

State of Oklahoma
Department of Central Services

Fiscal Year 2007 Performance Review

November 30, 2008

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EXECUTIVE SUMMARY

DCS FY 2007 Major Accomplishments – tough but a very productive year.

Agency goals, established through a strategic management review process which incorporates financial management, business processes, human resources development and information technology, are completed.

DCS continues to improve its automation capacities, completing implementation of Fleet Management, Risk Management, Printing Management and Accounts Receivable software programs.

DCS has revamped its financial management and decision processes, including improved reporting and increased accountability for financial processes at all levels.

DCS established a dedicated OCIA financial management team to assure accountability of the $1.2 Billion in bonded indebtedness. The OCIA finance is now audited annually, and produces financial statements monthly.

Efforts to ensure DCS is meeting customers' needs are evident in several 2007 projects. The Central Purchasing Division organized commodity councils comprised of representatives from other state agencies to review the State's purchasing needs for food, fuel, and other products and services.

Fleet Management organized the State Motor Vehicle Advisory Council, which is currently reviewing the Division's administrative rules in its continuing efforts to improve management of the State's fleet.

DCS has brought on line three major new software systems to manage fleet operations, risk management and printing services.

DCS has invigorated employee training and certification programs to ensure skills are up to date. Seven purchasing staff members were trained in George Washington University's negotiation program this last year.

Customer communication is a top priority throughout the Department.

Summary of the FY 2008 Budget Request

The Department of Central Services' request for FY 2009 accommodates actual operating cost incurred and our most critical deferred maintenance issues. We have requested $3.764M dollars more than the FY 2008 base budget. This includes the $2.0M dollars for immediate deferred maintenance issues. It also includes $500K to fund a new printing press, $450K for a facilities management system, and $350K to address health benefit entitlements. Smaller amounts are requested to replenish computer workstations and purchase imaging equipment.

Strategic Emphasis

DCS recommends that the legislature develop a funding mechanism to address deferred maintenance needs of all state agency facilities. We have requested legislation to improve our purchasing programs and to stress a more rigorous analysis of OCIA capitol improvement requests. Internally, DCS is continuing an aggressive improvement in our purchasing programs through emphasis on collaborative purchasing decision processes, analysis of the state's spending to strengthen our negotiation position, and streamlined purchasing processes.

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GENERAL INFORMATION

STRATEGIC DIRECTION

Agency Mission

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

Agency Vision

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

Agency Purpose

Serve and support Oklahoma government

Core Values

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

Areas of Emphasis

Customers	Facilitate and provide effective and efficient services through collegial and productive relationships with all state agencies
Finance	Develop and maintain sound financial systems and practices to support DCS' services by ensuring accurate and accountable financial performance
Processes	Develop and maintain programs and policies that enhance DCS service performance and improve state agency mission performance
Growth	Develop and broaden the professional skills of DCS' employees in order to promote 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 fuels programs
- Leasing - plans and manages space in State-owned and commercially leased facilities
- Real Estate Services programs, including properties inventory, sale, purchase, lease, and/or easement of State-owned land
- Risk Management, including commercial and self-insurance programs
- Central Printing, photocopying and graphic design services
- Interagency mail service for state agencies in Oklahoma City area
- Federal Surplus Property Donation program
- State Surplus Property program
- State 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
- State Use Committee (overseen by the Central Purchasing Division)
- Public Employees Relations Board

ORGANIZATION

LEADERSHIP

Director of the Department of Central Services

On December 1, 2004, Governor Brad Henry 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).

Deputy Director / Chief of Staff

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

STRUCTURE

The organizational structure of DCS positions the Department to expediently deliver the highest quality business services to its customers throughout state government. DCS is committed to providing systems and services on which our customers can depend. DCS organization consists of seven (7) functional and nine (9) administrative units.

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

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

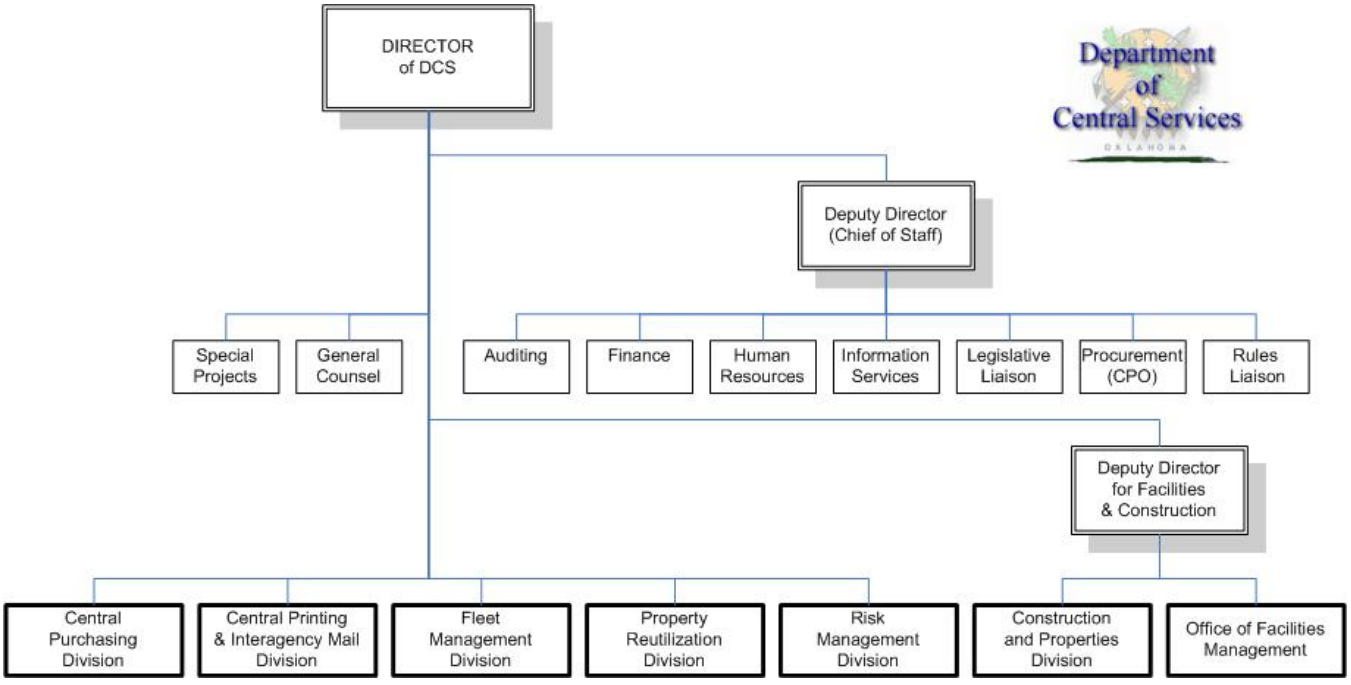


Figure 1 – DCS Organization Chart

EMPLOYEES / HUMAN RESOURCES

Accomplishments / Initiatives

- Implemented an HR data base which integrates HR and financial data for management purposes
- Completed HR electronic time-keeping system, with testing in November and December and plans to go live in January 2008
- Conducted 25 on-site IT training sessions as a result of the goal to educate, train, and support our employees
- Conducted a needs assessment of employee professional training and certification requirements
- Revised the Employee Policy Handbook 95% completed - pending legal review and re-formatting

DIVISION	FTE
Administration	9
Auditing	5
Finance	10
Human Resources	2
Information Services	5
Legal	4
Central Printing and Interagency Mail	22
Central Purchasing	31
Construction & Properties	15
Fleet Management	19
Office of Facilities Management	74
OFM Administration & Support	*7*
Facilities Management	*62*
Real Property Services	*3*
State Leasing Office	*2*
Property Reutilization	14
Federal Property Distribution	*11*
Surplus Sales	*3*
Risk Management	11
TOTAL DCS	221
Administratively Supported Programs*	9
GRAND TOTAL	230

Table 1 – Number of FTEs According to the Organization Structure as of June 30th, 2007

** See Page 5*

Key Performance Indicators

- Supervisory training: DCS will have met 100% goal by the end of FY-07
- Compensation audit for all DCS positions: determination made that at least 67% of the DCS staff was underpaid compared to other local and regional state agencies, which resulted in low morale of existing employees, problems in retaining quality staff, and difficulties in recruiting qualified applicants
- EEO/AA goals: DCS continues to meet its goals in hiring minority groups, resulting in the number of minority staff ratio at DCS being 30%. In FY-07, 38% of new hires were minorities and 38% of promotional selections were minority applicants
- Employee growth: 21 employees were promoted in FY-07
- Employee turnover: DCS experienced 11.3% turnover rate in FY-07

Challenges and Roadblocks

- Inadequacy of DCS pay scales to recruit the necessary talent in highly skilled areas including architects and engineers
- Need for financial resources to adjust current staff's salaries to be competitive with the market
- PeopleSoft constraints in providing the necessary reports and data for the effective employee and position data management
- Inadequate IT resources to program HR management reports

FINANCES / BUDGET

Accomplishments / Initiatives

- Integrated the Fleet Management system and the Printing Management system into the agency's accounts receivable system
- Continued training and educating division chiefs on the preparation of budgets and monitoring their financial position so that each chief now has increased ownership and responsibility for his/her division's budget

Key Performance Indicators

Data Presented in $1000s		*FY-2007*	*FY-2007*	*FY-2008*
Fund #	Fund Title	Budget Work Prog.	Actual Expenditures	Budget Work Prog.
DCS GRAND TOTAL		$60,270	$56,073	$70,633
		Administration		
19X	General Revenue	859	1064	984
201	Gen Purpose Rev.	10		19
445	Payroll Trust Fund	164	162	0
TOTAL	Administration	$1,033	$1,226	$1,003
		Core Services		
11X	Public Building Fund	0	555	0
19X	General Revenue	10,843	11,638	15,320
201	Gen Purpose Rev.	269	270	430
205	Risk Management	206	202	0
215	State Const Rev.	1,456	831	1,365
225	Severely Handicapped	179	204	224
230	OK Print Shop Fund	0	0	0
231	Postal Service Rev.	631	587	890
240	Asbesos Abate. Rev.	335	208	117
244	Statewide Surp. Prop.	668	1455	1,728
245	Build. And Fac. Rev.	11,787	13,527	13,473
250	State Motor Pool Rev.	0	434	0
255	Ok Motor Lic Agent Indemnity	0	0	0
260	Risk Manage. Fire Prot.	48	48	0
265	Bid Document & Bond F.	0	10	0
270	Regis. Of State Vendors	121	104	114
271	Vendor Fees & Rebates	451	336	377
272	Purch. Training Fund	23	10	39
275	State Recycling Rev.	62	38	32
443	Interagency Reimb.	36	36	0
445	Payroll Trust Fund	501	500	669
494	Sales Fund Surplus	0	0	0
57X	Special Cash Fund	0	0	3,200
TOTAL	Core Services	$27,616	$30,993	$37,978
		Public Employees Relation Board		
11X	Public Building Fund	0	0	0
19X	General Revenue	47	49	52
201	Gen Purpose Rev.	10	5	11
57X	Special Cash Fund	0	2	0
TOTAL	PERB	$57	$56	$63

Table 2 – Budget, Expenditures and Funding Lines

Data Presented in $1000s		*FY-2007*	*FY-2007*	*FY-2008*
Fund #	Fund Title	Budget Work Prog.	Actual Expenditures	Budget Work Prog.
		Capitol Medical Zoning Commission		
11X	Public Building Fund	0	0	0
19X	General Revenue	82	103	92
TOTAL	Zoning Commission	$82	$103	$92
		Property Distribution		
11X	Public Building Fund	0	0	0
210	Surplus Property Rev.	1,261	912	1,475
245	Build and Facility Rev.	0	0	0
TOTAL	Property Distribution	$1,261	$912	$1,475
		Central Printing		
11X	Public Building Fund	0	0	0
230	Ok Print Shop Fund	1,633	1,512	1,623
TOTAL	Central Printing	$1,633	$1,512	$1,623
		Motor Pool (Fleet Mgmt)		
19X	General Revenue	0	0	0
250	State Motor Pool Fund	6,469	5,927	7,021
TOTAL	Motor Pool	$6,469	$5,927	$7,021
		Alternative Fuels		
11X	Public Building Fund	0	0	0
19X	General Revenue	43	47	50
250	State Motor Pool Fund	4	3	8
251	Alternative Fuels Tech	9	5	28
TOTAL	Alternative Fuels	$56	$55	$86
		Risk Management		
19X	General Revenue	40	0	40
205	Risk Manage. Rev.	20,575	14,317	19,741
206	Community Action Ag	505	0	0
223	Foster Families Prot. Fund	428	403	431
255	Motor License Agent ID	48	59	94
260	Risk Mgmt Fire Protec.	687	352	770
261	Risk Mgmt Elderly & H	3	0	0
262	Risk Mgmt Political Subdivisions	177	158	216
TOTAL	Risk Management	$22,463	$15,289	$21,292
DCS GRAND TOTAL		$60,670	$56,073	$70,633

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

Summary of FY-09 Budget Request

#	Project	State Appropriated	State Revolving	Federal Funds	Total Funding Change	FTE Changes
1	Deferred Maintenance (Appropriated Buildings)	2,000	0	0	2,000	0
2	Health Benefits Increase	350	0	0	350	0
3	4-Color Press Purchase	500	0	0	500	0
4	Workstation Replacement	54	0	0	54	0
5	Imaging Equipment	60	0	0	60	0
6	Facilities Management Software	450	0	0	450	0
7	Educational Reimbursement	150	0	0	150	0
8	Oklahoma Municipal Collective Bargaining Act (OMECBA) PERB	200	0	0	200	0
-	TOTAL	3,764	0	0	3,764	0

Table 3 – Summary of FY-09 Budget Request - Operations Funding Changes

Impact of not Funding FY-09 Request by Priority Number

Priority 1 – Deferred Maintenance – Appropriated Buildings – Failure to fund the cost to maintain the appropriated buildings will force DCS to shift operational funds to pay hard costs for repairs and building equipment failures. The agency will not have the ability to address critical emergency repairs.

Priority 2 – 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 impede the agency's ability to perform required services.

Priority 3 – 4-Color Press – Without the purchase of up-to-date capital equipment, the State's print shop cannot operate effectively and efficiently, nor create the necessary quality products and services. Central Printing cannot provide needed services to state agencies. The State has not invested in new technology for several years and the result is higher costs and inability to produce desired results. Agencies must go to the private sector for many of their printing needs. Failure to fund new equipment will cause agencies to continue paying higher prices to the private sector and will result in unnecessary expense to the State.

Priority 4 – Workstation Replacement – Computer workstations must be updated on a reliable schedule. Older workstations are often incompatible or inefficiently accommodate new software implementations and negatively affect our mission capabilities. Additionally, DCS provides training for Certified Procurement Officers for state agencies and requires workstations that are updated and compatible.

Priority 5 – Imaging Equipment – If funding is not available to purchase imaging equipment, DCS will not be able to participate with the Office of State Finance in streamlining the process of paying claims and financial accounting. Missed opportunities and savings will far exceed the cost of the imaging equipment. Additionally, DCS will miss the opportunity to reduce paper and storage cost.

Priority 6 – Facilities Management Software – The age and failure rate of equipment and maintenance issues have made the monitoring of the needs of State facilities a critical issue. Without the ability to adequately monitor the buildings' needs, DCS is placed in a totally reactive position with regard to maintenance, repair and replacement. Ultimately, the inability to effectively manage its assets is costing the State more money.

Priority 7 – 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.

Priority 8 – Oklahoma Municipal Collective Bargaining - A recent Supreme Court decision now requires municipal grievances to be managed by the Public Employees Relations Board. In order to comply with this decision, adequate funding is necessary to cover the cost of administrative hearing officers, staff and operational expenses.

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 $350,000.00 for employee's insurance payments, which will have to be taken from operational funds.
- Unexpected events will be funded from operational funds, i.e. J.D. McCarty repairs of $700k in FY-08. The agency is at risk of not being able to meet critical operations when future unexpected events occur.
- 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 on an annual basis, resulting in significant deferred maintenance issues.

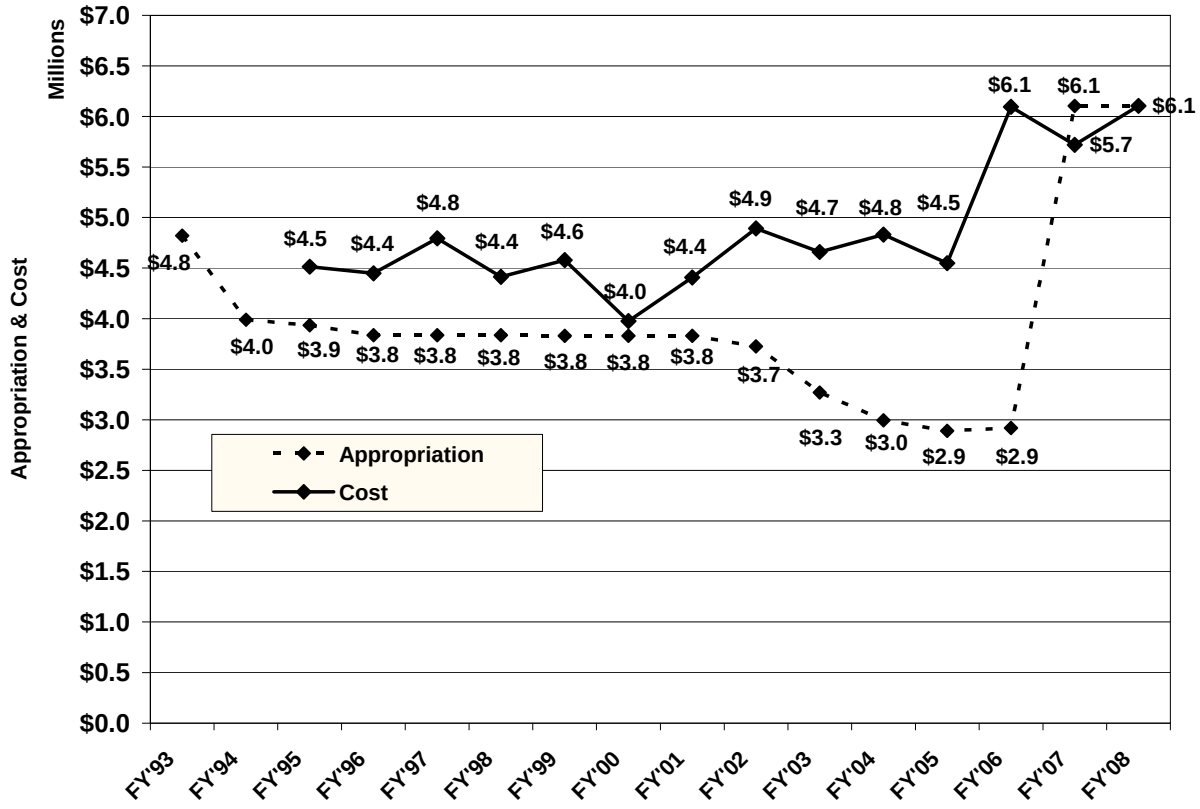


Figure 2 - Buildings Appropriation vs. Maintenance Cost

INFORMATION / TECHNOLOGY

Accomplishments / Initiatives

- Successful deployment of FleetFocus – Fleet Management application
- Successful deployment of CsStars – Risk Management application
- Successful deployment of Avanti – Print Management application
- Successful deployment of Vendor Registration application – Web-based application for Central Purchasing
- Current plans for the installation and deployment of a Facilities Management system
- Deployment of a custom-developed Time Management System
- Preparation of system requirements and project schedule for development of Surplus Application to track and market the inventory of surplus equipment
- Integration procedures developed to transfer invoice data to Great Plains accounts receivable system from the new department software applications (Avanti, FleetFocus and CStars)
- Plans for the conversion of Lotus Notes Domino applications to .Net applications to provide greater flexibility and functionality
- Development of the Fleet Management Calculator, online application for rental rate estimation
- Preparation for deployment of a secondary firewall and security software to further enhance the Agency's network security

Key Performance Indicators

- Network - Uptime exceeds 99%
- Security
- All virus's 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 schedule returned to requestor 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

- 1/48 support ratio - 1 ISD employee supports 48 DCS employees while industry standards for an organization the size of DCS recommend 1 ISD staff member for every 18 employees (1/18 ratio)

- Lack of staffing to support additional systems deployed for Agency Divisions. Additional systems include commercial applications (Avanti, FleetFocus and CStars) and in-house developed applications (Surplus Auction Accounting, Requisition Log, Land Management, HR Applications)
- Each ISD staff member supports more employees than recommended industry standards
- Difficulties in obtaining access rights to *PeopleSoft,* with which to integrate current and prospective systems

FUNCTIONAL UNITS OVERVIEW

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.

Objectives

- Identify systemic issues in the State's various purchasing programs and mechanisms
- Assist State agencies in improvement of their procurement practices
- Effectively monitor agencies' procurement compliance and procedures

Services

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

Accomplishments / Initiatives

- Created and implemented first ever paperless audit program in the State of Oklahoma
- Received external accreditation to perform audits in accordance with governmental auditing standards (GAGAS)
- Enhanced communication and working relationships with State agencies
- Provided resolution of identified issues
- Identified systemic issues in Published P/card procedures resulting in revised procedures published in December 2007
- Received reliable feedback from the agencies, related to ease of use, timeliness, accuracy, cost and choice

Key Performance Indicators

- Completed 25 procurement or purchase card audits for FY 2007 assignments
- FY2007 reports indicated minimal Purchase Card fraud occurring
- In FY 2007 reduced critical findings from previous years

Challenges / Roadblocks

- Need changes in outdated rules and statutes, particularly regarding procurement
- Necessity to shorten time needed to correct ineffective requirements

CENTRAL PRINTING AND INTERAGENCY MAIL DIVISION

Objectives

- Effective business and marketing practices to ensure Central Printing and Interagency Mail operates on a sound financial basis.
- Provision of efficient services that meet the customers' needs
- 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:

  4-color process printing custom stationery, business cards, receipt books, newsletters, envelopes, brochures, posters, books, forms, tabs, on-demand color printing, fulfillment services, applications, certificates, notices, licenses, handbooks, renewal forms, automated mail discounts through Central Printing's postal permit and barcode addressing, folding and inserting, presort Mail discounts for agency-provided US mail, large volume envelope printing and storage
- Interagency Mail makes 160 stops a day by delivering and picking up the mail for state agencies. Interagency Mail meters first class, presorts, and issues postal permits for bulk mailing

Considered Services

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

- Scanning and Archiving
- Large format/banner printing
- Variable data printing
- Satellite copy centers

Accomplishments / Initiatives

In FY 2007, Central Printing continued to seek new services and more efficient methods to fulfill its mission:

- Central Printing acquired and implemented phase one of the new print management system that replaces the outdated AS400 based order/invoicing system. The new system will not only provide order entry and invoicing but will provide in-depth data access for: benchmarking, identifying profit/loss centers, as well as real time job tracking. Phase two of the new system (scheduled for FY08-09) will streamline print ordering for Central Printing's customers via a personalized, secure web portal
- Research completed for acquisition of a digital 4-color printing and chemical-free processing
- Interagency Mail's meters upgraded to be fully compliant with the USPS Shape Based Mail requirements

Key Performance Indicators

- Developed and maintained a sound financial system. Budget estimate vs. actual variance was 8.9%, within the 10% allowance
- Efficient processes management:
    - Average turn around time was reduced in FY2006 by 4 days and was maintained throughout 2007. The data from newly deployed print management system should provide the turn around time for each printing category in the near future and with this information objectives for specific categories will be established
    - Reduced equipment down time through more effective PMS (Preventive Maintenance Schedules)
- The customer satisfaction surveys show that 86% of CPIAM's customers scored satisfactory or higher

Central Printing	*Job Requests*	*Job turn-around*	*Billing*	*Expenses*
FY 2006	4,625	16 days	$1,634,256	$1,480,557
FY 2007	4,584	16 days	$1,641908	$1,449,604

Table 4 – Central Printing Performance

Interagency Mail	*Delivered*	*Metered*
FY 2006	713,637	1,114,577
FY 2007	1,118,773	1,450,942

Table 5 – Interagency Mail Performance

Challenges / Roadblocks

- Limited customer base - limited to State, City and County entities
- Limited utilization of Central Printing by agencies
    - Proliferation of underutilized high speed digital printers at the agency level
    - Outsourcing to Central Printing hindered by agency internal controls
- Education of Customers to Services Provided - Information does not always reach the decision makers
- Purchasing policies - Technology has impacted the printing industry dramatically. Computer and laser assisted presses and finishing equipment are now the norm in the industry. For any print shop to remain competitive it must stay up-to-date technologically. As a non-appropriated enterprise operation, Central Printing must be able to acquire low interest loans or lease purchase agreements for print equipment to remain competitive
- Intrastate Competition - Central Printing operates on a revolving fund,; receiving no appropriated monies. Central Printing has been competitive with the private sector in price and quality for nearly three decades; but recently state print shops that are operated or subsidized through appropriated

funds have been aggressively competing for state print jobs. We plan to address this issue initially through interagency cooperation

CENTRAL PURCHASING DIVISION

Mission

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

Objectives

- Capture and quantify spend data for improved negotiation leverage
- Aggressively use negotiations to improve cost effectiveness of contracts
- Provide consistent procurement services (de-mystify the process)
- Formalize 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; establish collaborative decision processes
- Improve Vendor performance monitoring procedures
- Increase resources available for training
- Increase procurement system user proficiency (internal and external)

Services

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

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

Accomplishments / Initiatives

- Process Documentation: Central Purchasing (CP) has completed documentation of its processes and is reviewing them systemically to eliminate redundancy and improve efficiency. The projected outcome will be consistent procedures and policies that are understood clearly by our customers and vendors alike.

- Fuel Contract: Central Purchasing has negotiated a statewide fuel contract for the Fleet Management Division that will provide rebates to utilizing state agencies and up-front incentives totaling an estimated $118,000. The program will utilize a universally accepted Fleet MasterCard that will generate rebates based on total spend and will also be utilized in conjunction with our soon-to-be released statewide vehicle maintenance contract. The new fleet card will be implemented on December 1, 2007. Program includes fueling purchase cards that will be accepted at over 3,300 fueling stations and over 4,500 maintenance facilities in Oklahoma. This is an improvement from less than 1200 fueling stations and less than 1,000 maintenance facilities under the old contract. The fuel contract includes an additional 2 cents per gallon discount at approximately 1,100 stations on the most traveled roads of the state. The bulk fuel portion of the contract includes an additional 5 cent per gallon discount savings over the previous supplier contract, saving in excess of $100,000 annually.
- Vehicle Rental Contract: A statewide contract is now in place to comply with state statute which requires state agencies to compare three methods of travel to determine the most cost effective mode for our state employees.
- Multifunctional Copier Contract: Working closely with a variety of state agencies, Central Purchasing is close to awarding the statewide multifunctional copier contract. A complex and thorough evaluation of supplier proposals is nearing completion and we are confident we will end up with a very user-friendly, aggressively-priced contract that will accommodate all state user needs. Users will be provided with an evaluation tool that will help determine the most appropriate machine is placed within the agency. The evaluation tool is a key component to assure the state is utilizing the "right size" machine for its needs and will result in significant savings to the state. The contract also includes supplier reporting requirements which will assist in future spend quantification.
- Office Products contract: Implemented the Office Products contract which included the State Use Portal. Our contractual partner, Corporate Express, has provided a one-stop web office supply ordering portal which automatically identifies State Use items as a subset of its larger inventory for purchase and delivery. This significantly reduces the costs of acquiring office products and assures compliance with State Use Law.
- Negotiation Skills: Central Purchasing, by working in cooperation with George Washington University and ESI International, now has an additional seven trained and certified negotiators.
- Vendor Registration: On-line vendor registration is now available for our state suppliers as a result of collaborative efforts with DCS staff and OK.gov. The on-line registration is faster and simpler than paper forms-based process. The new system reduces administrative costs and enables vendors to register expeditiously.
- Seeking Feedback: In FY2007, Central Purchasing established relationship with OK.gov to develop an on-line survey tool. The tool will be utilized to gather anonymous input from CP customers and suppliers. It will also include a means by which users can ask questions and solicit feedback from Central Purchasing. Delivery date is estimated to be January of 2008.
- Strategic Sourcing: A variety of initiatives are underway and in the planning process to develop a more strategically enhanced purchase process:
    - More comprehensive reporting requirements are being included in solicitations, which are an integral component of our goal of a fully quantified accounting of the state's spending.
    - Additional support from PeopleSoft is expected for next year as we move toward the implementation of the Strategic Sourcing module. The Strategic Sourcing module will

provide additional tools for capturing spend and implementing electronic commerce, including on-line bidding.

- Increased communication initiatives including commodity councils, participation with Oklahoma Bid Assistance Network (OBAN) (Career Tech Program), cooperatives with other states and networking with cities, counties and public schools.
- Increasing the utilization of commodity councils composed of various state agency representatives with vested interest. Councils are used for gathering usage information relative to historical spend, commodity application and vendor population.

Key Performance Indicators

- The number of sustained protests benchmarked at 3 - 4 per year
- Agency vendor performance complaints

Vendor	*FY 2001*	*FY 2002*	*FY 2003*	*FY 2004*	*FY 2005*	*FY 2006*	*FY 2007*
Complaints*	148	148	89	91	75	79	72
Valid Protests	1	3	3	3	3	4	3
Registered with the State	3281	2988	2923	2299	2145	2272	2429

Table 6 – Vendor Performance Indicators (Agencies' complaints about vendors)*

- Number of active commodity councils: 7
- Level of on-line vendor registration coupled with total number of registered vendors
- Increased use of the Purchase Card program by implementation of more flexible p-card legislation

Purchase Card	*FY 2005*	*FY 2006*	*FY 2007**
Expenditures - State Agencies	$21 million	$26 million	$34 million
Expenditures – Total	$114 million	$121 million	$145 million
Rebate	$175,000	$234,000	$283,000

Table 7 – P-Card Performance Indicators (Estimate)*

- Increased number of agency personnel trained and certified for certified purchasing officer positions

*Training**	*FY 2005*	*FY 2006*	*FY 2007*
Agency Personnel	2323	2869	3040

Table 8 – Training Performance Indicators (Agency training consisted of a variety of purchasing seminars, CPO classes, purchase card, travel and portal training)*

- Decreased volume of low value purchase orders (POs) processed in CPD, especially $0K-$25K POs, which allow CPD personnel to focus more on high value and complex contracts

POs Processed	*$0K-$25K*	*$25K-$50K*	*$50K-$100K*	*$100K-$500K*	*$500K-$6M*	*Over $6M*	*Total*
FY06 – Amount	12,587,809	25,346,556	33,925,499	126,619,049	185,391,331	128,008,621	511,878,866
FY06 – Quantity	1,620	710	467	584	144	6	3,531
FY07 – Amount	12,646,226	25,218,333	30,857,729	98,632,221	179,630,408	187,568,037	534,282,953
FY07 – Quantity	1,599	699	422	450	128	4	3302

Table 9 – Purchase Orders Performance Indicators

Challenges / Roadblocks

- Need legislation to revise current purchasing statutes for more effective procurement practices
- Continue to increase communication between agencies and Central Purchasing Division to improve procurement contracting
- Continue to work closely with State agencies and suppliers to assure that we are providing the best quality services and products available
- Increasing complexity and volume of Information Technology related projects that Central Purchasing is required to handle due to the $25,000 state agency purchasing limitation imposed by Title 74
- Challenge associated with implementing electronic procurement processes
- Comprehensive tracking of spend data from People Soft and agency data.

CONSTRUCTION AND PROPERTIES DIVISION

Mission

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

Vision

Construction and Properties will create a public procurement environment that allows each stakeholder – designers, contractors and using agencies – to excel at their respective roles.

Services

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

CAP Core Values

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

Accomplishments / Initiatives

- CAP has transitioned to a '*Fee for Service*' service and procurement office
- Improved financial position = Improved capacity and service to agencies
- Construction dollar-to-staff-ratio is now closer, but still below, the regional average
- Improved organizational structure accomplishes 'more with less'
- Programs to streamline common procurement actions have increased efficiency and service to State Agencies
- Construction lawsuits reduced to ZERO (0) in FY07
- Only one (1) bid protest in FY07
- Improved processes and communication
- First annual '*Doing Business with CAP*' seminar for State Agency personnel
- Time for procurement action continues to improve
- Fewer agency requisitions are rejected
- Improved public relations:
    - Agencies (clients) – general outreach and "Doing Business with CAP" seminars
    - Design and construction community – CAP Construction Advisory Council
- Services to Agencies
    - Predesign Services and Pre-Construction Planning – Accurately establishing needs, costs and expected outcomes
    - Expanded On-Call and IDIQ (Indefinite Delivery Indefinite Quantity) Services – *Streamlined Service Acquisition*
    - Improved competitive bid process – Improved relations with bidders = more bidders
- Streamlined small acquisition process – *Dedicated "Award Staff"*
- Improved paperwork process for most transactions
- Compliance with "Fair Pay Act" has reached 90% and improving
- Expanded project delivery methods: implementation of "Design-Build" acquisition process

Key Performance Indicators

- Project management work load (Table 10)
    - Dollar Volume/Number of Projects
    - Volume per employee
    - Volume per Project Manager
- Response Time within CAP – Agency Requests for Contract Awards (Table 11)

CAP Projects	*FY 2005*	*FY 2006*	*FY 2007*	*FY 2008 (Projected)*
Value	$1,650,000,000	$2,000,000,000	$2,400,000,000	$3,250,000,000
Contracts	635	736	521	580
Contracts/FTE	71	61	37	29
Contracts/Project Manager	159	147	87	97

Table 10 – CAP Projects Value and Volume

Time for Contract Award	*FY 2006*	*FY2007*	*FY 2008 (Projected)*	*Goal*
Small Projects (are not bid out)	26	12	8	5
Large Projects (for Bidding and Contract Award)	109	76	65	48

Table 11 – CAP Projects Time for Contract Award

Challenges / Roadblocks

- Insufficient professional staff to manage major contracts
    - General shortage of architects and engineers in the industry at large
    - Must continue to increase capacity of administrative staff by efficient procedures
    - In lieu of expanded professional staff, must set clear contract requirements and expectations for design consultants
- Construction has become more technically challenging – must embrace ‘best-practice’ trends for collaborative construction delivery
- Collaborative, goal-oriented construction industry will require modernization of public procurement laws – must fully allow evolution of practices in a way that fully addresses public policy issues
- Construction industry continues to boom - must be a market leader to attract qualified vendors at competitive prices
- Time to complete necessary initiatives - agency handbook; vendor handbook; electronic bid documents; contract updates

FLEET MANAGEMENT AND ALTERNATIVE FUELS

Mission

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

Objectives

- Sound financial systems and effective business practices to ensure Fleet Management provides the most efficient services on a sound financial basis
- Provide efficient services that meet the customers' needs
- Provide accurate and consistent accounting of all state-owned motor vehicles, operational cost and utilization data
- Effectively manage the operating cost of the entire fleet of state-owned motor vehicles
- Provide opportunities for each Fleet Management and Alternative Fuels employee
- Manage Fleet Management and Alternative Fuels staff effectively

Finances	*Fleet Management*	*Alternative Fuel*
Expenditures	FY-07: $6,836,218	FY-07: $50,470
Budget	FY-07: $8,176,500	FY-07: $50,440
	FY-08: $7,020,809	FY-08: $57,125

Table 12 – Fleet Management and Alternative Fuels Financial Performance

FLEET MANAGEMENT DIVISION

Services

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

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

Accomplishments / Initiatives

- Awarded a Statewide Motor Vehicle Contract to be utilized by all state agencies, county governments, cities and higher education to improve efficiency at reduced costs
- Maintained an accurate inventory and operational costs of all State-owned motor vehicles including higher education
- Awarded a Statewide Private Vehicle Rental Contract to be utilized by all state agencies when usage is more cost effective than a state-owned vehicle or mileage reimbursement

- Developed an automated web-based Trip Calculator for all state agencies to utilize to determine the most cost effective mode of transportation: state vehicle, private rental or mileage reimbursement
- Implemented a new Automated Web-Based Fleet Information System to effectively manage the entire state motor vehicle fleet inventory, utilization, maintenance and fuel usage
- Initiated and completed negotiations for a statewide automated fuel management program which will be implemented on December 1, 2007. Program includes fueling purchase cards that will be accepted at over 3,300 fueling stations and over 4,500 maintenance facilities in Oklahoma. This is an improvement from less than 1,200 fueling stations and less than 1,000 maintenance facilities under the old contract. The fuel contract includes an additional 2 cents per gallon discount at approximately 1,100 stations on the most traveled roads of the state. The bulk fuel portion of the contract includes an additional 5 cent per gallon discount savings over the previous supplier contract
- Initiated the development of mandatory Statewide Vehicle Maintenance Contract that will be utilized by all state agencies for all vehicle repairs and preventative maintenance with reduced labor rates and parts discount. Projected implementation is 3rd quarter, FY08

Key Performance Indicators

- Increase customer base and vehicle rentals. RESULTS:
  - DCS Fleet Management filled requests from nine (9) agencies for seventeen (17) additional new vehicle leases in FY-07.
  - In addition, Fleet Management assisted fourteen (14) current customers by providing twenty one (21) additional vehicles through reassigning low mileage vehicles from the DCS fleet in FY-07.
- Maintain vehicle rental rates at a cost less than private rental companies and mileage reimbursement for use of an employee's personal vehicle. RESULTS:
  - During FY-07 Fleet Management leased midsize vehicles to state agencies for 40 cents per mile which includes fuel, maintenance, wrecker service, insurance and depreciation (total life cycle cost).
  - IRS mileage reimbursement in FY-07 was 48.5 cents per mile.

Key Data	*FY 2005*	*FY 2006*	*FY2007*
Number of vehicles in DCS Fleet	909	1,050	814
Average maintenance cost for DCS vehicle*	$461	$597	$630

*Table 13 - DCS Motor Pool Statistics (*During FY 2006 and 2007 all automotive parts and supplies took a major price increase due to transportation cost because of fuel prices. In addition, all petroleum byproducts such as tires, lubrications, antifreeze, seals etc took a large price increase due to the price of crude oil.)*

Challenges / Roadblocks

- Rising fuel prices and associated increases in automotive parts and supplies due to higher transportation costs and oil byproducts. DCS Fleet Management maintained rental rates lower than private vehicle rental and mileage reimbursement even with higher fuel prices during FY-07.

ALTERNATIVE FUELS PROGRAM

Services

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

Accomplishments / Initiatives

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

Key Performance Indicators

- Introduced low-speed electric vehicles to the Department of Corrections and to the Department of Tourism.
  REPORT: During a pilot program the two agencies reported the average cost to operate the electric vehicles was $.10 cents per hour. The average cost to operate a gasoline vehicle was $1.24 per hour.
- Administers the No Interest Oklahoma Alternative Fuels Conversion Loan Fund. During FY-07 Alternative Fuels has been educating all government entities in order to encourage interest in alternative fuels whether it be for vehicle purchase/conversion or infrastructure of alternative fuels.
  RESULTS: Fleet Management and State agencies purchased 122 alternative fuel capable vehicles in FY07

Challenges / Roadblocks

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

OFFICE OF FACILITIES MANAGEMENT

Mission

Provide quality work environments to our customers

Objectives

- Provide safe and efficient office facilities for State agency programs
- Apply statutes, rules and policies consistently and fairly
- Develop and maintain sound financial systems and practices to support Office of Facilities and Management's (OFM's) services by ensuring accurate and accountable financial performance
- Fulfill the operational and financial requirements of our state agency customers by use of good business practices
- Maintain a comprehensive inventory of state owned real property
- Manage OFM staff effectively

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 2.1 million square feet of space in sixteen (16) 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 / Initiatives

- Benham Engineering was selected to perform a groundwater and storm sewer analysis to identify drainage issues and their effects on the area building structural issues in the ODOT building, Thorpe building, Denver Davison building and Attorney General building (West Campus). The final report will include the findings of groundwater, storm water system and structural effects. Additionally, the final report will include a summary of identified issues, their causes, proposed remedies and engineer's estimate of construction costs for the proposed remedies. The final report is due spring 2008.
- Retrofitted 7,000 fluorescent light fixtures, 400 fire exit signs with energy efficient fixtures
- Installed occupancy sensors in tunnels, hallways and restrooms
- DCS has established a new lease rate schedule based on fixed cost (bond payments and personnel cost) plus projected cost (operations and maintenance cost and utilities) plus a levy to cover life cycle replacement cost (depreciated maintenance)
- Completed 31 capital improvement projects costing $4,087,853.59
- Facilities Management is in the process of acquiring MAXIMUS FacilitiesMax facilities management software which provides a holistic view of DCS' assets and assists in the management of the

interrelationships between those assets in order to minimize total costs of ownership while maximizing availability, utilization, and effectiveness. This integrated software allows DCS to consider the overall life cycle of its facilities, from planning, design and construction to ongoing operations and maintenance to capital asset management and facility renewal. Capturing and maintaining accurate data on infrastructure assets, their disposition and their cost can promote substantial and measurable cost savings. The software includes automatic facilities condition indexing, inflation capabilities, cash flow, and budgeting tools

- DCS selected 5 energy service companies (ESCO) that can be used by all state agencies. The ESCO will identify and evaluate energy-saving opportunities and then recommend a package of improvements to be paid for through savings. The ESCO will guarantee that savings meet or exceed annual payments to cover all project costs - usually over a contract term of seven to 10 years. If savings do not materialize, the ESCO pays the difference, not the customer. To ensure savings, the ESCO offers staff training and long-term maintenance services. Many types of building improvements can be funded through agencies' existing budgets - new lighting technologies, boilers and chillers, and energy management controls, to name a few. ESCO's provide:
    - Better Buildings - higher-quality systems, fewer breakdowns and reduced maintenance
    - A Wise Investment - funds redirection into investments in buildings
    - Improvements without Sacrifice - comprehensive approach that optimizes benefits
    - Cost Savings - energy savings of 15 to 35% and also long-term maintenance costs reduction
    - Proven Technology and Expertise - widely accepted and reliable way to make energy improvements
    - One-Stop Shopping - streamlined approach with a single contract

Priority	Cost
Replaced water line to Capitol	$425,000.00
Replaced HVAC computer control upgrade in Capitol	$44,000.00
Replaced north State Capitol Park sign	$90,000.00
Painted windows and sills at Mansion	$10,000.00
Replaced gate controller at Mansion	$2,100.00
Installed heat exchangers for Will Rogers and Sequoyah buildings	$250,000.00
Contracted for a study of the water drainage and structural shifting of Thorpe and ODOT buildings	$526,000.00
Total priority projects completed in FY 07 (this is not an all-inclusive list)	*$1,347,100.00*

Table 14 - Prior year priority projects completed

Key Performance Indicators

Buildings Maintenance	*FY 2006*	*FY 2007*
Number of Custodial Service Complaints	156	284
Number of Service Complaints	12	8
Major Systems Down Longer Than 2 Hours	11	30

Table 15 – Facilities Maintenance

Challenges / Roadblocks

The state government must increase its commitment to fund maintenance issues in the appropriated buildings. 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.

Priority	Cost
Double fan cooling tower for Capitol	$ 250,000.00
Replace copper gutter on Capitol	$ 42,000.00
Cooling tower at Courts	$ 200,000.00
R-11 250 ton & R22 100 ton chillers in Agriculture	$ 420,000.00
HVAC system at CAP building	$ 460,000.00
Sewer line at Mansion	$ 45,000.00
Electrical distribution motor control center Will Rogers	$ 250,000.00
Electrical distribution motor control center Sequoyah	$ 250,000.00
Restore exterior doors at Capitol	$ 35,000.00
Freight elevator upgrade at Thorpe	$ 250,000.00
Total current priority projects cancelled (this is not an all-inclusive list)	*$2,199,288.00*

Table 16 – Facilities Unfunded Priority Events

REAL PROPERTY & STATE LEASING

Mission

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

Services

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

Accomplishments / Initiatives

- Increased revenue generated from identified leases and easements by 327%
- Continued development of computerized comprehensive real property inventory software program to implement requirements of 74 O.S. § 129.4.E
- Negotiated rental rates and tenant allowances, maintaining an average rental rate that is below market
- Electronically posted State Leasing forms on the DCS website for state agencies use
- Completed land planning analysis of property acquired for the Lincoln Renaissance Development Plan
- Implementing initial funding request phase for the Lincoln Renaissance Development Plan for the construction of approximately 505,700 square feet of new office space on North Lincoln Boulevard

Key Performance Indicators

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

Measure	*Goal*	*Result in FY 2007*
# of state owned properties in inventory verified	65%	65%
Maintain rental rate below market:	OKC Avg. Rate: $12.00	Avg. Leased Rate $10.21

Table 17 – Real Estate Services and State Leasing Performance

Challenges / Roadblocks

- Inconsistencies in language of state laws regarding state agency responsibilities with real property transactions. Objective: Clarify language in statutes
- Lack of expertise of state agencies to appropriately manage and execute real property transactions. Objective: Conduct real property transactions in accordance with real estate industry standards
- Need for agencies to file transfer and/or ownership documents with DCS when real property transactions are executed. Objective: Educate and promote notification through DCS policy and procedures
- Lack of funding to develop and implement a statewide program to identify, review and copy each county's official land records of state-owned property. Objective: Achieve as staffing may allow.

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 as described below.

Accomplishments / Initiatives

- An independent audit of financial records was commenced and completed with an unqualified report issued.
- Full staffing for FY 2008 was accomplished, assisting the effort to establish complete processes and procedures within the new administrative group. However, the volume of debt instruments and projects to be managed will be a challenge for the fiscal year.
- Monthly financial statements are now routinely produced.

Key Performance Indicators

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

Challenges / Roadblocks

- Continued increases in construction cost impacts accuracy of initial design and cost estimation
- Ensuring accurate estimates of construction costs for OCIA bonded projects prior to approval
- Funding for projects under construction
- Properly estimating the cost of construction projects is a significant challenge which if not addressed, will continue to result in insufficient funding of OCIA projects and require supplemental bonding or other funding to finish projects and add unnecessary delay costs. The department recommends legislation that would require predesign services, which will include a complete scope of the project and professional estimation of its costs, prior to funding decisions. Requesting agencies would fund these costs which would be reimbursed from bond proceeds.

PROPERTY REUTILIZATION

Mission

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

Objectives

- Maintain sound financial systems and practices to support Property Reutilization (PR's) services by ensuring accurate and accountable financial performance
- Provide effective and efficient services through collegial and productive relationships with all external customers
- 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 five percent (5%) to twenty percent (20%), of the original government acquisition cost for excess and surplus property. The program purchases used Federal vehicles for resale and adds a service charge to the purchase price to establish a sale price to donees. The program receives no appropriated funds.

State Surplus Property

The program receives surplus property of all types from State agencies and redistributes it to authorized entities. Surplus vehicles are received from State agencies, colleges and universities and political subdivisions. Authorized entities include state agencies, political subdivisions, schools, non-profit entities and eligible senior citizen centers. The program conducts monthly auctions that are open to the public as well as on line 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

- Donated over $22 million GAC (Government Acquisition Cost) of Federal Property for $1.5 million.
- Continue to obtain FEMA trailers and other items for the benefit of Oklahoma taxpayers.
- Developed the 1033 Law Enforcement Program - at present we assist 49 eligible law enforcement agencies; recently four (4) Kiowa helicopters have been donated.
- Introduced 1122 Law Enforcement Program - This program is for the law enforcement community to be able to purchase equipment off of GSA contracts.

- Improved DCS developed auction software to automate the public auction and daily sales processes. It has made auctions more efficient, provides accountability and requires fewer personnel.
- Experienced success of the online auction (www.auction.ok.gov) and a steady growth of sales of the public auction – FY2007 sales projections of $280,000 actually reached $520,000.

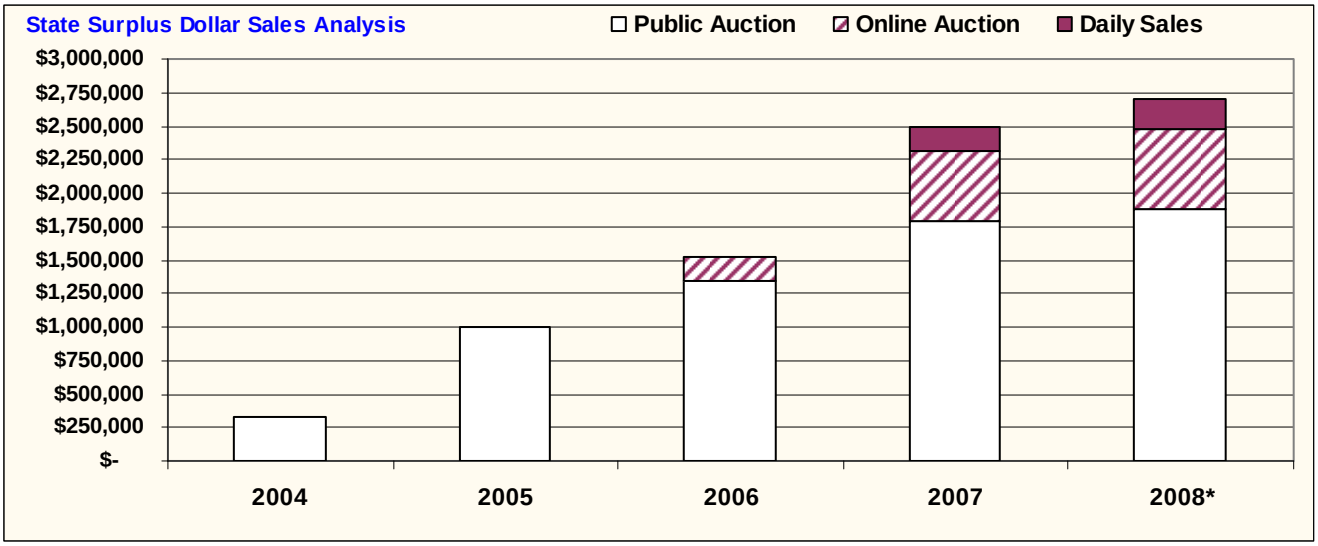


Figure 3 – Sales Information (projected figures)*

Key Performance Indicators

- Increased number of donees from 49 to 89 for 1033 Law Enforcement Program
- Increased number of active donees in the donation program from 629 to 1,080
- Donated property in 75 counties - Goal is to donate property in all 77 counties
- Reach $600,000 with the on-line auction sales and increase the number of registered bidders to 5,500 by the end of FY 2008 (currently 4,915)
- Revenue returned to other State Agencies: $1,645,983 was received from auctions of vehicles and large equipment; 90% or $1,481,384 was returned to agencies – 25% more than in FY2006
- Business with other governmental entities: items sold to 152 other governmental entities, which include non-profits, private and public schools, police departments, fire departments, higher education, county government, town/cities and hospitals

Challenges / Roadblocks

- Rerouting of I-40 forces State Surplus to search for a new location; however, it is a challenge to match existing offers of the real estate market with the warehousing and parking requirements of State Surplus
- Marketing our programs: auction, donation, resale, 1033 and 1122 Programs
- Obtaining more excess travel and mobile home trailers and other FEMA items for our donees
- Expanding 1122 Program
- 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)

RISK MANAGEMENT DIVISION

Mission

To provide professional Risk Management (RM) services by supporting and building partnerships with all entities including claimants and vendors as provided by law.

Objectives

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

Services

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

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

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

Accomplishments / Initiatives

- Risk Management Information System (RMIS) is successfully implemented and operational. Division personnel currently working through a learning curve.
    - Claims management reflects significant improvement in the maintenance and access of claim data and response time to customer service needs relative to claim filings, inquiries, and resolution.
    - Other productivity improvements are occurring as related to insurance survey responses, property updates, commercial insurance claim reporting, communication of underwriting information, and attorney communications

- Potential data management enhancements providing for Web-based interface with the RMIS are being explored and viability evaluated.
- Submitted of updated property values.
- Submitted of incident report and scope of duties forms.
- Implemented electronic filing of claims.
- RM educational seminar series continue to grow. Twelve (12) formal seminars were held in CY2007. One of the courses was approved and added to the HRDS (Human Resources Development Services) schedule. Additional courses are being developed for inclusion in the HRDS schedule.
- Fine Arts insurance program for State fine arts collections and rare book collections continues to grow. Estimated values at present in excess of $1.9 billion (excludes Historical Society collections)
- Lowered state entity property premiums due to lower than expected historical loss projections
- Lowered state entity tort premiums due to lower than expected historical loss projections
- Lowered premiums for Fire Districts due to excellent loss history
- RM has reduced costs for state entities over the past three (3) years by $6 million provided in the form of premium credits.

Key Performance Indicators

Measure	*Goal*	*Result*
Performance satisfaction survey results	> 90%	96% (Combined Excellent and Good ratings)
# of risk control inspections and visits per year	100	115
# of educational programs per year (seminars held)	6	12
Renewal insurance rates compared to previous year insurance rates	below 10% increase	Property rate decreased 0.3%
		D&O rate decreased by 4.7%
		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: $1.03/$1,000 of revenue; FY 06: $0.90/$1,000 of revenue (12.6% down) FY 07: $0.81/$1000 of revenue (3.6% down)

Table 18 – Risk Management Performance

Challenges / Roadblocks

- Roadblock: Under-reported values, unreported properties including failure to identify properties in special hazard zones
- Challenge: Educating agencies on proper reporting procedures – claims as well as underwriting exposure information
- Roadblock: Catastrophic losses – Flooding

- NEO A&M flooding.
  Challenge: Attempt to maximize recovery on loss through commercial insurance and FEMA
- Some agencies failed to report claims, others reported claims late, and others failed to list properties on their property schedules.
  Challenge: Educating agencies on proper reporting procedures and reporting suspense requirements
- Roadblock: Commercial insurance marketplace
- Catastrophic losses and Loss experience
- Market coverage and availability
  Challenge: Explore all possible markets, build larger programs, and to extent possible leverage program marketing
- Roadblock: Lack of commitment to Risk Control and low risk perception by state entities
- Challenge: Review RM structure throughout the State and target training where most needed