

**State of Alaska**  
**FY2004 Governor's Operating Budget**

**Department of Transportation/Public Facilities**  
**Administrative Services**  
**Budget Request Unit Budget Summary**

## **Administrative Services Budget Request Unit**

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### **BRU Mission**

The mission of the Division of Administrative Services is to support the department's operations with quality administration and information technology.

### **BRU Services Provided**

- Centralized services in the areas of personnel and payroll, internal equal employment reporting for federal programs, budget, finance, cost allocation plans, collection of federal and other revenue.
- Development of policies and procedures.
- Oversight of the State Equipment Fleet and Highway Working Capital Fund.
- Liaison between DOTPF and the Dept. of Administration for financial, personnel, payroll, and information technology directives.
- Liaison between the Office of Management and Budget and the Legislature relating to budget issues.
- Funding for the day-to-day operational support for the department in 85 locations throughout the state.
- Essential information technologies supporting the department's mission.

### **BRU Goals and Strategies**

Provide administrative and technological support that results in the most efficient delivery of department services to the public.

- Balance changes that reduce cost against the risks of errors and the ultimate impact on the public.
- Collect federal reimbursements as soon as possible.
- Reduce department exposure to liability lawsuits and grievances by providing guidance to personnel at the region and division level.
- In consultation with the Department of Administration, study payroll processes to identify areas needing improvement.
- Maintain the position classification function in a cost-effective manner in accordance with State of Alaska merit system principles.
- Audit ferry terminal sales reports and collect credit card generated revenues.
- Plan, implement, and maintain software applications and information technology infrastructure which support statewide department functions.
- Provide and maintain quality local area network, desktop, application support and training.
- Secure funding for an apprentice program to assure continued delivery of safe and secure services to the travelling public.
- Implement Administrative Order 195 regarding diversity in the state workplace.

### **Key BRU Issues for FY2003 – 2004**

The Division will continue to analyze services it provides in an effort to find the most efficient and effective methods of service delivery. Areas currently under review, or in initial stages of implementation include an automated system to streamline timesheet processing, improved financial monitoring of capital projects, improvements to the federal project closure process, and reduced processing time for reimbursable services agreements.

Assistance to division managers continues to be difficult when facing increasing federal construction programs, a decrease in administrative staff, increased reliance on contracted services, continually changing technology, changing administrative rules for federal indirect cost participation, and decreasing general fund support.

The Governmental Accounting Standards Board (GASB) statement No. 34 adopted in June 1999 requires the reporting of infrastructure in the state's annual financial reports. The first step was the reporting of FY02 infrastructure costs, which was accomplished using the traditional method. The department took the lead on reporting infrastructure capital assets put into service in FY02, the depreciation associated with those assets and the land acquired as part of the right of way acquisition process. A continuing challenge will be the process of inventorying the infrastructure of the state for full implementation of historical infrastructure reporting in FY06.

The Federal Aviation Administration (FAA) has developed new policies that require 90% of all Airport Improvement (AIP) projects over four years old to be closed or new grant funds will be withheld from the state. Review and improvement of closure processes is necessary not just to assure compliance with FAA, but for prompt closure of all construction projects. A task force developed recommendations to improve the closure process. Extra effort will be needed for its continued implementation.

### **Major BRU Accomplishments in 2002**

- Received no audit findings from the Office of the Inspector General upon completion of their review of department accounting for the AIP funded through FAA.
- Received no audit findings from Legislative Audit upon completion of their annual review of department accounting.
- Assisted regional project control offices with the closure of 90% of all FAA grants over four years old.
- Successfully incorporated recommended standard project coding into department's Indirect Cost Allocation Plan for FY03 developed in FY02.
- Established a task force that identified and implemented recommendations to improve the closing of capital improvement projects.
- Received FHWA approval of Internal Annual Assurances/Affirmative Action Plan with no findings.
- Expanded the electronic payment program to small contractors and vendors who receive standard monthly payments.
- Changed the project accounting structure to allow GASB 34 infrastructure reporting and to reduce the time required to prepare the Federal Schedule.
- Implemented a consolidated server and a new licensing strategy for the Oracle relational database management reporting system.
- Implemented an email capability on each AMHS vessel and provided for email delivery when near a wireless bridge.
- Assisted in the creation of the RFP, vendor testing, vendor selection, and vendor negotiations for the Maintenance Management System.

### **Key Performance Measures for FY2004**

**Measure:**

**Maintain the average time for payment to vendors at 29 days or less**

Sec 142(b)(1) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

Over the past three years the department has maintained an average of 23 days to pay vendors. Through the first quarter of FY03 the department is continuing to maintain a 23 day average for processing invoices.

**Benchmark Comparisons:**

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."

**Background and Strategies:**

During FY02, the department processed an average of 12,110 invoices at \$7,080 per invoice each month. Over that time period the department processed payments within 23 days. 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 require 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.

The number of administrative staff continues to stay static or be reduced and the volume of accounting activity is increasing due to larger federal programs. Because of this, the department is constantly looking for methods to improve the processing of payments. Peer groups continue to meet to identify areas of improvement such as utility payments.

During FY02, the credit card purchasing program was reduced within the department while the state changed to a new contract provider and payment system. With the new "One Card" program, the department plans to expand the use of purchase cards to include travel and procurement at remote job sites, providing a useful tool to project engineers. This program could reduce the number of warrants issued since only a single warrant is needed for the credit card company.

The department established a program to pay construction contractors through electronic deposit. The electronic deposit program (EDI) is a success with our contractors. We now have 73 vendors signed up to receive payments through EDI and over \$28m in payments processed in the past month using EDI. Additional use of EDI payments is not expected to significantly expand until the payment method is authorized to pay employees for travel expenses.

**Measure:**

**The percentage reduction in payroll calculation errors.**

Sec 142(b)(4) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

The Division began tracking the extent of payroll calculation error rates and their causes in January 2001. Prior to that we had no information on the level of errors or what was driving rejection of payroll batches. Data is still not adequate to determine what our target should be. The FY2002 data shows the Department error rate at 1.6% based on errors per number of payroll warrants issued. Of that rate, .983% is related to avoidable errors. This is an improvement over the 1.26% avoidable error rate during the last half of FY2001. It is evident that the errors are prevalent in data entry.

**Benchmark Comparisons:**

We are not aware of any state comparisons that are available.

**Background and Strategies:**

The department has anywhere from 2,700 to 3,200 employees at any given time. These employees are covered by eight different bargaining units, including three marine unions. The complexities involved with calculating payroll are increased even more depending on such factors as which vessel an employee is located and their working status. Time constraints, shortage of staff due to budget reductions, illness or vacations, changing union agreements, and general staff turnover contribute to a potentially high error rate.

The department is always looking at methods to improve the delivery of services. The division, in collaboration with the Department of Administration, Division of Finance, is analyzing payroll processes in an effort to streamline payroll processing and reduce error rates. Meetings to discuss development of an electronic timesheet are moving forward. Streamlining payroll processes will take time and resources to implement.

**Administrative Services  
BRU Financial Summary by Component**

*All dollars in thousands*

	FY2002 Actuals				FY2003 Authorized				FY2004 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
<b><u>Formula Expenditures</u></b>	None.											
<b><u>Non-Formula Expenditures</u></b>												
Statewide Admin Services	1,088.5	0.0	632.2	1,720.7	1,105.7	0.0	669.4	1,775.1	488.0	0.0	1,182.2	1,670.2
Statewide Information Systems	1,173.2	0.0	702.6	1,875.8	1,125.8	0.0	786.6	1,912.4	505.6	0.0	1,319.6	1,825.2
State Equipment Fleet Admin	0.0	0.0	2,504.2	2,504.2	0.0	0.0	2,628.1	2,628.1	0.0	0.0	2,676.4	2,676.4
Regional Admin Services	1,532.6	0.0	2,005.7	3,538.3	1,382.8	0.0	2,220.5	3,603.3	752.6	0.0	2,746.4	3,499.0
<b>Totals</b>	<b>3,794.3</b>	<b>0.0</b>	<b>5,844.7</b>	<b>9,639.0</b>	<b>3,614.3</b>	<b>0.0</b>	<b>6,304.6</b>	<b>9,918.9</b>	<b>1,746.2</b>	<b>0.0</b>	<b>7,924.6</b>	<b>9,670.8</b>

**Administrative Services**

**Proposed Changes in Levels of Service for FY2004**

Funding for the Department Safety Officer position is eliminated. The DOT&PF will continue to spend approximately \$2 million in workers compensation claims per year. The department has missed a cost-efficient opportunity by reducing the overall workers compensation costs and not supporting the centralization of management over the claims. The Capital Improvements Project Section will eliminate an accounting position. Duties will be absorbed by existing staff, however, the production phase for final review and closure of all federally funded projects will be delayed by approximately 35%. The computer replacement schedule is extended from a 3-year replacement to a 5-year replacement schedule. The loss of a Network Specialist will mean diminished desktop, telecommunications coordination, and wide area network systems support. These duties will be absorbed by other staff but will result in a 50% slower response-time.

Funding of an accounting position is reduced and will result in a slow down in payments of invoices to vendors by approximately 3 days. There will be an estimated 50% reduction in revenue collection activity. These revenues are collected from accidents to guardrails and light poles that are then used by the Highways and Aviation sections to repair the damages. Conversion of a Personnel Specialist position from PFT to PPT will jeopardize the timeliness and integrity of the administration of the federally mandated drug testing program for CDL holders.

**Administrative Services**

**Summary of BRU Budget Changes by Component**

**From FY2003 Authorized to FY2004 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2003 Authorized</b>	<b>3,614.3</b>	<b>0.0</b>	<b>6,304.6</b>	<b>9,918.9</b>
<b>Adjustments which will continue current level of service:</b>				
-Statewide Admin Services	-507.1	0.0	5.3	-501.8
-Statewide Information Systems	-507.6	0.0	7.4	-500.2
-State Equipment Fleet Admin	0.0	0.0	8.3	8.3
-Regional Admin Services	-541.4	0.0	57.3	-484.1
<b>Proposed budget decreases:</b>				
-Statewide Admin Services	-110.6	0.0	0.0	-110.6
-Statewide Information Systems	-112.6	0.0	0.0	-112.6
-Regional Admin Services	-88.8	0.0	-65.0	-153.8
<b>Proposed budget increases:</b>				
-Statewide Admin Services	0.0	0.0	507.5	507.5
-Statewide Information Systems	0.0	0.0	525.6	525.6
-State Equipment Fleet Admin	0.0	0.0	40.0	40.0
-Regional Admin Services	0.0	0.0	533.6	533.6
<b>FY2004 Governor</b>	<b>1,746.2</b>	<b>0.0</b>	<b>7,924.6</b>	<b>9,670.8</b>