PERFORMANCE AUDIT

DEPARTMENT OF ADMINISTRATION

SUNSET FACTORS

Report to the Arizona Legislature
By the Auditor General
November 1995
Report #95-12

DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
DEPUTY AUDITOR GENERAL

November 15, 1995

Members of the Arizona Legislature

The Honorable Fife Symington, Governor

Mr. Rudy Serino, Director
Arizona Department of Administration

Transmitted herewith are the Sunset Factors for the Department of Administration. This report summarizes and presents information from the six performance audits conducted on the Department along with specific information provided by the Department. These factors are presented in response to the requirements of A.R.S. §41-2954, which direct the Legislature to consider whether the Department of Administration should be continued or terminated.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on November 16, 1995.

Sincerely,

Douglas R. Norton
Auditor General

Enclosure

2910 NORTH 44TH STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has prepared sunset factors for the Department of Administration (DOA) in response to a December 13, 1991, resolution of the Joint Legislative Oversight Committee, and a May 5, 1993, resolution of the Joint Legislative Audit Committee. These sunset factors were prepared as a part of the sunset review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957.

The Department of Administration was established in 1972 for the purpose of providing centralized support services to state government. The 1972 legislation merged the Department of Library and Archives, the Department of Public Building Maintenance, the Department of Finance, the State Surplus Property Agency, the State Personnel Commission, the Board of History and Archives, and the Historical Advisory Commission into one agency – the DOA. Although the DOA has been reorganized over the years, the types of centralized services it provides have remained relatively consistent.

Organization

Today, the DOA provides support services in the areas of automation, finance, personnel administration, public buildings maintenance, surplus property, and risk management. Under the direction of a director and deputy director, the DOA is currently organized into five divisions:

- **General Services Division** – This Division's major responsibilities include managing and maintaining state-owned buildings, operating the State's print shop, fleet management office, and surplus property program, and providing design and construction services for state construction projects.

- **Information Services Division** – This Division operates an Information Processing Center that provides operations support to state agencies that use mainframe and minicomputers. It also designs and develops computer applications and tracks trends and opportunities in new technologies. This Division is also responsible for coordinating statewide information technology and telecommunications.

- **Financial Services Division** – This Division has several diverse responsibilities including maintaining the statewide automated financial system, conducting and maintaining statewide payroll, developing and maintaining statewide procurement policies and procedures, and providing procurement services. In addition, the Division administers the State's risk management program.

- **Personnel Services Division** — This Division provides personnel management and consultation services through on-site personnel offices at some larger agencies and serves the remaining 86 state agencies at its Capitol Mall Personnel Office (CA.M.P.). It also administers the State's employee benefit plans, and recruits, evaluates, and refers job candidates to state agencies for employment consideration.

- **Management Services Division** — This Division provides accounting and purchasing services for the DOA. It is also responsible for preparing the DOA's annual budget request, and monitoring this budget. Further responsibilities include administering the travel reduction and rideshare programs, operating the Arizona Office for Americans with Disabilities, and assisting the Governor's Regulatory Review Council.

Staffing and Budget

The DOA has nearly 1,100 full-time equivalent (FTE) positions to provide the services outlined above. In fiscal year 1995, the DOA received an estimated $348,039,800 from both appropriated and nonappropriated funds. Only a small percentage of the DOA's annual funding, approximately 7 percent, comes from General Fund appropriations. Additional revenue, approximately 25 percent, is from other appropriated funds such as the Personnel Fund, the Risk Management Revolving Fund, and the Automation Fund. Finally, the DOA receives approximately 68 percent of its funding from nonappropriated funds. The DOA has 14 nonappropriated funds which include, among others, the Motor Pool Revolving Fund, the Special Employee Health Insurance Trust Fund, the Surplus Property Fund, and the Telecommunications Fund.

Scope of Current Audits

The current series of audits was conducted as a sunset review of the Department of Administration under the direction of the former Joint Legislative Oversight Committee and the Joint Legislative Audit Committee. The following five reports discuss the six audits that were completed as a part of this review.

- The **Personnel Division** (Performance Audit Report 93-6) — This report focuses on the services provided by the Department's Personnel Division. Our review identified numerous problems with the manner in which personnel services are provided. In the most important service areas — hiring, classification, compensation, and benefits — our report indicated that Arizona's current personnel system does not respond to its users' needs, and must be reformed.

- The **Building and Planning Services Section and Construction Services Section** (Performance Audit Report 93-9) — This report centers on two sections within the General Services Division. These two sections provide several building oversight, planning,

and construction management services. Our review found that a lack of funding and inefficient management have rendered many state buildings in need of major repair. Further, our review identified the need for the DOA to improve services to agencies involved in relocations.

- The **General Services Division** (Performance Audit Report 94-5) — This report contains information from two separate audits that were combined for reporting purposes. This audit reviews the Tenant Services Office and the Fleet Management Office (Motor Pool) within the General Services Division. Although the DOA serves directly as the property manager for $177 million worth of property, it has almost no preventative maintenance programs. DOA also pays too much and receives too little for custodial services. Finally, DOA does not link its rental rates to the cost of operating its buildings.

  Our work in the Fleet Management Office identified that management of the state vehicle fleet is fragmented. Over 80 percent of the State's vehicle fleet is outside of DOA's control. In addition, the taxi fleet is often not used cost-effectively.

- The **Financial Services Division** (Performance Audit Report 95-11) — This report reviews the General Accounting Office, and the Risk Management Section.[1] Our review of the General Accounting Office found that because of inadequacies with the uniform statewide accounting system (USAS), public monies are vulnerable to improprieties. Moreover, USAS currently does not meet Arizona's financial management needs. Further, the report identified the need for a Chief Financial Officer to ensure strong financial management in the State. Our review of the Risk Management Section's Property and Liability Unit identified numerous claims management problems that expose the State to unnecessary expenditures and limit the Risk Management Section's ability to adequately safeguard state monies set aside for the risk management program. Further, our report identified the need for the Risk Management Section to provide agencies with stronger incentives to control loss costs and exposures through the use of deductibles and premium credits.

- The **Information Services Division** (Performance Audit Report 95-9) — This report focuses on the DOA's Information Services Division (ISD). Our review indicated that despite spending nearly $200 million annually on information resources, Arizona has no central authority managing this important investment. Further, the State does not invest in technology resources with statewide priorities, benefits, and long-term costs in mind. Specific to ISD's operational effectiveness, ISD has made limited efforts to

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[1] We did not review the State Procurement Office (SPO). During our audit the SPO had completed a study of its operations that recommends substantial change to its processes. Given the magnitude of expected changes in that Office, we did not believe it would be cost-effective to conduct a review at this time.

provide newer technology services to its customers due to its dependence on older technology revenues (i.e., fees generated from use of mainframe computers). Finally, ISD's services lack a customer focus and are inadequately planned.

This report addresses the 12 statutory sunset factors. In addressing these factors, we use information from the current series of audits as well as information provided by the Department. This information is summarized and presented in the various sunset factors, as appropriate.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Director and staff of the Department of Administration for their cooperation and assistance throughout all the audits.

SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the following 12 factors in determining whether the Department of Administration should be continued or terminated.

1. The objective and purpose in establishing the Department.

The Department of Administration (DOA) was created by the Legislature in 1972 per A.R.S. §41-701 by merging seven previously established agencies to provide more centralized support services to state government. Some of the original services provided by the DOA, such as library and archives, have since been removed. Additionally, services such as risk management and automation have subsequently been added. Currently, as stated in statute, the DOA provides support services in the areas of automation, finance, personnel administration, public buildings maintenance, surplus property, and risk management. While the type of services offered has remained fairly consistent, the DOA has recently changed its focus. Department officials state the DOA "has evolved from a control focused organization to one that is customer-service driven." This change is reflected in the DOA's current vision, mission, and values statements. For example, the DOA mission statement reads:

> *"To provide high quality support services to government agencies, the public, and state employees to enhance our customers' ability to achieve their goals."*

2. The effectiveness with which the Department has met its objective and purpose and the efficiency with which it has operated.

The Department measures its effectiveness and efficiency by conducting customer satisfaction surveys, and by using performance standards, benchmarks, and cost comparisons. The DOA feels, in large part, that it has been successful in meeting its objectives. For example, in 1994 the DOA issued a customer satisfaction survey focusing on 70 services it provides to state agencies. Respondents of this survey indicated that with the exception of one activity (Flag Administration), all of the 70 services were important. However, respondents further indicated they were dissatisfied with 20 of the 70 services, suggesting room for further improvement.

DOA states that financial resource issues such as lagging pay rates, lack of funding in automation, and physical plant limitations have adversely impacted its efficiency.

Our reviews also identify several areas where the DOA can improve its effectiveness and efficiency in fulfilling its statutory responsibilities. For example:

- Our audit work in the Personnel Division indicated that the Department falls far short in fulfilling its responsibilities in the areas of hiring, classification, compensation, and benefits (Performance Audit Report 93-6).

- Our review of the Building and Planning Services and Construction Services Sections indicated that a lack of funding and inefficient management have rendered many state buildings in need of major repairs and that the DOA can improve its handling of agency relocations (Performance Audit Report 93-9).

- Our review of the General Services Division found that although the DOA serves directly as the property manager for $177 million worth of property, it has almost no preventative maintenance programs, pays too much and receives too little for custodial services, and does not link its rental rates to the cost of operating its buildings. Our work also indicated that management of the State's vehicle fleet is fragmented and the taxi fleet is often not used cost-effectively (Performance Audit Report 94-5).

- In our most recent audits the need for strong financial management, improved property and liability claims management, and statewide direction over information technology expenditures was identified (Performance Audit Reports 95-11, and 95-9).

3. The extent to which the Department has operated within the public interest.

Although the Department's operations primarily affect state agencies and employees, some areas such as personnel administration, public building maintenance, risk management, and procurement can indirectly impact the general public. For example, if rendered properly, the DOA operates in the public's interest by performing the following functions:

- Hiring qualified personnel who in many instances provide direct services to taxpayers;

- Maintaining the State's buildings and grounds;

- Providing risk management services designed to prevent or reduce losses; and

- Achieving savings through cost-effective procurement of goods and services.

4. The extent to which rules and regulations promulgated by the Department are consistent with the legislative mandate.

The DOA feels it has sufficient authority to promulgate rules and regulations. Further, it believes that all the necessary rules have been promulgated with the exception of some automation rules which are in process. The DOA states that it is currently developing several information resource management (IRM) policies and technology standards. However, to ensure the DOA's rules and regulations are consistent with the legislative mandate, our reviews suggest the need to revise or develop additional rules in the following areas:

- The **Risk Management Section (RMS)** should consider increasing its use of deductibles and implementing premium credits to help increase agencies' efforts to control loss costs and exposures. The State currently has a $100 disappearing deductible.[1] If the RMS increases the amount of the deductible, it would need to revise rule R2-10-106 (Audit Report 95-11); and

- The **DOA Personnel Division** should begin a comprehensive reform of the state hiring system, including redrafting the personnel rules. Our report states major rule revision is needed because some of these rules limit the State's ability to respond creatively to its diverse hiring needs. For example, the personnel rules require that applicants must be state residents and hiring lists are limited to seven candidates (Performance Audit Report 93-6).

While the DOA has made several changes to its personnel rules, these changes are not extensive enough to address the concerns noted in our report. For example, the DOA has revised at least 17 rules since July 1994. However, these revisions deal with issues such as including parents in the family group for which an employee may use accrued sick leave, lowering the number of hours of suspension for which a grievance can be filed, and broadening the categories of "relative" for which an employee may take bereavement leave. These rule revisions, although most assuredly important, do not consider the more significant issue of allowing agencies the flexibility to respond to their diverse hiring needs.

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[1] Under the $100 disappearing "deductible," the agency covers any property losses up to $100. When a loss exceeds $100 (even $101), the deductible disappears and the RMS pays for the entire claim.

5. **The extent to which the Department has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public.**

Documentation provided by the DOA shows that it informs the public of its proposed rules by filing notice with the Secretary of State, publishing a notice in the *Arizona Administrative Register*, sending copies of proposed rules to all agency heads, and holding public hearings at various locations throughout the State. Further, the DOA communicates its activities through various publications, such as quarterly newsletters and pamphlets. For example, the Information Services Division publishes a quarterly newsletter – *Info Trends*, and the Management Services Division publishes pamphlets on Capitol Rideshare.

6. **The extent to which the Department has been able to investigate and resolve complaints that are within its jurisdiction.**

Because the DOA is not a regulatory agency, this factor does not apply.

7. **The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under enabling legislation.**

This factor does not apply to the DOA because it is not a regulatory agency.

8. **The extent to which the Department has addressed deficiencies in the enabling statutes which prevent it from fulfilling its statutory mandate.**

The DOA has proposed approximately 24 pieces of legislation over the last 5 years. For example, the Department has proposed legislation dealing with flexible work hours, health insurance premiums, risk management insurance, state employees' travel authorizations, and procurement evaluator disclosure statements. Examples of recently enacted legislation include:

- **SB 1033 - Public Employees - Out-of-State Travel - Policies and Procedures** (1994). This legislation amends A.R.S. §38-626 allowing agency heads or university presidents to countersign out-of-state travel orders rather than the Governor. It also directs the DOA to adopt policies and procedures dealing with the approval of out-of-state travel orders, and to disseminate and perform compliance reviews of these policies.

- **SB 1156 - Arizona Procurement - Less Than $10,000, Construction Contract Exemption, and Simplified Construction Procurement Program - Effective Dates (1995).** This 1995 legislation extends the applicability of laws 1993, Chapter 135, section 7 and 8 until 1997. Prior to the 1993 legislation, all procurements in excess of $10,000 required formal bidding procedures. Currently, the threshold is $25,000.

9. The extent to which changes are necessary in the laws of the Department to adequately comply with the factors listed in the sunset laws.

The DOA does not believe any changes in its laws are necessary. However, our reviews found the following statutory changes are needed to achieve a more effective hiring system:

- The DOA may need to revise A.R.S. §41-783.5 to allow it the ability to list candidates for state employment (when it is more efficient or valid) as either "qualified" or "unqualified" rather than "in order of relative excellence."

- The DOA may need to revise A.R.S. §38-492, which requires the awarding of preference points to veterans and handicapped candidates. This statute may be adversely impacting State Affirmative Action goals and workforce diversity by causing many hiring lists to be dominated by veterans.

Finally, additional legislation is needed to ensure the Personnel Board is subject to a sunset review. During our review of the DOA Personnel Division, it was discovered that the State Personnel Board was not encompassed in the DOA's sunset review because it is a separate agency from the DOA. It was also learned, however, that the Personnel Board, which hears and reviews appeals relating to personnel actions, does not have a sunset date. Because the Personnel Board plays an important role in the State's personnel system by hearing appeals of disciplinary actions, additional legislation is needed to ensure this board is reviewed in the future.

10. The extent to which the termination of the Department would significantly harm the public health, safety or welfare.

Termination of the Department could harm state employees and the public due to the disruption of the many centralized services the DOA provides. For example, state employees and vendors would not be paid, many of the State's buildings and

grounds would not be cleaned or maintained, and the State would be without property, liability, and workers' compensation insurance. While many of the DOA's functions could be performed separately by each agency, it may not be efficient or cost-effective to operate in that manner.

11. The extent to which the level of regulation exercised by the Department is appropriate and whether less or more stringent levels of regulation would be appropriate.

Because the DOA is not a regulatory agency this factor is not applicable.

12. The extent to which the Department has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.

The DOA utilizes private contractors in some areas as it believes certain private sector services are more cost-effective. For example, it contracts with private vendors for certain automotive repairs, specialized claims adjusting needs, and for consulting in employee compensation and benefits. Because the private sector offers many comparable services, the DOA will need to continuously assess the cost-effectiveness of these outside services. For example, in the DOA General Services audit, our review found the DOA could save nearly $700,000 annually by contracting with the private sector for custodial services alone. The DOA is currently studying this recommendation. Additionally, our Information Services Division (ISD) Report recommends that ISD analyze the economic viability of the services it provides and consider the possibility of outsourcing some services to the private sector.

Agency Response

FIFE SYMINGTON
Governor

RUDY SERINO
Director

ARIZONA DEPARTMENT OF ADMINISTRATION
OFFICE OF THE DIRECTOR
1700 WEST WASHINGTON • ROOM 601
PHOENIX, ARIZONA 85007

(602) 542-1500

October 30, 1995

Mr. Douglas Norton
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Mr. Norton:

We have received the October 4, 1995, draft sunset audit of the Department of Administration and have reviewed your comments with interest.

We are taking this opportunity to provide you with an update regarding progress and activities in the areas of General Services (93-9 and 94-5) as well as Human Resources (formerly Personnel, 93-6).

On behalf of our agency, I would like to thank you for your cooperation during these audits.

Sincerely,

Rudy Serino
Director

Enclosures

ENCLOSURE A

I. Human Resources Section (93-6)

AUDITOR GENERAL COMMENTS:

"Our audit work in the Personnel Division indicated that the Department falls far short in fulfilling its responsibilities in the areas of hiring, classification, compensation, and benefits."

ADOA RESPONSE:

One of our first steps was the completion of a five-year strategic plan which was used as a guide in making some of the changes we have implemented, including changes in the hiring system, classification, compensation, and benefits areas. The changes implemented over the past two years include:

A. Hiring

- The successful partnering relationships with six agencies for staffing and employment functions. These partnerships formed the basis for open communication and involvement by agencies to a greater extent than before, as well as providing the Division with important lessons in the development of our new hiring process.

- The establishment of a Job Service link to improve communication and provide applicants with better access to the state service system through the services and resources of the Department of Economic Security's Job Service Offices statewide.

- The development of a method for applicants to file for multiple jobs on a single application form, a change from the previous requirement for an application for each position.

- The significant reduction of turnaround time for production of hiring lists.

B. Classification

- The classification project is well underway and will result in the recommended implementation of a new classification system for state service. The development of classification descriptions is almost completed, the external market survey has been completed and funding and implementation options are being developed. The report and recommendation will be included in the Annual Recommendation to the Legislature on 12/31/95.

C. Compensation

- The implementation of changes suggested by the Auditor General and others in last year's Annual Recommendation, including an expanded information base, comparison of the average state salary to the market, employee distribution by grade, total compensation, and a state compensation philosophy.

- The expansion of the Joint Governmental Salary Survey (JGSS) to include more state jobs and more survey participants to provide broader scope and a broader base.

D. Benefits

- The formulation of the Employee Benefits Advisory Committee (EBAC) was in the early stages of development two years age. Since that time, the EBAC has met monthly and has taken an active role in helping us formulate the state's benefits package.

- The provision of the opportunity to review and comment on proposals for new or enhanced benefits to the legislative benefits Oversight Committee.

- The monitoring of claims experience for all carriers and continuous seeking of employee input on their satisfaction level through Pulse Taker surveys.

- The installation of Benefits Information Tracking System (BITS), allowing us to track and monitor employee participation and reduce unnecessary losses to the state.

- The mailing of an annual benefits statement to each employee. The first statement was issued in early 1994, the second in early 1995, and we plan to continue providing employees with this important information.

- The issuance of a monthly newsletter, For Your Health and Benefit, to all employees.

AUDITOR GENERAL COMMENTS:

"... To ensure the DOA's rules and regulations are consistent with the legislative mandate, our reviews suggest the need to revise or develop additional rules in the following areas:

The DOA Personnel Division should begin a comprehensive reform of the state hiring system, including redrafting the personnel rules. Our report states major rule revision is needed because some of these rules limit the State's ability to respond creatively to its diverse hiring needs. For example, the personnel rules require that applicants must be state residents and hiring lists are limited to seven candidates.

While the DOA has made several changes to its personnel rules, these changes are not extensive enough to address the concerns noted in our report. For example, the DOA has revised at least 17 rules since July 1994. However, these revisions deal with issues such as including parents in the family group for which an employee may use accrued sick leave, lowering the number of hours of suspension for which a grievance can be filed, and broadening the categories of "relative" for which an employee may take bereavement leave. These rule revisions, although most assuredly important, do not consider the more significant issue of allowing agencies the flexibility to respond to their diverse hiring needs."

ADOA RESPONSE:

The Auditor General recommended certain changes to the Personnel Rules, addressed below:

- Rule R2-5-303: The requirement that the salaries of current employees "performing in the same job class" be raised when an employee received a special entrance rate or special promotion rate was removed, effective September 15, 1994.

- The Personnel Rules applicable to the three issues listed below, along with other rules applicable to employment issues, are under review and will be part of a future package of rule changes anticipated for submission in early 1996.

  - Rule R2-5-203.B. (residency requirement): The State Service system was designed to provide employment opportunities for Arizona residents. However, residency waivers have been and continue to be granted upon agency request.

  - Rule R2-5-204 (registers): The decision whether to fill a vacant position through an internal promotion or outside recruitment is a decision that can be made at the supervisor, management or agency head level. Some agencies have opted to develop and use internal registers because it was felt such registers would provide faster recruitment. When internal promotions are handled under the Resumix system, internal promotional lists will be provided as quickly as external lists (within three working days).

  - Rule R2-5-205 (certification and selection): As a result of Resumix, the seven candidate limit has been expanded.

- Rule R2-5-304 (examinations): Human Resources partnered with state agencies to provide delegated authority for a wide range of employment functions, based on the agency's ability to staff the functions, including candidate evaluations. Other candidate evaluations are permitted as long as such evaluations are job related and meet the Uniform Guidelines. No rule change is considered necessary in this area.

The Auditor General also recommended two statutory changes, addressed below:

- A.R.S. 41-783.5, requiring the listing of candidates in order of relative qualifications: The Auditor General recommended that an option of issuing lists indicating candidates were "qualified" or "unqualified" be available. We do not see the advantage of or need to include "unqualified" candidates on hiring lists. Under Resumix, we provide lists of candidates in order of relative qualifications under the criteria defined by the hiring agency. The system allows hiring supervisors the flexibility of defining "the ideal candidate" from a pool of qualified candidates.

- A.R.S. 38-492, awarding of preference points to veterans and handicapped candidates: With respect to the possible negative impact on Affirmative Action, we have not found that the application of these preference points has had such an impact. Under Resumix, we continue to apply veterans' and handicapped preference points. Should there be further desire to explore changing the statutory requirements for application of preference points, we feel that this public policy issue should be addressed by the legislative body.

ENCLOSURE B

I. The Building and Planning Services Section and Construction Services Section (Performance Audit Report 93-9):

AUDITOR GENERAL COMMENTS:

"This report centers on two sections within the General Services Division. These two sections provide several building oversight, planning and construction management services. Our review found that a lack of funding and inefficient management have rendered many state buildings in need of major repair. Further, our review identified the need for the DOA to improve services to agencies involved in relocations."

ADOA RESPONSE:

A. "...a lack of funding and inefficient management have rendered many state buildings in need of major repair..."

ADOA has made the need for full funding of the Building Renewal Program for the ADOA Building System a high priority. In fact, this issue has been placed as the #1 priority in the State Capital Improvement Plan for the last five years and major education efforts have been made to JLBC and OSPB budget staffs. The results have been a significant increase in program appropriations for the past three years as evidenced below:

FY94	$3,051,600
FY95	$5,062,100
FY96	$8,171,400

In an effort to improve the management of the building system, the Building and Planning Services Section has reorganized to include building inspections, construction contract review and the building renewal program management. Additionally, we have categorized the building needs into six major areas for funding allocations from the building renewal program. These major areas, in order of importance are:

Fire and life safety issues
Building roofing and weatherproofing
Projects critical to continued operations and code compliance
Projects that reduce operating costs
Building finishes
Other

All agency building renewal project requests are evaluated based upon its level of importance with respect to the six major prioritized categories. This new management philosophy stresses the need to provide safety, maintain weatherized facilities, replace/repair deteriorated facility components, correct code deficiencies, reduce operating costs where economically feasible, provide attractive facilities and arrange to quickly deal with emergencies as they arise. This allows ADOA to utilize the annual Building Renewal appropriation in the best manner possible, regardless of funding levels. JLBC and OSPB have both endorsed this approach.

Since the receipt of the Auditor General's Report 93-9, the Building and Planning Services Section has maintained all building renewal projects in a database by agency, amount and facility so that future requests could be reviewed with respect to past projects. This is a continuous process and the project status is updated monthly. A project folder is established for each building renewal project and progress reports are requested from agencies on a quarterly basis until the project is completed. This information is shared with OSPB and JLBC quarterly.

ADOA building inspectors are instructed to inspect ADOA building system facilities with the intent of identifying deficiencies and solutions. All building inspections are sent to the respective agencies with a recommendation for correction. The building inspection form has been modified to include the identification of building renewal needs. Additionally, copies of the inspection reports are reviewed and maintained by the Building and Planning Services staff to assist in the determination of building renewal allocations.

When building renewal project requests are reviewed, a building inspector may be used to perform a current evaluation of an agency's request, if current information is not informative.

B. "...DOA to improve services to agencies involved in relocations..."

The Building and Planning Services Section has undertaken an aggressive customer service approach to agency relocations. An up front personal contact is made with each agency to asses the feasibility of the move, responsibilities, coordination and move dates. A checklist has been revised for better coordination and understanding by the agencies. Continuous communications with the agency officials is maintained by this section. After the move is completed, a survey is done to evaluate the customer's satisfaction and the performance of the ADOA staff. Each survey is reviewed for items that can be improved upon and implemented in the relocation program.

II. The General Services Division (Performance Audit 94-5)

AUDITOR GENERAL COMMENTS:

"This report contains information from two separate audits that were combined for reporting purposes. This audit reviews the Tenant Services Office and the Fleet Management Office (Motor Pool) within the General Services Division. Although the DOA serves directly as the property manager for $177 million worth of property, it has almost no preventative maintenance programs. DOA also pays too much and receives too little for custodial services. Finally, DOA does not link its rental rates to the cost of operating its buildings.

Our work in the Fleet Management Office identified that management of the state vehicle fleet is fragmented. Over 80% of the State's vehicle fleet is outside of DOA's control. In addition, the taxi fleet is often not used cost-effectively."

ADOA RESPONSE:

A. "...DOA has almost no preventative maintenance programs..."

The Department realizes the necessity of having preventative maintenance programs and has begun efforts to implement them. A Pilot Preventative Maintenance Program for buildings within the

Capitol Complex was developed but funding for the pilot was denied in the FY96 budget. Therefore, the pilot has not yet begun. DOA is currently performing some preventative maintenance on the equipment and buildings within the existing budget and staffing levels. Our efforts to implement preventative maintenance programs for the state's buildings and equipment include:

- The Maintenance Unit is currently performing preventative maintenance on emergency and major safety systems. However, it should be noted that the funding and manpower are not available to perform additional preventative maintenance to meet manufacturer's, state inspectors' or federal specifications.

- The Maintenance Unit implemented an inventory program to identify all electrical panels, sump pumps, and emergency generators installed in the ADOA managed buildings. The inventory of the plumbing fixtures, light fixtures, sprinkler systems and other systems will be completed by 6/30/96.

- The Maintenance Unit is in the final stages of implementing a comprehensive work order system that will track the completed preventative maintenance, labor costs and equipment costs incurred. This system will be compled by 6/30/96. The current work order system is not sophisticated enough to track this information.

- The HVAC Unit is in the process of identifying all the HVAC systems and equipment installed in the DOA-managed buildings. This information will be entered in an automated maintenance program database and will be used to develop a written maintenance program for the building systems which should be operational by 6/30/96.

- The Building and Planning Services Section has undertaken the design of a major building components database in conjunction with the building renewal program that will identify the date of last major maintenance. This will be utilized to track building data, major maintenance costs and dates which will then allow the projection of needed periodic major maintenance in lieu of corrected situations, only after they have failed. The system will be completed by 6/30/96.

B. "...pays too much and receives too little for custodial services..."

ADOA strives to improve its performance in this area. According to a recent customer survey, the level of customer satisfaction has improved. Staff shortages continue to be a problem. However, Tenant Services has used inmate labor to help alleviate the problem.

Tenant Services has also created and partially implemented a detailed work sheet to track the anticipated and actual costs for custodial services. The worksheet tracks supply and labor costs for each DOA managed building in the Capitol Complex. These also help track the workload per custodian. The work order system is in operation and has helped improve our response time for emergency and other special services. The data is being tracked and a system to produce a detailed accounting of these costs will be in place by 4/30/96 in accordance with our internal management objectives.

The Auditor General's recommendation to privatize the custodial services did not take into account all services currently being performed by our staff, such as carpet maintenance, garage cleaning, hard floor maintenance, window cleaning, etc. Also, in our 8/16/94 response, we noted that the square footage maintained by each employee was understated in the Auditor General report.

The reported cost savings of $900,000 per year noted in the report is excessive. ADOA believes the figure to be closer to $180,000 based on information compiled during an extensive survey conducted by Service Masters (private contractor). This company maintained that they could not compete with the per square footage cost, labor cost and benefit package offered by the state. Accordingly, ADOA has not further pursued the use of private contractors for custodial services.

C. "...does not link its rental rates to the cost of operating its buildings..."

Beginning in FY96, the General Services Division will start to track all pertinent expenditures in the Tenant Services, Building Planning Services and Construction Services by building location. An automated tracking system, which is presently being implemented, will compile the expense data and history for each building identified. Expense data will include: labor, equipment, operating, maintenance, supplies, materials, parts, contracts and major capital renovations. This information may then be utilized to determine precise operating expenses for buildings based upon identified levels of service. Rental rates will then be based upon actual expenses and not simply be comparative to private sector lease rates, as has been done to date, by the Lease Cost Review Board.

D. "...management of the State's vehicle fleet is fragmented...taxi fleet is often not used cost-effectively..."

As noted in the Auditor General's report, there are several state agencies that are exempted from the state motor vehicle fleet per ARS 41-803 E. As a result, management of the state's vehicle fleet will continue to be "fragmented" until a statutory change is made.

Notwithstanding, ADOA is continuing its efforts to manage its vehicle fleet in the most cost effective manner. To this end, the Directors of both ADOA and ADOT entered into an interagency agreement in June, 1995, regarding the maintenance and repair of its combined fleets. As a result, ADOA outsourced all of its preventative maintenance and repair services to ADOT and transferred the ADOA staff of its former repair facility to ADOT.

Additionally, ADOT and ADOA have agreed in principle to a common fuel site at the Capitol Mall area. ADOA alternatively fueled vehicles are fueled at an ADOT facility. Architectural plans have been developed for a joint fueling site.

ADOA has also sought to control the inappropriate use of taxi vehicles through financial incentives rather than denying service to any given user. As a result, the ADOA taxi rates were increased and a minimum mileage was put in place to provide an incentive for better utilization of the taxi fleet. Presently, the minimum mileage rate is 50 miles per day.