadequate heating this winter in the Will Rogers and Sequoyah Buildings.

Priority 2 – Utilities/Operations Cost:

Increased energy utilization coupled with increased service contracts and utility rates (water, gas and electric) over the past 36 months have created the need for additional funding to retain services at current levels. Several cost saving initiatives have mitigated the increases, however, costs are rising faster than we can reduce usage. Failure to fund will require reduced services and stringent energy reduction efforts similar to those undertaken in FY-06 (reduction of janitorial service, resetting temperature set points, reduced lighting, etc.).

Priority 3 – Storm Water Management – Capitol complex:

In September 2008 Benham conducted a study of the drainage system for the State Capitol Complex to identify the source of local flooding. The study found at the present time there are no flood control measures serving this area and local flooding occurs routinely. The analysis shows that flooding of the Attorney General Building is directly related to lack of capacity in the downstream storm sewer system. Reduction of storm water flow rates contributed into NW 23rd Street storm sewer system would significantly help reduce the flooding in the entire area including the Lincoln Blvd storm sewer upstream and the residential areas downstream. Achievement of this task can be done by the construction of a regional collection/diversion system to serve the entire Capitol Complex campus. Without the

funding, the State Capitol Complex will continue to deteriorate from the flooding and experience continued water damage in the State Capitol area.

Priority 4 – Strategic Government Modernization of Purchasing:

The agency has continued the course of changing the processes and culture of the purchasing program. Best practices procedures along with sophisticated analytical tools are being implemented in order to accurately quantify state spend in order to affect significant savings for the State of Oklahoma. Continued investments in these initiatives are necessary to realize the savings identified by consultants. The ability to revamp the current procurement methodology, accurately quantify state spend, and capture significant savings as identified by consultants will not be attainable in the near term. Potential cost savings will be realized in the future. Adding highly skilled and appropriately compensated personnel to implement consultant recommendations will enhance procurement-generated savings for the state.

Priority 5 – Alternative Fuel Conversion Act:

The focus of this priority is to develop infrastructure, such as fueling stations, to implement the widespread use of alternative fuels. Without the infrastructure to refuel vehicles, the program will not be viable. Passage of the Alternative Fuel Act in 2009 emphasizes the need to address alternative fuel and the infrastructure to support the continued drive to reduce the amount of fossil fuel utilization.

Priority 6 – State Energy Efficiency and Conservation:

One additional FTE is required to administer the requirements of SB 833 from the 2009 legislative session. Additionally, the agency can continue to address the challenges of on-going operational cost by turning greener and finding more efficient operational methods.

Priority 7 – Oklahoma Municipal Collective Bargaining Act:

A question of the constitutionality of this Act may have delayed an accurate fiscal analysis of funding required to administer the responsibilities mandated to the Public Employees Relations Board by the law. The law adds the management of municipal employee grievances to the Board, which includes costs of administrative hearing officers, additional staff, and operational expense.

Operations of the quasi-judicial board and administration of the two acts are responsible for not having been funded to minimum operational levels for several years. Legal expenses, document transcription, travel, and other associated costs have been subsidized by DCS in order for the Board to fulfill its statutory functions. With past and current fiscal reductions, we are requesting this need to be addressed.

Priority 8 – Health Benefits Increase:

Failure to fund mandated increases in employee health benefits will further stretch the shifting of available funds. Reduction of FTE's or contractual services will result, which will impede the agency's ability to perform required services.

Priority 9 – Educational Reimbursement:

The Legislature has recently provided agencies with a tool to attract and retain skilled personnel through payment for educational loans and tuition. Failure by our agency to fund this program will result in missed opportunities to obtain and retain skilled personnel, when competing with other state agencies and the private sector. However to pay for this program without funding, the agency will have to reduce services or personnel, which is contrary to the intent of the legislation.

Challenges/ Roadblocks

- Agency is operating at the bare operational minimum with little flexibility to address critical emergencies due to building or mechanical failures or weather-incurred damages.

- Agency will incur approximately \$1,086,000 for employees’ insurance payments (FY2008, 2009, 2010), which will have to be taken from operational funds.
- DCS needs legislative assistance to systematically address deferred maintenance needs in our Capitol facilities.
- DCS maintains the State of Oklahoma Capitol facilities, including two million square feet (2,000,000 sq ft) 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. No funds are appropriated to maintain or repair facilities on an annual basis, resulting in significant deferred maintenance issues.

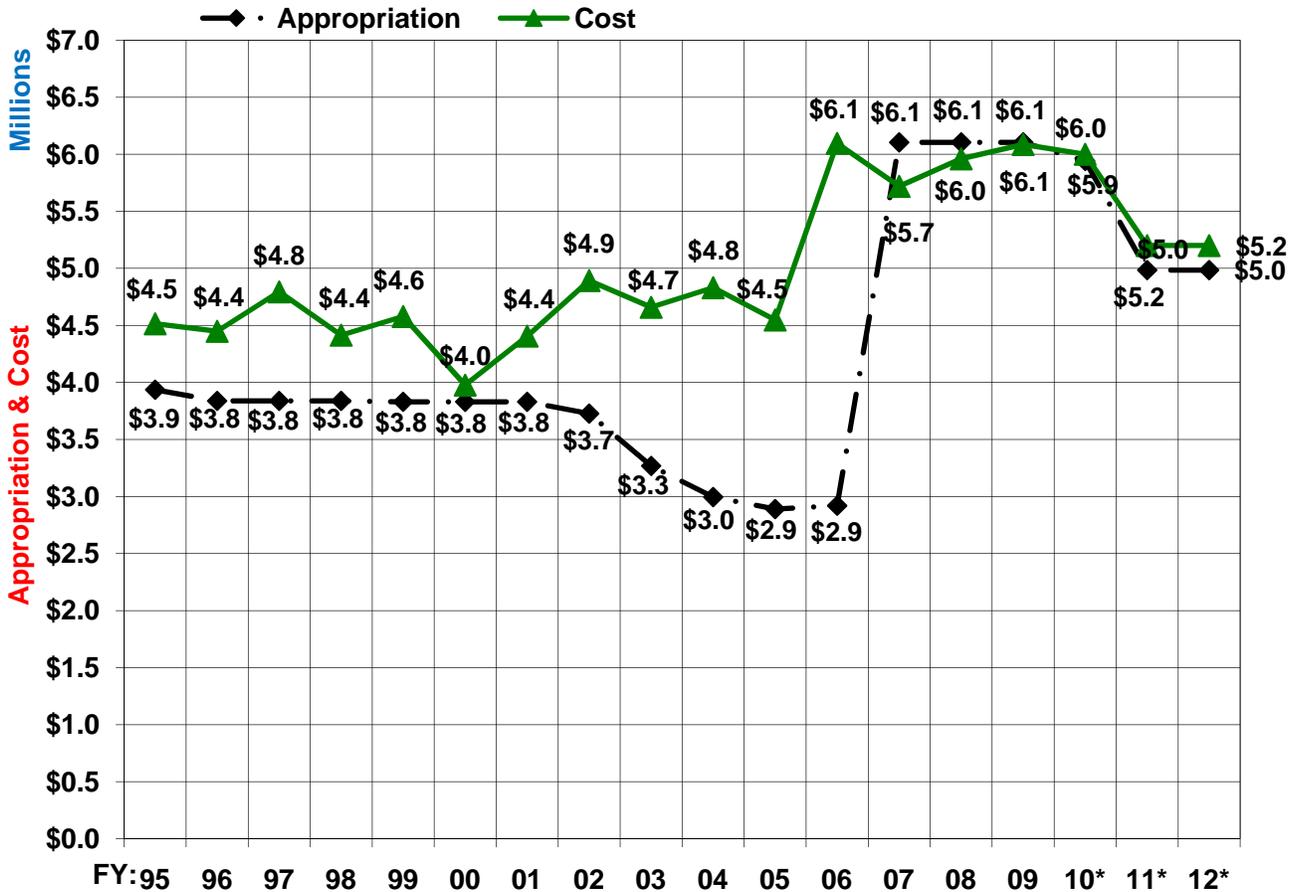


Figure 2 - Buildings Appropriation vs. Maintenance Cost. Budgetary restrictions in FY10 and 11 have resulted in temporarily reduced maintenance services that will have to be eventually restored.

INFORMATION / TECHNOLOGY

Mission

Develop and deploy information technology that empowers the Department of Central Services to provide service to the State of Oklahoma.

Objectives

- Deliver reliable application systems that address each Division’s unique requirements
- Provide a secure and reliable network

- Provide secure and reliable workstations and laptops
- Support the applications that are installed on Agency workstations and laptops

Services

Application, Network and Desktop support, including custom built-in house application development

Accomplishments / Initiatives

- Installation of Blade Server system to reduce energy and cooling requirements for server room
- Configuration and deployment of six virtual servers on new Blade system
- Increased security of Agency network by deploying following equipment:
 - Improved Firewall
 - Intrusion Detection/Prevention appliance
 - Web Filter appliance
 - Deployment of new Secure Access appliance to improve ability for Agency employees to remotely access internal network resources
- Currently designing new Agency Intranet, based on Microsoft SharePoint services

Key Performance Indicators

- Network - Uptime exceeds 99%
- Security -
 - All viruses stopped at firewall or workstation level to prevent virus spreading
 - Anti-Virus definitions updated on a daily basis
 - Operating Systems updates received within 24 hours of release
- Applications -
 - Project schedules are determined within one week of completed request packet
 - All projects completed to specifications and on schedule
- Operations Support -
 - 1-hour response time to requests for support
 - 4-hour resolution time for all requests not requiring the purchasing of parts
 - 2-hour resolution time once parts arrive

Challenges/ Roadblocks

- 1/47 support ratio - 1 ISD employee supports 47 DCS employees while industry standards for an organization the size of DCS recommend 1 ISD staff member for every 18 employees (1/18 ratio).
- Difficulties in obtaining access rights to PeopleSoft, with which to integrate current and prospective systems.
- Investigating possibility of converting legacy applications to SharePoint applications

AUDITING UNIT

Mission

Plan and perform audits in accordance with professional auditing standards to ensure that programs and contracts administered by the Department of Central Services are conducted in accordance with laws and regulations and used in an ethical, effective and efficient manner while limiting exposure to fraud, waste, mismanagement, or abuse.

Objectives

- Identify systemic issues with DCS administrated programs
- Assist state agencies in improvement of their DCS promulgated programs
- Effectively monitor agencies' compliance and procedures with DCS programs

Services

Auditors review compliance with and efficiency of DCS administrated programs.

Accomplishments / Initiatives

- Completed the first series of statewide purchasing system audits.
- Presented at eight (8) training seminars
- Received Governor's Commendation for our Paperless Auditing system
- Maintained an online fraud and abuse reporting system

Key Performance Indicators

- In CY10 published
 - 9 Purchase Card audits,
 - 1 Procurement audits,
 - 2 Statewide Purchasing Audits, and
 - 3 Purchase Card Continuous Monitoring reports.
- A total of 75 audit findings and 78 recommendations were reported.
- As a result of purchase card monitoring efforts, agency internal personnel actions included retraining, reimbursing the state, closing accounts and suspending a cardholder.

Challenges / Roadblocks

- Due to budget cutbacks, only four (4) FTE are employed for this function.

FUNCTIONAL UNITS OVERVIEW

CENTRAL PRINTING AND INTERAGENCY MAIL DIVISION

Mission

Provide competitive, professional printing, mailing and distribution solutions to agency and governmental entities of the State of Oklahoma.

Vision:

Be the preferred provider of printing and mail distribution solutions for all of state and local government in Oklahoma.

Objectives

- To provide best value printing and mail services to state, county and city governmental entities that exceeds customer expectations
- Effective business and marketing practices to ensure Central Printing and Interagency Mail operates on a sound financial basis
- An efficient processes management that optimizes CPIAM resources and reduces administrative and operating costs
- Promotion of accountability and opportunities for each CPIAM employee and effective management of CPIAM staff

Services

- Printing products and services:
 - Graphic design and layout
 - Single color through 4-color process printing, custom stationery, business cards, receipt books, newsletters, brochures, posters, books, forms, tabs, on-demand color printing, fulfillment services, application forms, certificates, notices, licenses, handbooks, large volume envelope printing and storage, renewal forms, large format/banner printing, variable data printing, and collating
 - Folding, booklet making, perfect binding, numbering, foiling, die cutting, and coating
 - Large format/banner and display printing
- Automated mailing with discounts through Central Printing's postal permit and barcode addressing, folding and inserting, presort Mail discounts for agency-provided US mail.
- 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

Considered Services

Central Printing is constantly searching to find new and innovative services of benefit its customers. Some services that are being considered are:

- Scanning and Archiving
- Variable data printing

- Satellite copy centers

Accomplishments / Initiatives

- Web based customer print order portal.
- Purchase and installation of a Chemical Free computer to plate system.
- Purchase and Installation of a 23 x 29 four-color offset press.

Key Performance Indicators

<i>Central Printing</i>	<i>Job Requests</i>	<i>Job turn-around</i>	<i>Billing</i>	<i>Expenses</i>
FY 2008	4300	16 days	\$1,844,611	\$1,630,267
FY 2009	3,919	12 days	\$1,950,747	\$2,155,304*
FY 2010	3,518	10 days	\$2,077,745	\$1,948,678

Table 4 – Central Printing Performance (* Includes \$600,000 in new equipment purchase for FY09)

<i>Interagency Mail</i>	<i>Delivered</i>	<i>Metered</i>
FY 2008	1,489,970	1,395,271
FY 2009	1,369,779	1,231,256
FY 2010	1,026,937	1,022,689

Table 5 – Interagency Mail Performance

Challenges/Roadblocks

- Integrating state printing management, inclusive of a competitive private printing capacity and state operated printing facilities.
- Integrating print procurement needs with procurement guidelines and laws
- Upgrading printing technology to remain cost-effective
- Integrating 'Green' technology in information management functions.

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.

Vision:

- Complete visibility over all state spend allowing detailed analysis and appropriate action.
- Agencies have an online marketplace where all goods and services under statewide managed contracts can be purchased.
- Agencies have access to a single, authoritative source of information regarding the state's policies, processes, and procedures.

- Central Purchasing will be 75% self funded.
- Strategic statewide contracts are developed and implemented under the guidance of commodity councils with broad agency participation.
- Central Purchasing is staffed with the best talent balanced between state certified CPO's and private industry. Professional growth of the purchasing workforce is possible and encouraged across agency boundaries.
- The statewide purchasing workforce is trained and skilled in basic and advanced procurement methods appropriate to their level of purchasing authority.

Objectives

- Capture and quantify spend data for improved negotiation leverage
- Increase use of negotiations to improve cost effectiveness of contracts
- Improve vendor performance monitoring and contract management procedures
- Provide consistent procurement services
- Leverage PeopleSoft functionality to move toward electronic commerce
- Increase use of performance monitoring programs for contracting officers and vendors
- Minimize valid protests
- Increase knowledge of customer needs through commodity councils and customer surveys
- Increase communications to external users
- Increase resources available for training for external customers
- Increase procurement system user proficiency (internal and external)
- Provide opportunities for personal growth of 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 contract management
- Technical/Services contract management
- Multi-State and Statewide Contracts Administration
- Certified Procurement Officer Training and Support Program
- Customer Relations Program
- Vendor Registration Program
- State Use Program
- P-Card Program

Accomplishments / Initiatives

- The Central Purchasing Division enlisted the assistance of a consulting firm to evaluate operations. The consulting firm evaluated the state purchasing statutes, rules, the organizational structure, and the skill sets

of the Central Purchasing employees. Central Purchasing has changed the organizational structure of the division, established performance metrics, enhanced contract management procedures, augmented the staff, and increased the utilization of mandatory statewide contracts. Cost savings through new contracts placed in FY10 is expected to exceed \$10 million annually. These savings will be validated on an annual basis beginning next year.

- Central Purchasing is working in partnership with the OSF CORE group to implement E-supplier and Strategic Sourcing to facilitate moving forward with electronic commerce. E-supplier will provide our supplier base with increased visibility from solicitation announcements to accounts payable information. Strategic Sourcing will allow the electronic issuance of solicitations and electronic receipt of supplier responses. Central Purchasing has completed 19 demonstrations of the electronic process and feel the PeopleSoft module is functional. Full realization of the benefits of the electronic process will require a significant growth in the number of vendors that are interfacing directly with the state's financial system.
- Continued efforts to assist state suppliers in doing business with the State of Oklahoma by working with OBAN (Oklahoma Bid Assistance Network), and other organizations for various opportunities to speak directly to the business community. The State Purchasing Deputy Director has made four presentations on "Doing Business with the State" in partnership with the OBAN organization during the last year.
- Increased communications and networking initiatives with other states for cooperative contracting opportunities. Three Central Purchasing representatives have recently returned from Georgia where they were hosted by one of the more progressive state purchasing organizations.
- Streamlined procurement processes through the modification of state statutes, to include eliminating the notarization of documents by state agencies and suppliers when acquiring goods and services, accomplished by house bill 2332. These statutory changes will allow for further advancement of electronic commerce and reduction in agency operational costs.
- Continued work to expand the use of standardized solicitation packages among state agencies. Central Purchasing is working with a group of pilot agencies to provide a common site for the posting of state solicitations. Agencies utilizing the DCS hosted site will be required to utilize the standard solicitation package. A standard solicitation format and posting location will simplify the bidding process for both state agencies and our supplier population.
- Expanded utilization of commodity councils for acquisitions processed through Central Purchasing. This action has increased the visibility, transparency, and opportunities for state agencies to become more involved and informed of the procurement process. Multi-agency councils have been utilized for large statewide initiatives while interagency councils (end users from a single agency) have been utilized to assist in solicitations that are facilitated by Central Purchasing on behalf of one agency.

Key Performance Indicators

- Vendor performance complaints
- The number of sustained protests benchmarked at three to four per year
- Number of suppliers registered with Central Purchasing. Tracking of registered vendors has been a manual process. Within the last year tracking of registered vendors is electronic. The decreasing trend in registered suppliers is being addressed in a number of different ways including:
 - Enhancing and simplifying the electronic registration process for the vendor to interface (target release January 2011)
 - Requiring vendors to register with the state prior to receiving an award for all competitive acquisitions

- Creating a formal vendor registration marketing campaign
- Granting access to vendor specific information within PeopleSoft as part of the registration process
- Encouraging registration during “Doing Business with the State” presentations for targeted vendor populations

<i>Vendor</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY2010</i>
Number of Complaints*	89	91	75	79	72	63	51	25
Protests (sustained / all)	3 / 3	3 / 10	3 / 17	4 / 20	3 / 10	3 / 8	1 / 13	3 / 15
Registered suppliers	2923	2299	2145	2272	2429	1959	1663	998

Table 6 - various performance measures

- Number of active commodity councils: 17 (representatives from multiple agencies for a statewide contract)
- Number of interagency commodity councils: 10 (cross functional agency team for agency contracts)
- Purchase Card Program – Central Purchasing has worked closely with the Office of State Finance to determine the most efficient way to conduct state business on small dollar purchases and state wide contracts. As a result we will work collectively to increase the use of purchase cards on small dollar acquisitions. The purchase card contract was re-bid in FY10 and will provide a 40% increase in rebate and a more capable technical system allowing greater efficiency, continuous monitoring, and accountability. FY11 will be a transition year given that the new contract displaced the incumbent supplier who held the contract for 10 years.

<i>Purchase Card</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010*</i>
Expenditures - State Agencies	\$21 million	\$26 million	\$35 million	\$41 million	\$47 million	\$41 million
Expenditures – Other Entities	\$93 million	\$95 million	\$120 million	\$127 million	\$142 million	\$140 million
Expenditures – Total	\$114 million	\$121 million	\$155 million	\$168 million	\$189 million	\$181 million
Rebate - State Agencies	\$175,000	\$228,000	\$343,000	\$420,000	\$522,000	\$400,000
Rebate – Other Entities	-	\$1,047,000	\$1,263,000	\$1,270,000	\$1,605,000	\$1,500,000
Rebate – Total	\$175,000	\$1,275,000	\$1,606,000	\$1,690,000	\$2,127,000	\$1,900,000

Table 7 –P-card information performance indicators (* Estimate – expenditures are tracked by calendar year)

<i>Training*</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>
Agency Personnel (CPOs)	2323	2869	3040	3152	1837	1801

Table 8 –Training Performance Indicator - Number of people who attended Central Purchasing sponsored training (* Agency training consisted of a variety of purchasing seminars, CPO classes, purchase card, travel and portal training)

- POs placed for agencies – The share of lower value purchase orders (PO's) processed by Central Purchasing remains high but has started to move in the right direction with the passage of HB1032. This bill increased agency delegated purchase authority from \$25k to \$50k. High transaction volume dilutes the focus from high value and complex contracts that provide the most favorable financial impact.

POs Processed	\$0K-\$25K		\$25K-\$50K		\$50K-\$100K		Over \$100K		Total	
	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity
FY05	\$13,723,610	2,126	\$26,690,449	726	\$ 35,453,301	491	\$546,028,456	790	\$621,895,816	4,133
FY06	\$12,587,809	1,620	\$25,346,556	710	\$ 33,925,499	467	\$440,019,001	734	\$511,878,865	3,531
FY07	\$12,646,226	1,599	\$25,218,333	699	\$ 30,857,729	422	\$465,830,666	582	\$534,552,954	3,302
FY08	\$11,648,906	1,693	\$20,976,131	581	\$ 28,496,051	399	\$327,821,434	470	\$388,942,522	3,143
FY09	\$10,757,122	1,503	\$19,262,082	532	\$ 24,755,933	335	\$357,178,971	461	\$411,954,108	2,831
FY10	\$ 8,175,120	1,328	\$ 8,764,893	230	\$ 21,231,822	290	\$355,159,512	426	\$393,331,347	2,274

Table 9 - Purchase order history by spend and quantity

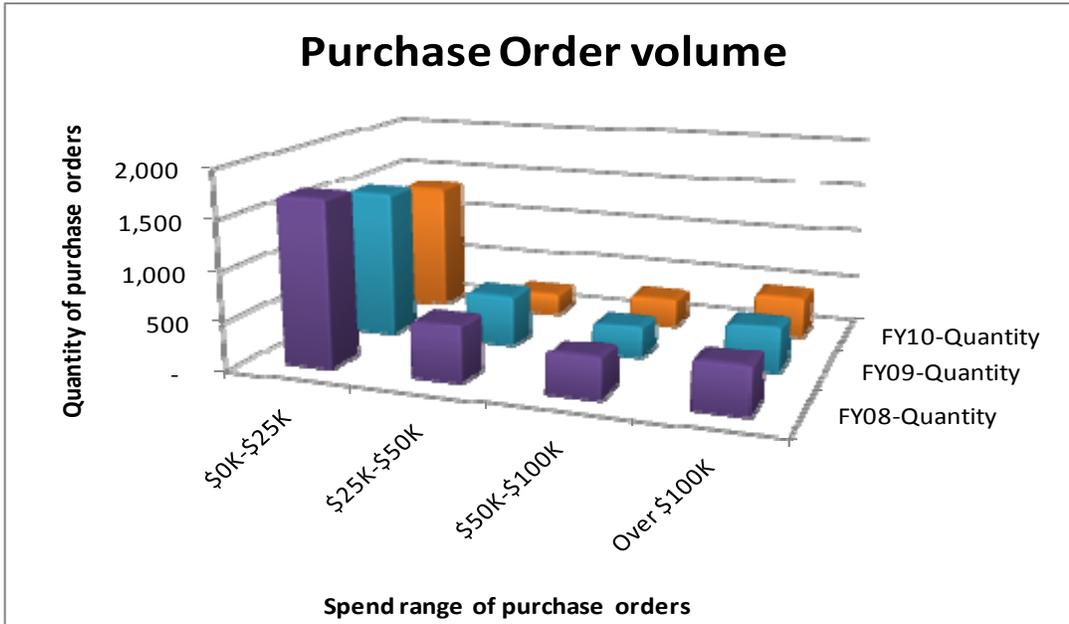


Figure 3 – Purchase order volume by dollar range for the last 3 years

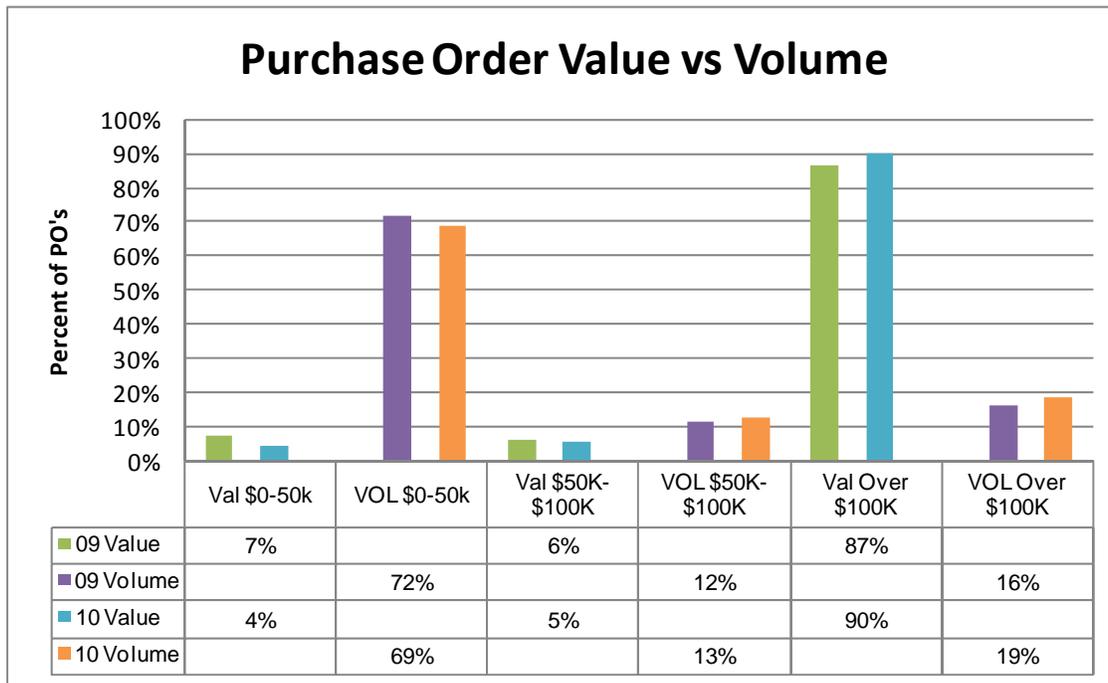


Figure 4 – purchase order value and the percentage of volume for each category. Example, for the \$0-50k purchase order category in 2010, 69% of the purchase orders placed represented only 4% of the total dollars managed by Central Purchasing.

- Statewide contracts – A major focus of Central Purchasing continues to be negotiating and awarding contracts that bring value to the state. FY10 was a year of progress in strategic contracting that will bring significant value to state agencies in terms of cost savings and value enhancements. Nine (9) large statewide contracts addressing \$87 million in state spend were awarded in FY10 that will result in an average savings of 14% compared to historical prices paid.
- In addition to processing individual agency acquisitions there are 150 statewide contracts that are managed by the Central Purchasing group. Statewide contracts cover a vast array of products and services utilized by state agencies and provide competitively bid solutions to agency needs through a disciplined process.

Challenges

- Comprehensive tracking of spend data from People Soft, purchase card and agency data.
- Development of a more strategic procurement organization.
- Challenge associated with implementing electronic procurement processes.
- Continue to increase communication between agencies and Central Purchasing Division to improve customer service and performance.
- Working closely with a wide variety of specialized customers and suppliers to assure that we are providing the best quality services and products available.
- Agencies not fully exercising delegated spend authority distracts the focus of Central Purchasing toward opportunities for larger dollar savings for the state.
- Paying for the consulting services that have enabled the state to lock in large cost savings.

Roadblocks

- Agency funding – There are a number of initiatives in the cue that are unfunded. Examples include online catalogs for statewide contracts and retrieval of information from PeopleSoft facilitated by an external data warehouse.

CONSTRUCTION AND PROPERTIES DIVISION

Mission

Plan, program and acquire construction and real estate services to support the current and long range facility needs of state agencies.

Vision

In partnership with our vendors, Construction and Properties will operate in a Best-Value environment that enhances transparency, accountability and efficiency among stakeholders.

Services

- Construction Project Delivery
Construction and Properties (CAP) is responsible for delivering services for building design, construction, maintenance and repair of state facilities. The Division has contractual authority to engage the services of

architects, engineer, construction manager and other professionals that may be needed to plan or design a construction project. The Division also contracts with general contractors and specialty building contractors on behalf of state agencies (61 O.S.).

- Statewide Contracts
The Division also maintains and offers a variety of IDIQ contracts that are available to state agencies and political subdivisions of the state, including:
 - Architecture & Engineering Services – Minor Projects
 - Statewide Roofing Program
 - Construction Inspection
 - Emergency A&E Services
 - Environmental Services
 - Geotechnical Testing
 - Land Surveying
 - Pre-design Services
- On-Call Consultants
- CAP maintains a comprehensive inventory of state owned real property.

Accomplishments / Initiatives

- Improved financial position = Improved capacity and service to agencies. Transitioning to a “fee-for-service” model has improved accountability and productivity of CAP staff, which has grown from nine to nineteen over the last four years
- Construction under management dollars-to-staff-ratio continues to increase, double the regional average of \$10.5M. CAP = \$26.3M (the higher the number, the greater workload)
- Introduction of Best Value procurement concept has energized both agency customers and construction industry stakeholders, setting the stage for efficiency, accountability, transparency and overall cost savings for construction delivery. To develop Best Value process, CAP has entered into a research agreement with the Performance Based Research Studies Group at Arizona State University for training and assistance in developing the processes.
- Programs to streamline common procurement actions have increased efficiency and service to state agencies; CAP has continued to add statewide purchasing contracts for minor services.
- Construction lawsuits, for the fourth consecutive year, were ZERO (0) in FY10
- There were ZERO (0) bid protests in FY10, marking 16 consecutive quarters
- Continued to offer ‘*Doing Business with CAP*’ seminars for State Agency personnel - Two seminars during FY10, total of 300 agency representatives attended
- For contracts under \$50,000, the time from receipt of Agency Requisition to Contract Award has improved from 26 days in FY2006 to 7 days in FY2010.
- Increase productivity of administrative staff through efficient processes
- As authorized in 2006 by the legislature, CAP has implemented the *Design-Build* method for integrated project delivery, successfully completing four major Armed Forces Reserve Centers for the Oklahoma Military Department

- CAP has retained the Performance Based Research Studies Group from Arizona State University and continues implementation of “Best Value Procurement” for consultant and construction contracts designed to increase contract performance, accountability and reduce project costs

Current Initiatives

- Implementation of Best Value PIPS (Performance Information Procurement System) for award of major design and construction contracts
- Modernize antiquated construction procurement law from “low bid” model to performance-based “Best Value” model
- Increase variety of non-mandatory, value-added statewide contracts as purchasing solutions for agency customers
- Expansion of statewide contract offerings to Oklahoma political subdivisions

Five Year Objectives

- Transition to 100% fee-based operation
- Implement statutory central facility planning function
- Plan and execute state’s annual and 5-year Capital Program
- Gain effective control of programmed capital budget
- Execute state’s construction spend to leverage ROI and contract efficiency

Key Performance Indicators

- Volume under management: total contract value of all active projects
- Contracts: total number of contracts under management
- Contracts per FTE: indicator of overall employee workload
- Contracts per Project Manager: indication of project management workload
- Time to award Small Projects (<\$50,000): number of days from agency requisition to award
- Time to award Large Projects (>\$50,000): number of days from agency requisition to award

<i>CAP Projects</i>	<i>FY 2007</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010*</i>	<i>FY 2011*</i>	<i>FY 2012*</i>
Under Management (000’s)	\$240,000	\$325,250	\$500,000	\$450,000	\$412,100	\$400,000
Contracts	521	680	696	649	510	480
Contracts/FTE	37	37	37	34	28	27
Contracts/Project Manager	87	97	92	108	102	96

Table 10 – CAP Projects Value and Volume

Response Time within CAP – Agency Requests for Contract Awards

<i>Time for Contract Award</i>	<i>FY 2008</i>	<i>FY2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>Goal</i>
Small Projects (are not bid out)	10	8	7	7	5
Large Projects (for Bidding and Contract Award)	70	65	52	50	48

Table 11 – CAP Projects Time for Contract Award

Challenges/Roadblocks

- Ratio of Projects per Professional Staff has improved, but is still deficient
- Set clear contract requirements and expectations for design consultants
- Establishing clear and workable standards for high efficiency facilities, as required by HB 3364.
- Limited professional expertise within Division, particularly energy engineering
- Legislative mandate did not provide funding for program development
- Increasing professional expertise, particularly energy engineering, from consultants and industry liaisons
- Educating all stakeholders (client, vendor, staff) on sustainability issues
- Many stakeholders involved with process: state, higher education and industry
- Collaborative, goal-oriented construction industry will require modernization of public procurement laws – must fully allow evolution of practices in a way that completely addresses public policy issues
- Refine 'Best Value' contracting processes
- Gaining support of design and construction community for procedural changes

REAL ESTATE SERVICES

Mission

Support and assist customers with centralized real estate transaction services while supplying comprehensive real property records through continued development and maintenance of a real property inventory database.

Services

- Assist agencies with acquisition, disposal and transfer of real property.
- Assist agencies with implementing surface leases and easements.
- Maintain database of state-owned real property including structures, surface leased premises and easement data.
- Coordinate directly with agency liaisons to obtain/verify ownership data for state-owned real property.
- Evaluate surplus state-owned real estate for alternate uses.

Accomplishments / Initiatives

- Education of agencies, organizations and individuals on the proper procedures to be used in real estate transactions and assist in the executing of those transactions if necessary.
- Administer, review/approve and execute contracts for acquisition, disposal, surface leasing and the granting of easements, agreements and contracts for requesting agencies. Complete 26 transactions in FY10.
- Land planning for acquisitions, disposals and consolidation of Lincoln Blvd. property for future state development.
- Completed 85% verification process of real property data records of miscellaneous agencies.
- Played integral role in environmental remediation and transfer of surplus local armories for DEQ and OMD
- Initiating digital records retention process for Real Estate Services' files and records.

Key Performance Indicators

- Increase surface lease and easement contract values to current market values.
- 100% completion of verification process for state-owned real property database.

<i>Measure</i>	<i>FY 09</i>	<i>FY 10</i>	<i>Goal</i>
Increase state income from surface leases and easements.	25%	25%	25%
State-owned properties currently listed in database which have been verified:	97%	100%	100%

Table 12 – Real Estate Services Performance

Challenges / Roadblocks

- Agencies often don't file ownership documents with DCS when real property transactions are executed, thus rendering the real property database out-of-date.
Objective: Educate and promote notification through DCS policy and rules.
- Availability of funding to develop and implement a statewide program to identify, review and obtain each county's official land records as they pertain to state-owned real property.
Objective: Achieve as staffing will allow.
- Statutory guidance for state agency real estate transactions is spread among several sections of law, often resulting in confusing or inconsistent requirements.
Objective: consolidate and clarify statutory guidance in a single section of law.

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.

Vision

The Fleet Management Division is a relevant, value-added function that enables state agencies to perform their core and adjunct missions safely and predictably using state-of-the-art fleet resources.

Objectives

- Execute Generally Approved Accounting Principles (GAAP) and effective business practices to ensure Fleet Management provides cost-effective services on a continuous basis.
- Provide efficient fleet services that "enable" supported state agencies to meet their core missions.
- Provide accurate and consistent accounting of all state-owned motor vehicles, operational cost and utilization data.

- Effectively manage the life-cycle costing (purchase price plus operation and maintenance costs) over the life cycle cost of the entire fleet of state-owned motor vehicles.
- Provide professional development opportunities for each Fleet Management and Alternative Fuel employee through a mission-driven, skill-based performance pay program.
- Manage Fleet Management and Alternative Fuel staff effectively using performance-based, data-driven fleet management programs and allocation matrices.

<i>Finances</i>	<i>Fleet Management</i>			<i>Alternative Fuel</i>		
	FY2008	FY2009	FY2010	FY2008	FY2009	FY2010
Budget	\$8,045,809	\$8,939,776	\$10,445,196	\$85,121	\$67,647	\$79,934
Expenditures	\$7,908,873	\$8,419,527	\$9,787,669	\$62,360	\$65,961	\$61,577

Table 13 – 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 averaging less than the state reimbursement rate.

Accomplishments / Initiatives

- Increased the involvement of the Motor Vehicle Advisory Council (MVAC) (all state agencies with statutory authority to own vehicles) in determining fleet policy and procedures focusing on developing statewide standards, policies and rules for vehicle acquisition, leasing, maintenance, repair and disposal by all state agencies. The council serves as a catalyst for change – and now, more than ever, is vital to the joint success of agency fleets across the state. The MVAC has been in existence since October 12, 2006.
- Fleet Focus M5 Expansion - DCS is offering advanced fleet management software and associated equipment to other state agencies interested in upgrading or updating their current fleet operations management systems. The program's expansion is expected to create efficiencies in work order management, centralized maintenance and parts operations, and more coherent and cost-effective vehicle replacement policies by using state agencies. Expansion beyond DCS Fleet Management to state agencies authorized to own vehicles is ongoing within the Department of Public Safety, Oklahoma State University, and the Department of Health.
- GPS initiative - installation of telematic or AVL (Automatic Vehicle Location) Equipment in all DCS-owned vehicles is complete. Telematic equipment can best be described as a "black box" for vehicles. Telematic equipment monitors vehicle performance and driver behavior. The telematic equipment is contained in one device about the size of a CD player connected to the vehicle's onboard diagnostic computer OBD-II and transmits information via mobile communications networks back to a central hub. An integrated GPS interface also allows the vehicle's location to be determined and tracked. A statewide contract expanding the availability of both GPS and AVL equipment to all state agencies has been awarded. The contract

includes components for special-use, GPS-only, GPS plus engine diagnostics (light and heavy-duty vehicles), and an enhanced software for existing, installed equipment.

- Comprehensive and Collision Insurance Coverage – DCS-owned vehicles continue to receive additional comprehensive and collision insurance coverage. Cost for the additional insurance coverage is approximately \$120 per vehicle per year. Agencies benefit from zero-deductibles, limited vehicle loss rate, and absolute predictability in creating their annual budgets.
- Rate Initiatives – DCS executed two mileage plans (My Team and Rollover) to provide maximum flexibility to agencies based on their missions and reduce excess mileage charges with a projected savings to agencies of \$700,000 or 8% of total agency expenditures for fleet services.
- Comdata Fuel Card - The statewide automated fleet fueling management contract continues to provide notable benefits to the state's vehicle fleets. Comdata provides the state with expansive acceptability throughout Oklahoma and neighboring states at any fuel location that accepts MasterCard® as a payment method for fuel or maintenance. This acceptability provides for a single-card use system to purchase fuel and automotive maintenance services at local or state-owned facilities, marinas, airports, and other mobile locations.
- Statewide Rental Car Contract -To combat increasing fuel prices and meet existing statutory requirements, a statewide rental car contract was awarded to Enterprise Rent-A-Car®. As a concurrent and complimentary initiative, a web-based application was created to compare and select the most cost-effective mode of travel for state employees. Heretofore agencies were limited to leasing a state vehicle, or authorizing state employees to request mileage reimbursement while driving their personal vehicle on state business. The "Trip Optimizer" comparative web tool became available on the DCS/Fleet web site (www.dcs.ok.gov) in October, 2007 and has subsequently been mandated (SB2016) for use by state employees. Enterprise Rent-A-Car® has over 44 locations throughout the State of Oklahoma and over 6,000 locations nationwide.
- Value-Plus Lease Program – To provide agencies a mechanism to decrease mileage reimbursement expenses by offering a lower cost alternative addressing mission travel requirements. In conjunction with Property Reutilization, we have purchased Government Services Administration (GSA) vehicles through national auctions. These vehicles are offered to agencies at a fixed rate lease that demonstrates a \$0.20 per mile savings over the IRS mileage reimbursement rate.

Key Performance Indicators

- Fleet Statistics (General):
 - State-owned light vehicles 5,614(includes alt fuel vehicles)(minus higher education and agencies exempted from reporting)
 - DCS-owned light vehicles 1,187 (includes alt fuel vehicles)
 - Miles driven State fleet annually + 53 million (8.5k miles / vehicle)
 - Miles driven DCS fleet annually + 14.4 million (12.1k miles / vehicle)
 - Value of State fleet (replacement price) + \$237 million
 - Value of DCS fleet (replacement price) + \$21 million
- Increase customer base and vehicle rentals.

During first-half, FY 2009, automotive parts, supplies, and petroleum byproducts such as tires, lubrications, antifreeze, seals continued to increase concurrent with crude oil price increases. The Average maintenance cost for DCS vehicle does not reflect the purchase and installation of Automated Vehicle

Location (AVL) equipment on DCS-owned vehicles (\$450 per unit). The net change discounted for the addition of AVL reflects a decrease in overall maintenance costs of \$77 per vehicle. Maintenance costs are projected to continue decreasing as agencies receive enhanced AVL software and drivers receive additional education and training, e.g., Green Driver® and National Safety Council Defensive Driving Course)

Key Data	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Number of vehicles in DCS Fleet	1,050	947	926	945	1,187
Average maintenance cost for DCS vehicle	\$597	\$630	\$631	\$554	\$546

Table 14 - DCS Motor Pool Statistics.

- Maintain vehicle rental rates at a cost less than private rental companies and mileage reimbursement rates for use of an employee's personal vehicle. During FY-09 DCS Fleet Management rental rates (cost per mile) continued to be extremely cost-efficient in comparison to the IRS and state approved mileage reimbursement rates (FY07 – 48.5 cents; FY08 – 50.5 cents; and FY09 – 58.5 cents per mile). DCS lease rates include vehicle acquisition, fuel, maintenance, wrecker service, insurance, and depreciation (total life cycle costs).

Key Data	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
IRS Mileage Allowance	\$0.445	\$0.485	\$0.505	\$0.585	\$0.50
Fleet Mileage Cost (cost avg. - all vehicle classes)	\$0.260*	\$0.400*	\$0.320*	\$0.380	\$0.37

Table 15 - DCS Lease Rates (*based on incomplete data.)

Vehicles Owned by Agency

Agency	FY 2008			FY 2009			FY 2010		
	Total Vehicles**	Home to Work	Driven <12K miles	Total Vehicles**	Home to Work	Driven <12K miles	Total Vehicles**	Home to Work	Driven <12K miles
025 Military Dept.	96	1	77	80	1	23	101	1	69
030 ABLE Comm.	52	40	7	33	33	10	33	33	17
039 Boll Weevil	19	0	25	16	0	15	22	0	12
040 Agriculture	289	0	27	298	0	146	363	0	193
125 Mines	11	0	4	12	0	9	13	0	6
131 Corrections	871	0	856	923	0	853	1176	0	879
204 J.M Davis Memorial	1	0	1	1	0	1	1	0	1
220 Dist. Attorney Council	61	4	40	121	0	78	101	0	80
265 Education	3	0	4	2	1	3	4	1	4
266 OETA	0	0	0	2	0	1	3	0	1
292 DEQ	1	0	1	1	0	1	1	0	1
308 OSBI	173	173	84	172	172	133	205	172	106
309 Emergency Mgt.	1	0	3	1	0	1	1	0	1
320 Wildlife Conservation	325	0	59	292	0	27	339	0	125
340 Health	4	0	3	4	0	3	4	0	4
345 ODOT*	1554	0	0	1582	0	0	0	0	0
350 Historical Society	9	0	11	8	0	9	11	0	9
390 CompSource	4	0	3	4	0	4	4	0	4
400 OJA	110	0	47	119	1	77	126	1	58
415 CLEET	14	0	16	15	0	22	26	0	26
452 ODMHSAS	234	0	266	240	0	266	300	0	267
477 OBN	78	0	41	98	0	32	112	0	86
566 Tourism	321	0	260	309	0	301	415	0	371
568 Scenic River Comm.	7	0	9	9	0	10	12	0	8
580 DCS	926	75	371	945	151	452	1,187	151	589
585 DPS*	1,259	0	0	1525	0	0	0	0	0

Agency	FY 2008			FY 2009			FY 2010		
	Total Vehicles**	Home to Work	Driven <12K miles	Total Vehicles**	Home to Work	Driven <12K miles	Total Vehicles**	Home to Work	Driven <12K miles
605 OHRE	8	0	9	13	0	8	12	0	7
606 Ardmore Hi Ed	1	0	1	1	0	1	1	0	1
645 Conservation	7	0	4	7	0	2	11	0	8
650 Veterans Affairs	70	0	63	80	0	74	95	0	68
670 J.D McCarty Center	7	0	9	8	0	8	8	0	7
695 Tax Commission	6	0	7	0	0	0	6	0	0
800 Career and Tech.	11	0	14	14	0	14	11	0	0
805 Rehab. Services	35	0	30	44	0	29	47	0	36
830 DHS	376	0	182	454	0	208	505	0	243
835 Water Resources	25	0	5	26	0	7	26	0	11
880 Will Rogers Comm.	3	0	3	0	0	0	3	0	3
978 Transportation Auth.	319	0	115	355	0	187	323	0	213
980 Grand River Dam Auth.	215	0	102	215	0	92	204	0	124
981 Municipal Power Auth.	5	0	2	8	0	4	8	0	3
999 Higher Education*	0	0	0	0	0	0	0	0	0
Total	7,511	293	2,761	8,037	359	3,111	6,230	359	3,051

Table 16 – State-owned vehicles by agency (*Agencies statutorily exempted from reporting to DCS. Total vehicles owned increased as agencies prepped for or delayed surplus to reduce mileage reimbursement expenses **Represents data at the end of the fiscal year).

Challenges/Roadblocks

- Provide same level of services and quality vehicles to agencies despite statewide budget shortfalls. DCS Fleet Management on average maintained rental and lease rates lower than private vehicle rental and mileage reimbursement rates.
- Limited capital resources force postponement of vehicle replacement and the current fleet age to increase.
- Historic vehicle replacement policy generated an expectation by leasing agencies that vehicles due to be replaced would be new. Budgetary realities and fiduciary responsibilities require a modification of the replacement policy to include used vehicles purchased by DCS-Federal Distribution from GSA.
- Insufficient investment capital to meet agency demand for lease vehicles and to keep the state fleet in compliance with fleet modernization requirements of federal and state law.

Services

In 1990, the Legislature passed the Oklahoma Alternative Fuels Conversion Act. The Act creates a revolving fund, which enables the state to provide governmental entities with no interest reimbursement of costs to convert vehicles to alternative fuels as well as installation of refueling facilities. The Committee of Alternative Fuel Technician Examiners has the responsibility of administering examinations to alternative fuel technicians, certification and recertification of technicians and assisting and advising the Department of Central Services in all matters relating to the formulation of rules and standards in accordance with the Alternative Fuel Technician Certification Act.

Accomplishments / Initiatives

- DCS continues to meet the federal mandate for replacement with alternative fuel capable vehicles within the state. 10 CFR Part 490, The Alternative Fuel Transportation Program, began in 1997 with 30% replacement increasing to 75% by 2000. The state has exceeded the mandate requirement in past years and has 240 Banked Credits to be used in the event the replacement mandate cannot be met in the future.

Key Performance Indicators

Alt Fuel Product	New in FY 07	New in FY 08	New in FY 09	New in FY 10	Cumulative since 1990
CNG	8	22	70	11	270
Hybrid Electric	0	0	4		14
LPG	1	2	1		94
Grand Total	9	24	75	11	378

Table 17 – Number of alternative fuel technicians in Oklahoma

Alt Fuel Product:	DCS	State (w/o DCS)	Total
CNG	11	1	12
E85 (flex-fuel)	593	769	1,362
Hybrid Electric	6	7	13
NEV	2	0	2
LPG	0	1	1
Fuel Efficient	0	19	19
Grand Total	612	797	1,409

Table 18 – Number of alternative fuel vehicles utilized by the State of Oklahoma

Challenges / Roadblocks

- Lack of availability of alternative fuel infrastructure (fueling/charging stations) in the State of Oklahoma
- Limited availability of Environmental Protection Agency (EPA) approved alternative fuel engine conversion kits.

OFFICE OF FACILITIES MANAGEMENT

Mission

Provide quality work environments to our customers

Vision

OFM is committed to maintaining, and operating its owned/leased facilities in an energy efficient and sustainable manner that strives to achieve a balance that will realize high standards of space in an economically viable manner consistent with Agency missions. In doing so and where appropriate, we encourage the use of life cycle concepts, performance measurement and verification methods that utilize good science and lead to sustainable buildings. Establish and follow a common set of sustainable guiding principles for integrated design, energy performance, water conservation, indoor environmental quality, and materials aimed at helping state agencies:

- Reduce the total ownership/lease cost facilities;
- Improve energy efficiency and water conservation;
- Provide safe, healthy, and productive operated/leased environments; and,
- Promote sustainable environmental stewardship.

Objectives

Goals	Objectives - FY 10
1. Implement Sustainable Building Practices	1.1 Establish OFM sustainability building standards. 1.2 50% of OFM's remodel and renovation projects will exceed minimum code standards. 1.3 100% of OFMs repair and replacements will be best available for the application.
2. Reduce Vehicle Associated Pollution	2.1 50% reduction of petroleum-using OFM vehicles compared to the FY 08 baseline. 2.2 10% reduction of petroleum use by Mansion grounds equipment compared to the FY 08 baseline.
3. Maximize Recycling, Minimize Waste and Use of Products with 100% Virgin Materials	3.1 35% reduction in office paper use per employee. 3.2 Maintain 100% of copy paper (8 ½ x 11) purchased for OFM use is 100% recycled content. 3.3 87% of office paper will be recycled. 3.4 100% of janitorial paper products will be of 60% recycled content and chlorine free if available in the market. 3.5 90% of all fluorescent bulbs, compact fluorescent bulbs, and ballasts will be recycled.
4. Minimize Facility Related Energy and Water Use	4.1 20% reduction of electric use on a square footage basis in state-owned and operated facilities. 4.2 35% reduction of natural gas use on a square footage basis in state-owned and operated facilities. 4.3 10% reduction of potable water use for OFM managed grounds. 4.4 35% reduction of interior potable water use per square foot. 4.5 Install 2 renewable energy projects. 4.6 Purchase 2% "Green power" for OFM-owned and managed projects. 4.7 Energy Star rating of 75 for seven (7) buildings on the Capitol Campus based on FY 08 baseline. 4.8 Achieve Energy Star Portfolio average rating of >80%. 4.9 Achieve Power Factor of 85 in all buildings.
5. Reduce use of Toxic Products and Use of Toxic Chemicals	5.1 Procurement will add three new Environmentally Preferred Products/Services (EPP) contracts this year. 5.2 100% of OFM janitorial products used will be Green Seal approved or equivalent. 5.3 Eliminate all persistent toxins in OFM managed landscaping, and reduce overall toxins by 10% below FY 08 levels.
6. Sustainable Practices in State Leasing	6.1 Research standards, practices and guidelines used by other states when procuring leased space. 6.2 Add information on evaluation of sustainable practices to annual State Leasing class.

Table 19 – OFM FY2010 Objectives

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 2.2 million square feet of space in eighteen (18) major state buildings valued at \$420 million. Primary buildings include the State Capitol, Governor's Mansion and the office buildings in the Capitol Complex and Tulsa.

Accomplishments

- Energy efficiency upgrades, sustainability projects, and innovative programming strategies by OFM have resulted in a total energy reduction of 35,608,404 kilo-British Thermal Units (kBtu) (17.1%) from FY08 to FY10 (Figure 4). Water conservation measures saved 17,524,000 gallons (32%) from FY98 to FY10 (Figures 5 & 6). Electricity usage was reduced by 8,313,376 kWh (18.5%) FY08 through FY10 (Figure 7).
- With an average portfolio rating of 80, OFM was named one of the EPA's Energy Star Leaders in April 2010 for reduction in green house gas emissions and improving the energy performance of buildings on the Energy Star Portfolio by 10% or more. The Oklahoma State Capitol became Energy Star certified in August 2010, marking the first state capitol building in the nation to receive the label. Other DCS-managed buildings to receive the prestigious Energy Star label include the Jim Thorpe Building, Attorney General building, and the Kerr-Edmondson building located in Tulsa, Oklahoma.
- OFM completed major renovation of the DHS/CAP building located at 50 NE 23rd Street in Oklahoma City. The project received Leadership in Energy and Environmental Design (LEED) Gold certification from the US Green Building Council (USGBC), marking the first LEED Gold building in Oklahoma City and only one of seven in the entire state. The building features a 10-kilowatt (kW) wind turbine, 60 kW photovoltaic solar panels, geothermal heating and cooling, high-efficiency windows, sun-tracking skylights, and highly reflective roofing.
- OFM upgraded 885 fluorescent light tubes in 24/7 emergency applications with LED light tubes in 13 buildings. OFM partnered with the Oklahoma Arts Council to convert 154 50-watt bulbs to 10-watt LED in Capitol Art Gallery. Capitol parking lot lights were also retrofitted to LED. Compact Fluorescent Lights (CFLs) replaced metal halide lamps in various outdoor applications.
- More than 500 toilets were upgraded with automatic flush valves and 1.6 gallons per flush (gpf) units.
- Capitol Complex landscape and maintenance practices are under re-design to incorporate native and adaptive plant life and minimize upkeep. The implementation of the new master plan will reduce irrigation water consumption and maintenance requirements while providing savings of approximately \$100,000 per year.
- OFM completed three (3) hot water boiler replacement projects installing high-efficiency condensing boilers in Will Rogers, Sequoyah, and Allen Wright library buildings.
- Produced 71,743 kW of clean energy (122,408 lbs CO₂ equivalent) from wind and solar sources.
- To gain further visibility of the paper use of OFM, a baseline of 55 reams was established in FY10. Desk-side bins were distributed to increase internal paper recycling. The janitorial paper contract for FY11 was written to include paper products with 30% recycled content. A baseline has yet to be established for recycling fluorescent lights, CFLs, and ballasts. Recycling ballasts does not add tremendous environmental or economic benefits, minimizing the feasibility of providing storage, documentation, and transportation for 100% of ballasts removed.
- Facilities Services added six (6) new electric carts for Central Maintenance & building manager use on the Capitol Complex and Governor's mansion grounds. The additional electric carts reduced demand for gasoline-powered trucks, allowing the return of four (4) gasoline powered vehicles to Fleet Management (total of 6 vehicles returned in FY09 & FY10). Facilities Services eliminated one (1) gas-powered mower

and purchased one (1) CNG riding mower and one (1) electric-powered riding mower. One (1) 4-stroke edger/weed eater was acquired to replace a 2-stroke high emission unit; however, finding suitable 4-stroke equipment to replace other 2-stroke equipment has proved challenging.

Key Performance Indicators

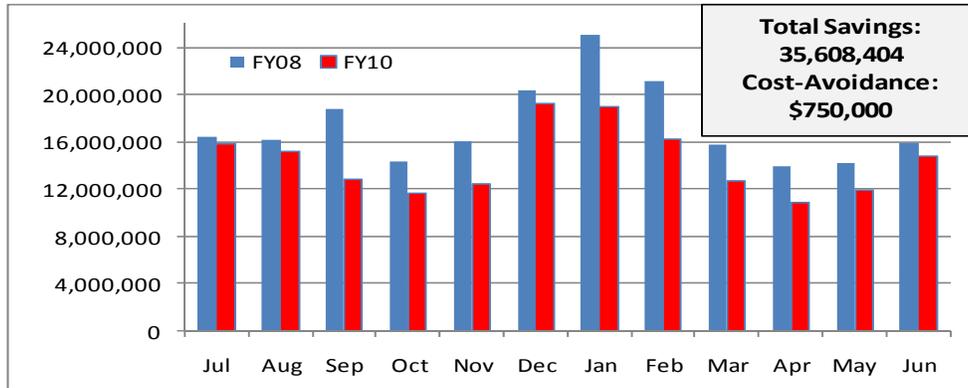


Figure 5 – Monthly energy usage in kilo-British thermal units (kBTu). Fiscal Year 2008 vs. Fiscal Year 2010

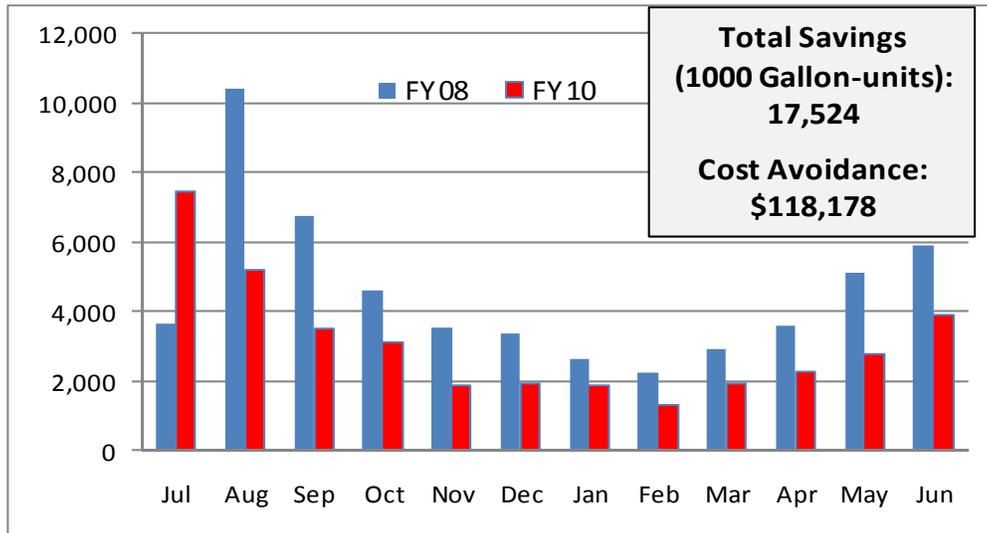
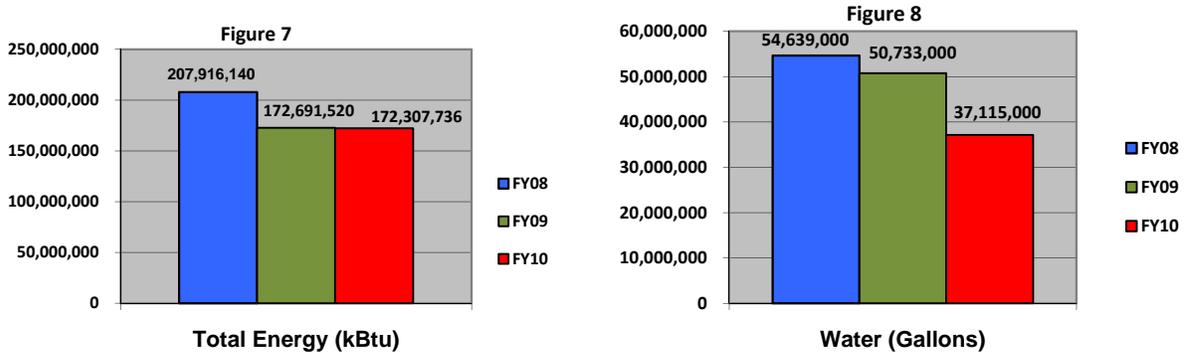


Figure 6 – Monthly water usage in 1000 gallon units. Fiscal Year 2008 vs. Fiscal Year 2010



Figures 7 & 8 – Total Year Energy & Water Usage. Fiscal Year 2008 vs. Fiscal Year 2010

Challenges / Roadblocks

In February 2009, the Department of Agriculture Laboratory was added to the OFM palate. In the 5 months during FY09 with the Ag Lab online, it represented 8% of the entire year’s natural gas usage in all OFM-managed meters; during FY10, the Ag Lab represented 18% of the usage by OFM-managed meters. Minimizing this building’s need for natural gas will be an important challenge in the coming years.

The state government must increase its commitment to fund the maintenance of its facilities. Unpredictable funding impacts planning and leads to "hills and valleys" of maintenance funding. The absence of a reliable funding stream for major life-cycle replacements, equipment upgrades, and renovations is a huge obstacle to maintaining and improving the condition of the state’s real property assets. Failing to fund an intentionally reliable plan, which addresses reducing the deferred maintenance backlog and life-cycle placements, will cause buildings’ value to decline and result in operational disruptions of state government operations.

Priority	Cost
Replace Capitol chilled water line for geothermal well field	\$1,300,000
Replace Capitol cooling tower to meet added load and provide redundancy	\$ 471,000
Upgrade Library Heat & Air system	\$ 250,000
Replace main storm sewer @ 21 st St.	\$1,700,000
Capitol south plaza re-grouting and repair	\$ 300,000
Jim Thorpe Cooling Tower	\$ 175,000
Update controls in Denver Davison	\$ 350,000
Replace Denver Davison cooling tower	\$ 210,000
Tuckpoint Mansion	\$ 65,000
Upgrade Denver Davison Heat & Air system	\$ 250,000
Library roof replacement	\$ 225,000
<i>Total current priority projects cancelled (this is not an all-inclusive list)</i>	<u>\$5,296,000</u>

Table 20 – Facilities Unfunded Priority Events

STATE LEASING

Mission

Assists state agencies in accomplishing their missions by providing essential real estate services through uniform leasing and space standards, detailed space evaluations, uniformity in contractual terms, favorable and economical rental rates, and agency staff training.

Services

The State Leasing office seeks to assist our client agencies in the performance of their mission by:

- Assigning space in state-owned buildings or leasing space from the private sector.

- Authorizing the amount of space to be acquired by state agencies and executing leasing contracts on behalf of state agencies.
- Assisting the client agencies in completing the required forms,
- Serving the unique real estate needs of state government leasing by providing expertise in various types of space including industrial, storage, parking, hangar, boat slips, etc.
- Providing expertise in property management, lease terms and conditions, and market rate information to the agencies we serve.
- Providing information and encouraging the real estate community to do business with the State of Oklahoma.
- Maintaining a computerized database of leased and owned real property for the approximately 4.4 million square feet occupied by state agencies.
- Providing a single communication point for all state agencies and the real estate community regarding: leased space; state-owned space; space standards; lease terms and conditions; rental rates; and contract expectations.

Accomplishments / Initiatives

- Successfully maintained below market rental rates for leased space (see Table 22).
- Maintained a strong reputation of credibility with the real estate community.
- Developed the Active Space Request listing on the DCS website to be used by state agencies, Oklahoma State Finance (OSF) for possible data line relocations, and the private sector real estate brokers to inform them of current state space needs.
- Decreased the processing time for purchase order approval.
- Each year State Leasing approves approximately \$31,500,000 in funding lease agreements.
- Approved 67 new lease agreements and successfully negotiated \$230,000 in savings on new lease rental rates and tenant allowances.
- Trained five state agencies in State Leasing Procedures.
- Reduced the amount of file storage space by scanning contracts, purchase orders, closed files, and correspondence for one pilot agency instead of keeping paper copies.
- Implemented paperless filing system for all electronic correspondence.

Key Performance Indicators

- Negotiated and maintained office rental rates at or below current private market rates

Measure	Result in FY08	Result in FY09	Result in FY10	Market Rates
Maintain leased rental rate below market average per square foot	OKC: \$10.29 ³	OKC: \$10.54 ³	OKC: \$11.13 ³	OKC Class A: \$20.07 ¹
				OKC Class B: \$14.31 ¹
				OKC Class C: \$12.30 ¹
	Tulsa: \$12.31 ³	Tulsa: \$11.75 ³	Tulsa: \$11.75 ³	Tulsa Class A: \$17.36 ²
				Tulsa Class B: \$13.87 ²

Table 21 – State Leasing Market Performance

¹ 2010, Price Edwards & Company *Oklahoma City 2010 Mid-Year Office Market Summary*.

² 2010, Wiggins Properties, LLC *Tulsa Office Market Spring 2010*.

³ Majority of leased space is Class B office (Averaged priced, functional, adequate space, good location, etc.).

- Increased Lease Contract Purchase Order Approval Time



Figure 9: Purchase Order Approval Time

Challenges / Roadblocks

- Ability to locate office space around the State Capitol.
Objective: State to build more buildings in Lincoln Renaissance development area.
- Instability of Leased Space.
Objective: State to build more buildings in Lincoln Renaissance development area.
- Insufficient office space inventory.
Objective: State to build more buildings in Lincoln Renaissance development area.

PROPERTY REUTILIZATION

Mission

Maximum return on the dollar for disposal of state surplus property through use of best practices and accountable resale/auction programs. Maximum reutilization of federal surplus property through targeted and needs oriented acquisition and distribution.

Vision

To continue to save the Oklahoma taxpayer money by providing effective and efficient services.

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
- Maintain an efficient processes management that optimizes PR resources and reduces administrative and operating costs

- Provide growth 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 zero percent (0%) to forty percent (40%), the average service charge for 2010 was 4 ½ % 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 as well as online electronic auctions. The program is self-funded through redistribution and sales fees and receives no appropriated funds.

Accomplishments / Initiatives indicate current status and use of 1033 and 1122 Programs

Federal Property Distribution

- State entities acquired over \$17 million GAC (Government Acquisition Cost) of Federal Property for \$875,000.00.
- Acquired 207 vehicles in support of Fleet Management Value Added Leasing Program.

State Surplus Property

- Improved DCS developed auction software for the public auction and daily sales processes. It has made auctions more efficient, provides accountability and requires fewer personnel.

State Sales	Daily	On Line	Public Auction
2009	\$341,636	\$433,150	\$1,680,473
2010	\$320,158	\$900,315	\$1,351,936

Table 22 – State Property Sales

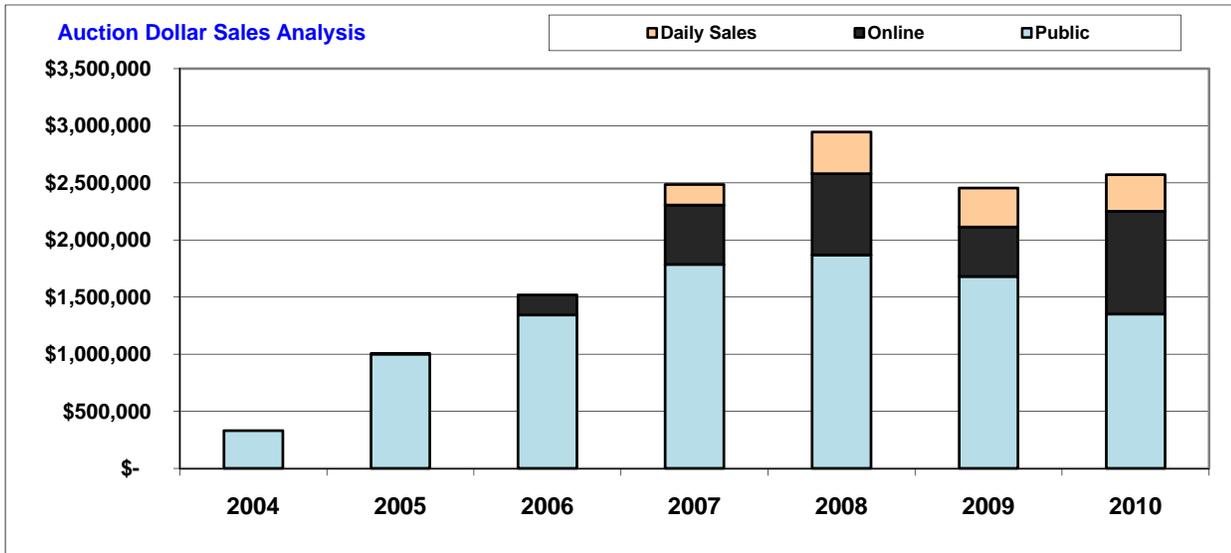


Figure 10 – State Surplus Sales Information

Key Performance Indicators

- Increased number of active donees in the donation program from 1,140 in 2008 to 1150 in FY2009 to 1239 in 2010
- Increased number of participants from 100 in 2009 to 250 in 2010 for 1033 Law Enforcement Program (49 in FY2006)

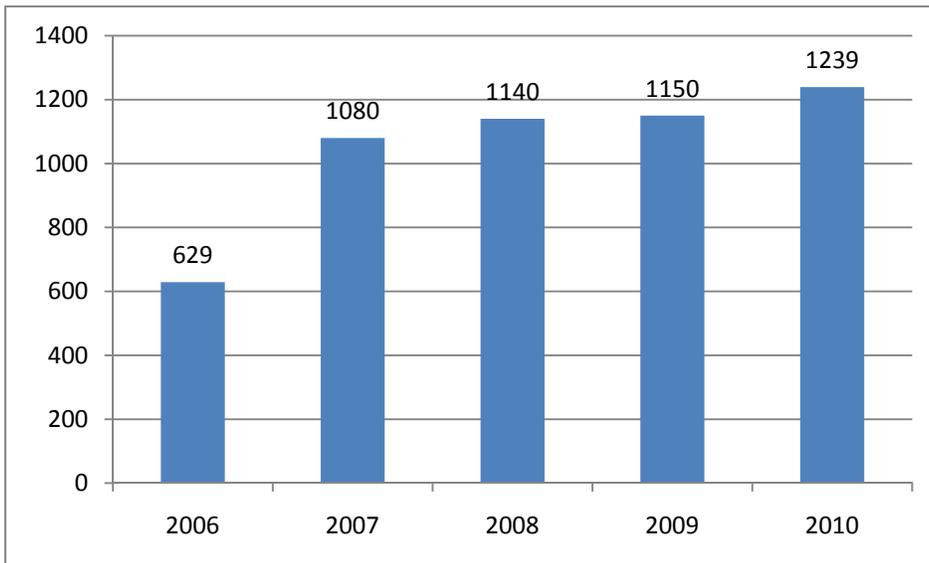


Figure 11 – Number of donees in the donation program

- Donated property in 75 counties - Goal is to donate property in all 77 counties
- Number of registered bidders with the online auction – 7,603 in 2009 to 8,500 2010

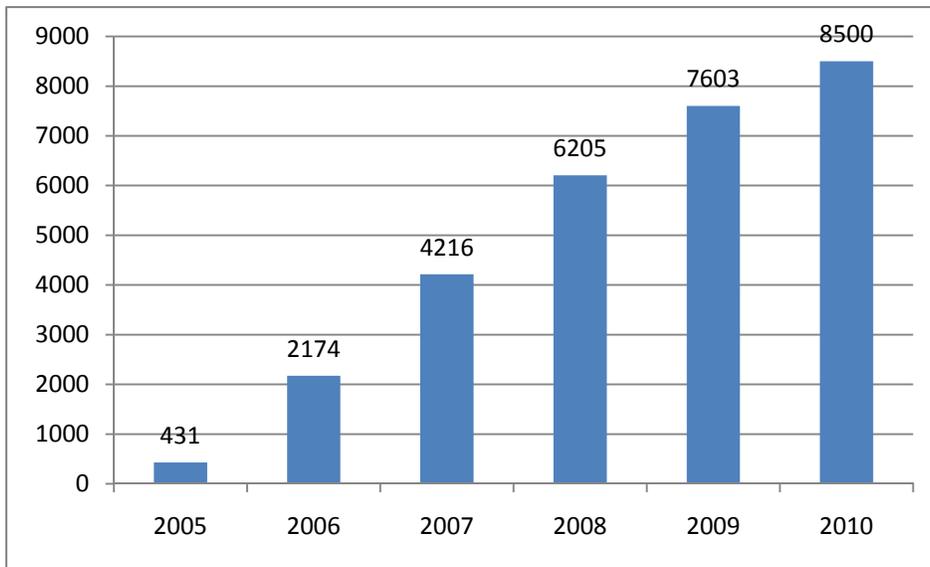


Figure 12 – Number of registered bidders with the online auction

Returned Revenue to Other State Agencies				
2006	2007	2008	2009	2010
\$1.2M	\$1.6M	\$2.0M	\$1.5M	\$1.57M

Table 23 – Revenue returned to other State Agencies from auctions of vehicles, large equipment and scrap metal.

- Increased number of other governmental and qualified entities with which DCS completed business (other governmental and qualified entities include private and public schools, police departments, fire departments, higher education, counties/cities/towns, hospitals and non-profits).

2007	2008	2009	2010
152	196	223	316

Table 24 – Number of governmental agencies served.

Challenges/Roadblocks

- Rerouting of I-40 reduces State Surplus parking space available for surplus vehicle lots and bidders to park their vehicles
- Marketing our programs: auction, donation, resale, 1033 and 1122 Programs
- Increasing disposal fees and transportation costs
- Encouraging other state agencies to use our cost-effective programs and discourage them from duplicating services
- Making surplus property disposal easier for agencies (resources to account for and move property)
- How to do a statewide recycling program that all political entities could benefit from

RISK MANAGEMENT DIVISION

Mission

To provide professional Risk Management (RM) services by supporting and building partnerships throughout state government including political subdivisions and the public.

Vision

Create throughout all of State Government a professional Risk Management Program designed to reduce the State's cost of risk.

Objectives

- Achieve effective financial management
- Through continuous improvement, deliver quality service and consistent application of processes, rules, policies, and procedures.
- Implement and maintain comprehensive, reliable information systems that allow Agency accessibility.
- Educate, train and support our employees and our customers for optimal performance.
- Maintain and enhance comprehensive internal and external communication.

Services

The Risk Management Division (RM) administers professional risk management programs for participating entities (74 O.S., § 85.58A et seq.). The Division directs programs for state agencies, higher education institutions, fire departments, motor license agents, conservation districts and foster family homes.

The Risk Management Division strives to lower costs associated with its programs by maximize expense controls utilizing programs commonly found in major corporations by taking advantage of economies of scale afforded large insurance programs. The Division 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 to each participating entity for the risk management issues under each entity's.

Accomplishments

- RM educational seminar series and presentations continue to grow. Sixty (60) seminars and requested presentations were held in FY2010. Additional courses are being developed for inclusion in the HRDD schedule.
- The State's Fine Arts insurance program for fine arts, rare book collections, and artifacts continues to grow. Currently a total of 42 Agencies participate in the program. Insured values have increased from \$1.759 billion in FY2007 to \$2.047 billion in FY2010 (excludes Historical Society collections).
- The Fine Arts policy "No Claim Bonus" provision has returned to the state approximately \$301,875 over four (4) years.
- Property premiums increased by 3.44% in 2010 due to major claims over the last 3 years.

- Tort loss history continues a positive downward trend due to lower than expected historical loss projections resulting in lower premiums overall.
- As a result of lower than expected losses, RM has reduced costs for state entities over the past six (6) years by \$12.5 million provided in the form of premium credits on Tort, Property, and Fine Arts.
- Implemented and completed building appraisals of twenty (20) state buildings in each of the last four (4) years.
- Increased participation in the Auto Physical Damage Program to include passenger vehicles, in addition to Specialty Vehicles, thereby providing protection of state assets: insured values have increased from \$11.3 million in FY2008 to \$33.2 million in FY2010.
- Implementation of an experience based allocation model continues on the D&O/ELL programs; initial phase based on 25% Experience/75% Exposure moving to 75% Experience/25% Exposure in FY 2011
- Implementation of MMSEA Section 111 program continues. Conversion from SCCTARS current version to its Enterprise version is underway; this will allow customer on-line access to information as well as on-line claim reporting.
- With implementation of the Risk Management Information System (RMIS) claims and underwriting time and data management has significantly improved; Enterprise implementation will further improve productivity as well as information accuracy.
- Report generation is 100% faster with greater detail captured than prior electronic database system.
- Access to claims data is more efficient; we can respond to customer inquiries over 80% faster. This enables us to provide better customer service.
- Loss reserve data is timely and accurately maintained and is accessed over 80% faster than hardcopy file search and analysis.
- Greater accuracy in loss data report to actuary for analysis and allocation reports.
- 2010 D&O/ELL renewed at an 8% premium decrease with higher limits, lower retention, and broader coverage terms.

Initiatives

- Maintain steady and reliable self-insurance and insurance rates across all lines of coverage
- Continually improve services provided to program participants.
- Provide educational opportunities to all program participants for the purpose of improving the professional caliber of agency and university risk coordinators as well as managers and supervisors; throughout the state-seminars, webinars, HRDS classes, etc.
- Provide a web based interactive Risk Management Information System allowing all program participants access to agency specific information for the purpose of enabling them to better manage agency risk management opportunities and thereby improving communications.
- Open electronic claim filing for claimants and agencies to improve timely reporting and communications.

Key Performance Indicators

<i>Measure</i>	<i>Goal</i>	<i>Result</i>
Performance satisfaction survey results	> 90%	95.3% (Combined Excellent and Good ratings)
# of risk control inspections and visits per year	125	273

Measure	Goal	Result
# of educational programs per year (seminars held)	20	60
Renewal insurance rates compared to previous year insurance rates	below 10% increase	Property rate change: 3.44% increase
		D&O rate change: 8% decrease
		Renewal of other lines of coverage remained relatively flat.
Cost of risk compared to previous year rate. (Cost per \$1,000 of Revenue)	below 10% increase	State's cost of risk (rate) in comparison to itself is as follows: FY 05: \$0.99/\$1000 of revenue; FY 06: \$0.84/\$1000 of revenue (15.2% down) FY 07: \$0.81/\$1000 of revenue (3.6% down) FY 08: \$0.73/\$1000 of revenue (9.9% down) FY 09: \$0.75/\$1000 of revenue (2.7% increase) FY 10: [Pending receipt of OSF revenue data]

Table 25 – Risk Management Performance (*1 Annual Seminar; 1 D&O/ELL/EPL Seminar; 2 HRDD Safety Seminars)

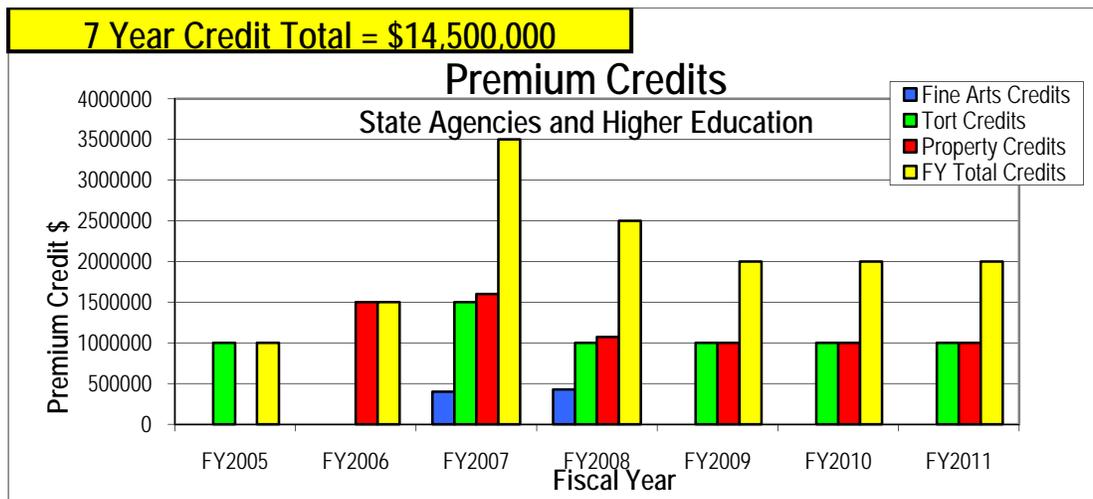


Figure 13 –Risk Management credits to agencies

Challenges

- Governmental action affecting financial and actuarial soundness of Risk Management Funds.
- MMSEA Section 111- obtaining required information from claimants.
- MMSEA Section 111 and State Entities that have purchased their own liability insurance without following proper channels.
- New legislation with unknown financial impact on Risk Management Funds.
- Failure of agencies to maintain properties - especially roofs – related to claims of damage due to wind and hail.
- Agencies not timely and accurately reporting property values and/or changes, which can negatively impact renewal costs, Agency's premium budget, and Agency's recovery of a loss.

- Agencies not timely and accurately responding to Risk Management Program renewal surveys, which can negatively impact renewal costs.
- Agencies lack of commitment to Risk Control.
- To establish and maintain a current and continuous flow of pertinent information from Volunteer Fire Protection organizations usable to protect their assets and liabilities.
- To update Fire District files/coverage information on CSSTARS.

Roadblocks

- Agencies timely payment of invoiced insurance premiums.
- Maintain relatively flat program renewal rate variance over prior year to minimize and smooth impact on Risk Management Funds and to Agency budgets.
- Funds availability to cover unknown exposure created by MMSEA Section 111, in light of Governmental actions affecting Risk Management Funds.
- Accurate and timely processing of claims with Medicare components to assure compliance with MMSEA Section 111 reporting requirements to minimize possibility of \$1,000/day/claim penalty, which, if imposed, would significantly impact Risk Management Funds and Agency budgets.
- Settlement of D&O/ELL claims in which bodily injury is alleged as one element of claim but for which no GTCA claim was filed and MMSEA Section 111.
- Identification of exposures associated with new legislation Agencies not reporting claims, within Risk Management Rules timelines, can negatively impact Agency's recovery of a loss and may impact Agency budget.
- Increasing number of EEOC claims and unknown impact on Risk Management Funds.
- Obtaining non-jurisdictional liability coverage, in light of state budget issues.
- Providing insurance coverage for non-declared state owned assets.
- Obtaining commitment of Agency Risk Coordinators to attend Risk Management Seminars.

ADMINISTRATIVELY SUPPORTED AGENCIES

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, Section 151 et seq. 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, 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.

Accomplishments / Initiatives

- Integrated OCIA Accounting into the Office of State Finance’s General Ledger System.
- An independent audit of financial records was commenced and completed with an unqualified report issued.
- Staff has received additional training on financial reporting in compliance with federal and state governmental rules and regulations.
- Monthly financial statements are routinely produced and presented to management.
- All financial documents are now digitized.

Key Performance Indicators

- Agency bond payment schedules for FY11 were produced and distributed timely.
- Three bond closings were completed successfully.
- Four bond issues have matured.
- Vendor requests concerning past due invoices has continued to decline.

Challenges / Roadblocks

- Continued increases in construction cost impacts accuracy of initial design and cost estimation
- Uncertainty in the market results in estimates of bond interest rates given to agencies and the Legislature when a bond is proposed that may be different at the time of a bond issuance

PUBLIC EMPLOYEES RELATIONS BOARD

Mission

To act as the neutral party between eligible municipal employees, police and fire department members, their collective bargaining representatives and municipal employers to ensure the protection of all employment terms and conditions afforded such employees by law.

Objectives

To expeditiously and effectively carry out the intent of the legislature by holding ethical, trustworthy certification elections for the purpose of collective bargaining; and, to coordinate and act as a neutral representative on behalf of the State to hear and decide alleged unfair labor practice charges filed by employees protected by the laws administered by PERB.

Services

PERB schedules and coordinates elections for fire and police departments desiring collective bargaining representation pursuant to the Fire and Police Arbitration Act (FPAA) and for the municipal employees authorized representation pursuant to the Municipal Employee Collective Bargaining Act (MECBA). The Board must hold hearings to determine the appropriate bargaining unit of a municipal employee organization.

PERB also acts as the repository for unfair labor practice charges/prohibitive practice charges filed by individuals pursuant to the FPAA and MECBA. The Board holds hearings and issues decisions in such cases. Board decisions in MECBA cases may be appealed to the district court, however, decisions in FPAA cases may not.

Accomplishments / Initiatives

- Currently, there are 103 collective bargaining units across the state certified under the FPAA and 12 units certified under the MECBA.
- PERB has handled over one hundred cases during the past six years. Most have gone to the Board hearings for decisions and orders. The Board's unique role significantly impacts the state's court system by settling cases prior to issues being elevated to the district court level. Very few cases are appealed and when they are, the appellate court usually rules in favor of the PERB.

Key Performance Indicators

YEAR	CASES FILED	CLOSED	SETTLED	DECISIONS
2004	8	10	4	6
2005	8	8	4	4
2006	14	16	5	11
2007	29	20	10	10
2008	13	9	4	5
2009	16	15	7	8
2010	17	14	8	6

Table 26 – Cases: closed, settled and decisions

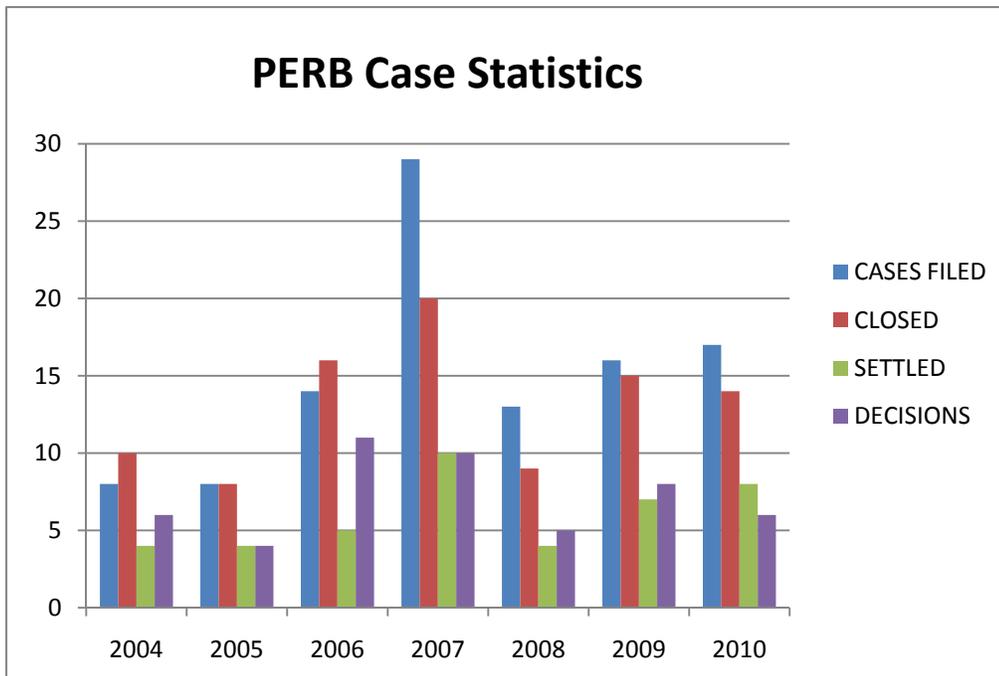


Figure 14 –Risk Management credits to agencies

- There are very few ‘pending’ cases at any given time because PERB Rules provide a swift process for grievance hearings maintaining strict deadlines for filing briefs and settling the hearing in a timely manner. This process that encourages communication between the parties, often times results in a resolution before the scheduled hearing.

Challenges / Roadblocks

- Insufficient appropriated funding for additional responsibilities mandated by the MECBA, which include use of hearing officers, provision of official written transcripts of hearings and the purchasing of an Arbitrator List upon request.

STATE USE COMMITTEE

Mission

To provide leadership and responsive accountability in directing State Use vendors in providing employment to severely disabled individuals while providing quality products and services to governmental entities throughout the State of Oklahoma.

Objectives

- Assist in creation of meaningful employment and income for persons with severe disabilities.
- Assist in providing quality products and services to governmental agencies at a fair market price.
- Improve vendor-agency relationship through customer relationship management.
- Promote the State Use Program to all state agencies, school and municipalities
- Complete the Economic Benefits Study to enhance the State Use Program.

Services

- Comprehensive Portal training for agency users
- Statewide contract development/management
- Fair Market research/development
- Vendor Training Program
- Procurement Schedule maintenance

Accomplishments / Initiatives

- Increased the number of service contracts
- Update and revision of the state use rules
- Completed a draft copy of a State Use Manual

Key Performance Indicators

- Contract sales vs. man-hours of severely disabled
- Number of disadvantaged persons employed thru State Use Vendors

CY	Man Hours of Disabled	Change	FTE	Change	Contract Sales (000's)	Change
2006	1,259,054	-	617	-	\$ 16,582.00	-
2007	1,265,475	1%	631	1%	\$ 17,682.00	7%
2008	1,354,064	6%	660*	1%	\$ 23,398.00	32%
2009	1,257,000	-7%	616	.7%	\$23,758.00	1.5%

Table 27 – Contract sales vs. man-hours of severely disabled (*equivalent full time employee hours at 2040 hours per year, however, most disabled people do not work 40 hours per week)

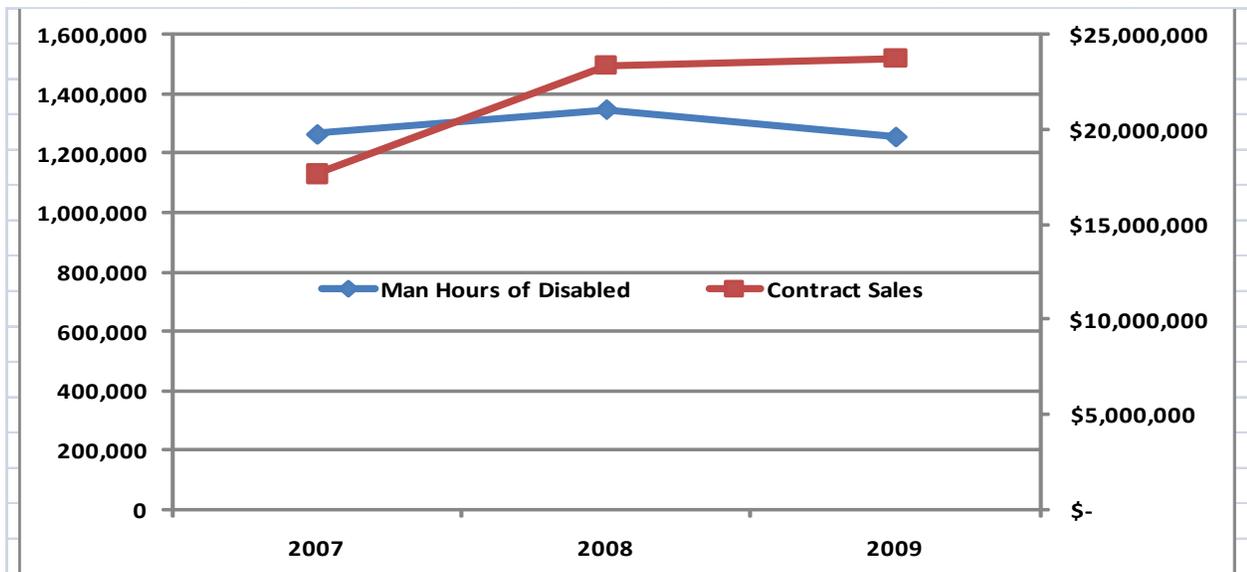


Figure 15 – Contract sales vs. man-hours of severely disabled

- Total number of contracts administered yearly - 72
- Number of vendor/agency complaints filed yearly – 10 (FY-10)

Challenges

- Full reporting compliance of State Use vendors
- Timely review of all Fair Market Prices
- Proper disbursement of Purchase Orders and Change Orders to State Use Staff
- Integration of State Use requirements within agency purchasing processes
- Collection of timely information from vendors to complete Economic Benefit Study

CAPITOL PRESERVATION COMMISSION

Mission

The Commission was created in 1982 to plan and supervise the preservation and restoration of the interior and exterior of the Oklahoma State Capitol building. Similar responsibilities were added in 1983 with respect to the Governor's Mansion. The Commission also controls the display of art objects in public areas of the State Capitol and the first floor of the Governor's Mansion. The Commission consists of fifteen members.

Services

Oversight of all construction and renovation projects in the State Capitol and Governor's mansion

OKLAHOMA CAPITOL-MEDICAL CENTER IMPROVEMENT AND ZONING COMMISSION

Mission

To promote the general welfare of the State of Oklahoma and private property owners by providing effective direction for the orderly development of the Capitol-Medical Center Improvement and Zoning District through the adoption, maintenance and equitable administration of a comprehensive plan, land use controls, and building and zoning regulations in keeping with accepted planning principals.

Objectives

- Adoption and Implementation of a Master Plan for the District
- Effective communication and promotion of policies and goals
- Promulgate zoning regulations to support dictates of the Master Plan
- Coordinate district and sub district development through the use of contemporary planning principals and zoning controls
- Conserve value of buildings, land and existing developments
- Encourage the most appropriate use of land throughout the district

Services

- Land Use Planning
- Code Enforcement
- Citizen's Participation

Accomplishments / Initiatives

- **Master Plan Update/Zoning Regulations Update:**
Commission's enabling legislation states the Commission shall adopt and revise from time to time an official master plan for the district. The last plan update was 1994. Plans are typically updated every 10 years, the purpose being to acknowledge changed conditions, update census data and other statistics for the area for current & future land use and transportation planning.
- **Increase Code Enforcement:**
Citizen's have asked for an increase in code enforcement and to enhance the contract with the City of Oklahoma for alleged zoning and maintenance violations. The Citizen's are proactively reporting violations of use and are requesting assistance to bring about zoning compliance throughout the district.
- **Fee Schedule & Collection:**
It has been suggested that the Commission establish a fee schedule similar to those of City Planning Commissions. Fees would be charged for certain building and use permits. The funds collected would be placed in the operations budget for the Commission to enhance technology, services, and increase personnel.
- **Data Collection/Electronic Mapping System:**
Infrastructure and mapping data has been collected. Once a master plan update is completed and other statistics collected it would be an asset to the Commission to combine all data into an electronic mapping system. To have all land use and property information combined in one file for convenience, quick retrieval, and historic information.
- **Enhance Historic Preservation Standards:**
Residents and property owners in the historic preservation district and other potential preservation district have asked for a standard or guideline to educate residents of the purpose and intent of historic preservation and its relationship to the zoning district.

Key Performance Indicators

- **60% Zoning Regulations Updated:**
60% of the zoning district regulations were amended to reflect current planning techniques, dictates/recommendations of the Zoning District Master Plan and the Oklahoma Health Center Master Plan -2007. Language was simplified for easier interpretation by the public.
- **100% Proactive Zoning Violations Investigated:**
100% of the proactive reporting of alleged zoning violation to Oklahoma City's Action Line and the Commission were investigated. 85% of the cases were resolved; 15% are still under investigation.
- **100% Infrastructure Data Collected:**
100% of the current infrastructure data for the zoning district was collected and electronically provided to the Commission by the City of Oklahoma. Water & Sewer Lines, and Storm Sewers locations can be immediately identified; as well as streets, easements, and street right-of-way.
- **5% Draft of Historic Preservation Standards:**
5% of a draft of Historic Preservation Standards/Guidelines as requested by property and home owners. Standards/guidelines are designed to support the historic preservation regulations; and to assist and guide the homeowner in selecting appropriate building materials and workmanship for the preservation of the architectural resources.

Challenges / Roadblocks

- Budgetary Restraints - Additional human resources would resolve work flow constraints, upgrade technology, and enhance service to the public as well as contribute to achieving the objectives of the Commission's enabling legislation (Title 73, Sections 83.1-83.14).
- Master Plan Update - Lack of financial resources prohibit a plan update that is typically done every 10 years (last update 1994) to recognize changed conditions and provide an analysis of the district to determine present and future direction in planning. Provide a planning strategy for the creation of an appropriate land use pattern that will allow for the continued growth and development of the Oklahoma Health Center and protection of the State Capitol Building and private sector ownership.
- The collection of fees for permits on a schedule at a rate typical to government planning commissions would assist in alleviating the financial strain.