

State of Alaska
FY2010 Governor's Operating Budget

Department of Transportation/Public Facilities
Administrative Services
Results Delivery Unit Budget Summary

Administrative Services Results Delivery Unit

Contribution to Department's Mission

Provide administrative infrastructure to enable the department to meet its mission.

Core Services

- Centralized services in the areas of budget, finance, procurement, information technology standards and policies, cost allocation plans, collection of federal and other revenue, and web site development and maintenance.
- Development of department-wide policies and procedures.
- Oversight of the Highway Working Capital Fund.
- Liaison between the Department of Transportation and Public Facilities (DOT&PF) and the Department of Administration for financial, personnel, payroll, procurement, web page development, and information technology directives.
- Liaison with the Office of Management and Budget and the Legislature relating to operating and capital budget issues.
- Plan, design, implement and maintain information technologies supporting the department's mission.
- Procurement of commodities and services for Southeast Region, Alaska Marine Highway System (AMHS), and Headquarters operations. Conduct commodity procurement activities that are of a statewide nature.

End Result	Strategies to Achieve End Result
<p>A: Increase efficiency of the department.</p> <p><u>Target #1:</u> Reduce the ratio of administrative overhead to total department costs by 3%. <u>Status #1:</u> There was a 4.5% decrease in the department's administrative overhead rate between 2008 and 2009.</p> <p><u>Target #2:</u> Increase to 80% the respondents (customers) that rate the quality of the division's service, advice and knowledge transfer at 4 or better on a scale of 1 to 5. <u>Status #2:</u> The division's customers have not yet been surveyed to determine their level of satisfaction. Complaints seem to be at a minimum.</p>	<p>A1: Improve payment processing to contractors or vendors.</p> <p><u>Target #1:</u> Reduce the number of vendor payments that exceed 30 days by 5%. <u>Status #1:</u> The number of vendor payments that exceeded 30 days to process decreased by 14.8% between 2007 and 2008 bringing the number of those payments to 26,923.</p> <p><u>Target #2:</u> Reduce duplicate payments by 10%. <u>Status #2:</u> The number of duplicate payments decreased by 28% between 2006 and 2007.</p>

Major Activities to Advance Strategies

- | | |
|---|---|
| <ul style="list-style-type: none"> • Complete implementation of the new electronic timesheet program • Require all new supervisors to attend training • Provide guidance and improve dissemination of information to DOT&PF personnel regarding centralized human resource issues • Automate as much of the AMHS dispatch process as possible | <ul style="list-style-type: none"> • Analyze information technology processes within the department to better serve the agency • Implement e-commerce capabilities for procuring commodities • Implement a performance measurement status reporting system statewide • Develop a user manual and provide training for the Management Reporting System - project status reporting system |
|---|---|

FY2010 Resources Allocated to Achieve Results

FY2010 Results Delivery Unit Budget: \$15,159,200

Personnel:

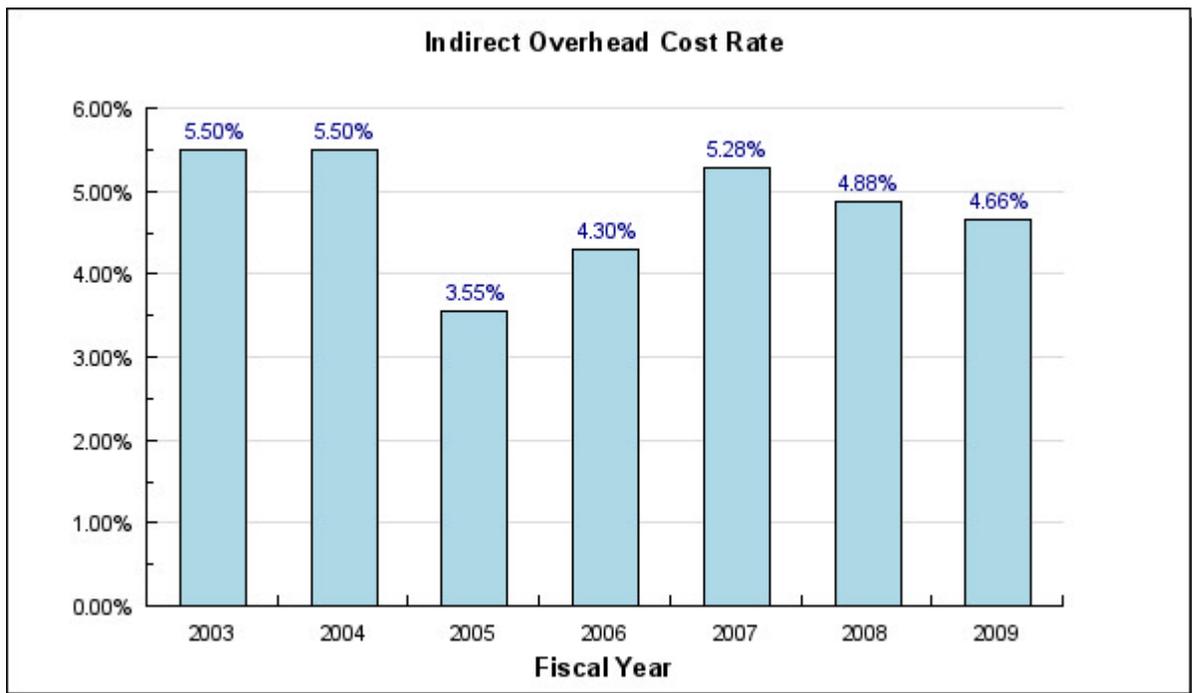
Full time	97
Part time	0
Total	97

Performance

A: Result - Increase efficiency of the department.

Target #1: Reduce the ratio of administrative overhead to total department costs by 3%.

Status #1: There was a 4.5% decrease in the department's administrative overhead rate between 2008 and 2009.



Indirect Overhead Cost Rate

Fiscal Year	YTD Total	% Change
FY 2009	4.66%	-4.5%
FY 2008	4.88%	-8%
FY 2007	5.28%	+23%
FY 2006	4.30%	+21%
FY 2005	3.55%	-36%
FY 2004	5.50%	0%
FY 2003	5.50%	

Analysis of results and challenges: The department annually prepares an Indirect Cost Allocation Plan (ICAP) according to state and federal guidelines, which is reviewed by internal auditors and approved by the Federal

Highway Administration (FHWA). The ICAP develops a rate at which overhead and administrative costs are distributed to projects. These rates are developed by accumulating indirect costs into cost pools, and then dividing the total indirect costs allocated to the pool by total direct project costs. ICAP rates calculated for FY08 vary between 1% for harbor projects to 4.66% for highway projects. The federal highway project rate is used for year to year comparisons. FY08 rates were developed based on FY06 actual expenditure data.

The 2009 reduced rate reflects a slight increase in direct charges to Federal Highway Administration funded capital projects.

General administrative activities contained in the indirect costs include such functions as payment processing, supervising employees, program oversight, budget development, liaison with the Legislature, etc. These are necessary functions of the department whether the department has direct oversight of a project or it is contracted. Typically project oversight is charged directly to a project and is not included in indirect costs.

The department will continue to review methods of reducing overhead costs. Developing technological solutions to cumbersome paper processes and eliminating unnecessary tasks are examples of how overhead costs can be reduced. Such a reduction will increase the amount of federal funds available for road and airport construction.

Target #2: Increase to 80% the respondents (customers) that rate the quality of the division's service, advice and knowledge transfer at 4 or better on a scale of 1 to 5.

Status #2: The division's customers have not yet been surveyed to determine their level of satisfaction. Complaints seem to be at a minimum.

Percent of Satisfied Customers

Fiscal Year	YTD Total
FY 2008	not available

Analysis of results and challenges: This measure will require the division to develop and circulate a survey to help determine whether our internal and external customers' expectations are being met in service (quality and response time), advice (explore solution) and knowledge transfer (communication and training). This increased awareness and interaction should lead to improved efficiencies in the areas of budget development and transfer of knowledge, financial reporting and solutions, vendor/customer payment timeliness, information systems interaction and result, procurement/contract advice, web development and management assistance and advice. Survey responses will provide manager's feedback that may identify problem areas, which if addressed may improve the efficiency of the department. We anticipate the survey will be done annually.

A1: Strategy - Improve payment processing to contractors or vendors.

Target #1: Reduce the number of vendor payments that exceed 30 days by 5%.

Status #1: The number of vendor payments that exceeded 30 days to process decreased by 14.8% between 2007 and 2008 bringing the number of those payments to 26,923.

The number of vendor payments that exceed 30 days from invoice date

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total	% Change
FY 2009	7,275	0	0	0	0	0
FY 2008	8,524	6,764	5,832	5,803	26,923	-14.8%
FY 2007	11,834	8,291	5,455	6,010	31,590	+28%
FY 2006	5,539	6,142	5,740	5,323	22,744	-24%
FY 2005	7,785	9,478	6,740	5,991	29,994	+6%
FY 2004	7,948	7,414	6,873	6,115	28,350	

Analysis of results and challenges: AS 37.05.285 states, "Payment for purchases of goods or services provided a state agency shall be made by a required date that is 30 days after receipt of a proper billing for the amount of the payment due, if a date on which payment is due is not established by contract and if the billing contains or is

accompanied by documents required by the contract or purchase order." The fiscal offices processed an average of 14,225 vendor payments per month during FY2008. 84% of vendor payments are processed within the statutory timeframe. The complexities of the invoices being processed vary from basic monthly maintenance contracts to construction related progress payments. The ability to make payments on contracts requires appropriate sign-offs by project engineers and managers indicating satisfactory completion of tasks. Additionally, invoices must be approved regarding adequate budgetary authority. Payment delays can be caused by the many hand-offs that occur, receiving approvals, mail time between offices, errors in the invoice, errors in account coding, and inadequate funding levels.

Target #2: Reduce duplicate payments by 10%.

Status #2: The number of duplicate payments decreased by 28% between 2006 and 2007.

Duplicate Payments

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total	% change
FY 2008	22	44	35	21	122	-7.6%
FY 2007	46	34	22	30	132	-28%
FY 2006	54	41	56	33	184	+2%
FY 2005	54	36	54	36	180	

Analysis of results and challenges: Duplicate payments require a great deal of department resources for monitoring, payment collection, and even legal actions to recover reimbursements. Activities to avoid future duplicate payments include throwing away duplicate copies of invoices when received in the mail, keeping payments current so that vendors don't send duplicate invoices as a method of requesting payment, monitoring erred documents to ensure that payments don't wait for funding, and checking to see if an invoice is already paid before making payment.

Key RDU Challenges

The division will continue to analyze services it provides in an effort to find the most efficient and effective methods of service delivery. Time, funding and staffing must be reviewed and analyzed to determine our ability and the cost/benefits of pursuing improving options of service delivery.

Federal agencies have increased the financial oversight of state DOT's. The Federal Highway Administration's (FHWA) Financial Integrity Review and Evaluation program requires annual certification of internal and financial controls in all aspects of our surface transportation program. The Federal Aviation Administration (FAA) has again increased emphasis on audit and financial oversight of airport sponsors to detect and prevent diversion of airport revenues to non-airport purposes. With all this external scrutiny, as well as the annual Statewide Single Audit, it is critical that financial report procedures are well documented and staff are continually educated on federal, state and Governmental Accounting Standards Board (GASB) reporting requirements.

The Third Party Billing System (TPBS) was created over 20 years ago to handle all the billings to federal granting agencies. The program is created in a language that is rarely used now and for which few staff are qualified to work with. Adjustments must be made continuously to accommodate federal regulatory changes or differing funding sources (Federal Transit, National Highway Safety Administration, etc.). Analysis of other available systems will be undertaken to determine if replacement or upgrade efforts will be cost beneficial.

Administrative Services is responsible for providing guidance to Department of Transportation and Public Facilities (DOT&PF) personnel regarding centralized Human Resources, assisting in implementation of personnel directives, coordinating and training staff statewide, promoting and assisting recruitment for the department, and fielding questions and concerns from employees. With such a large and diverse work force, this is a daunting task that must be coordinated with administrative staff throughout the department.

The state and those entities and individuals it does business with continue to be more technologically reliant. The whole technology industry is changing so rapidly that opportunities for efficiency in the way we do business continue to increase. With the advent of e-commerce and reliance on the web to provide services and information, a greater reliance is placed upon the Information Systems staff to keep up. The amount of work is enormous and the

resources are limited. Priorities must be set and some of the department's technological needs will not be met. Hiring, training and employee retention are key to providing adequate services on a continuing basis.

Significant Changes in Results to be Delivered in FY2010

No significant changes are anticipated.

Major RDU Accomplishments in 2008

- Completed the Indirect Cost Allocation Plan and received FHWA approval of the plan.
- Up time of production computer services was 99%, resulting in the positive integrity and reliability of services, especially in web based services.
- Provided various usability enhancements and technical upgrades for the Management Reporting System (MRS).
- Provided technical and programming support for the electronic timesheet system (TEARS), a collaborative effort with the Department of Fish and Game.
- Continued to transition all DOT&PF users/personal computers to a single Active Directory Domain simplifying network support, enhancing security, and allowing users to access statewide resources with single authentication.
- Redesigned and launched several websites.

Contact Information
<p>Contact: Nancy J. Slagle, Director, Administrative Services Phone: (907) 465-3911 Fax: (907) 465-3124 E-mail: Nancy.Slagle@alaska.gov</p>

**Administrative Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2008 Actuals				FY2009 Management Plan				FY2010 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Statewide Admin Services	2,508.6	0.0	3,768.0	6,276.6	1,054.3	0.0	3,736.8	4,791.1	1,143.2	0.0	3,682.5	4,825.7
Statewide Information Systems	1,696.8	0.0	1,685.3	3,382.1	2,047.9	0.0	1,617.1	3,665.0	2,100.3	0.0	1,955.9	4,056.2
Leased Facilities	0.0	0.0	0.0	0.0	1,972.1	0.0	351.0	2,323.1	1,930.1	0.0	351.0	2,281.1
Human Resources	1,206.3	0.0	1,534.6	2,740.9	1,206.3	0.0	1,457.6	2,663.9	1,206.3	0.0	1,457.6	2,663.9
Statewide Procurement	354.9	0.0	739.5	1,094.4	559.8	0.0	746.0	1,305.8	583.9	0.0	748.4	1,332.3
Totals	5,766.6	0.0	7,727.4	13,494.0	6,840.4	0.0	7,908.5	14,748.9	6,963.8	0.0	8,195.4	15,159.2

Administrative Services
Summary of RDU Budget Changes by Component
From FY2009 Management Plan to FY2010 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	6,840.4	0.0	7,908.5	14,748.9
Adjustments which will continue current level of service:				
-Statewide Admin Services	88.9	0.0	35.7	124.6
-Statewide Information Systems	52.4	0.0	338.8	391.2
-Statewide Procurement	24.1	0.0	2.4	26.5
Proposed budget decreases:				
-Statewide Admin Services	0.0	0.0	-90.0	-90.0
-Leased Facilities	-42.0	0.0	0.0	-42.0
FY2010 Governor	6,963.8	0.0	8,195.4	15,159.2