

**State of Alaska
FY2005 Governor's Operating Budget**

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

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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, 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 Department 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.

End Results	Strategies to Achieve Results
<p>(1) Increase efficiency of the department.</p> <p><u>Target:</u> Reduce the ratio of administrative overhead to total department costs by 3%.</p> <p><u>Measure:</u> Ratio of total administrative overhead funding as compared to total department costs.</p>	<p>(1) Improve the payment to contractors or vendors.</p> <p><u>Target:</u> Reduce vendor payments that exceed 30 days by 5%.</p> <p><u>Measure:</u> Percent change of vendor payments that exceed 30 days from invoice date compared to previous year</p> <p><u>Target:</u> Reduce duplicate payments by 10%.</p> <p><u>Measure:</u> Percent change in number of duplicate payments compared to previous year.</p> <p>(2) Reduce possibility of grievances or lawsuits filed against the department.</p> <p><u>Target:</u> Reduce non-payroll related grievances by 5% over a 3-year rolling average.</p> <p><u>Measure:</u> The number of non-payroll related grievances filed by employees.</p>

Major Activities to Advance Strategies

- | | |
|---|---|
| <ul style="list-style-type: none"> • Implement new electronic timesheet program. • Require all new supervisors to attend training. • Automate as much of the AMHS dispatch process as possible. • Reduce contractor pay estimate processing time • Increase use of electronic transfers for contractor payments. | <ul style="list-style-type: none"> • Analyze information technology processes within department to better serve the agency • Simplify accounting structures • Reduce number of elements for accounting documents • Standardize operating budget/accounting structures |
|---|---|

FY2005 Resources Allocated to Achieve Results

FY2005 Results Delivery Unit Budget: \$10,441,000	Personnel:	
	Full time	83
	Part time	1
	Total	84

Performance Measure Detail

(1) Result: Increase efficiency of the department.

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

Measure: Ratio of total administrative overhead funding as compared to total department costs.

Indirect Overhead Cost Rate

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2003	not available	not available	not available	not available	5.5%
2004	not available	not available	not available	not available	5.5%

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 FY04 vary between 4.4% for harbor projects to 8.5% for planning projects. The federal highway project rate of 5.5% is used for year to year comparisons.

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 DOT&PF 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. Such a reduction will increase the amount of federal funds available for road and airport construction.

(1) Strategy: Improve the payment to contractors or vendors.

Target: Reduce vendor payments that exceed 30 days by 5%.

Measure: Percent change of vendor payments that exceed 30 days from invoice date compared to previous year

Days Taken to Process Vendor Payments

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2000	not available	not available	not available	not available	24
2001	not available	not available	not available	not available	24
2002	not available	not available	not available	not available	23
2003	not available	not available	not available	not available	23

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 11,900 vendor payments per month during FY2003 and averaged 23 days payment time.

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.

Target: Reduce duplicate payments by 10%.

Measure: Percent change in number of duplicate payments compared to previous year.

Duplicate Payments

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2003	not available	not available	not available	not available	not available

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. Duplicate payment information has not been previously collected, but we will begin collecting the information quarterly from the three fiscal offices.

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.

(2) Strategy: Reduce possibility of grievances or lawsuits filed against the department.

Target: Reduce non-payroll related grievances by 5% over a 3-year rolling average.

Measure: The number of non-payroll related grievances filed by employees.

Non-payroll Related Grievances Filed

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2003	not available	not available	not available	not available	142

Analysis of results and challenges: The grievance process provides employees an avenue to address areas where employees believe that the employer is not treating the employee fairly. Grievances can range from payroll disputes, job assignments, disciplinary actions including dismissal, discrimination or harassment, poor working conditions, etc. The department's measure will deal only with non-payroll related issues since payroll is located in Department of Administration. Resources are expended by human resource and management staff to defend or resolve these grievances at the agency level. Although in the course of business some circumstances that cause grievances are unavoidable, training of supervisors on progressive discipline, labor contracts and workplace safety can prevent grievances and prevent significant state monetary liability.

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. 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 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.

In an effort to consolidate functions within the department, the manual billings for Federal Transit Administration, Highway Safety Office, and the Federal Railroad Administration projects are being moved to Statewide Administrative Services from Statewide Planning. Additionally, staff are attempting to find better ways to monitor, track and bill expenditures and revenue activity associated with those programs. Incorporation into the automated Third Party Billing System would be the goal.

Significant Changes in Results to be Delivered in FY2005

With the integration of the human resource functions into the Department of Administration, that function is no longer the responsibility of this RDU. As a result of this integration, remaining departmental staff will take on the new responsibility of monitoring and coordinating with Administration regarding personnel and payroll actions. The purchase of human resources services is placed into a new component for that purpose.

Administrative Services Division staff are working with the Department of Fish and Game to implement an electronic timesheet program by the beginning of FY05. This will allow for individual staff to directly enter their time and provide direct downloads into the state accounting and payroll systems. As a result of this program, duplicate entry will no longer be required by various clerical staff and review of timesheet information will be reduced.

The consolidation of the Regional Administrative Services component with Statewide Administrative Services will eliminate confusion between staff and their assignments within the division.

Major RDU Accomplishments in 2003

- 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.
- Continued making improvements to the procedures and processes used to establish, monitor, bill and close capital improvement projects.
- 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.
- Conducted 365 recruitment efforts, of which 306 resulted in a successful hire. Processed 134 classification actions.
- Completed implementation of recommendations made by the task force created to improve the closing of capital improvement projects.
- Received FHWA approval of Internal Annual Assurances/Affirmative Action Plan with no findings.
- Provided an adequate testing environment during the development and testing phases of the Maintenance Management System development Phase;
- Provided various assistance required for usability enhancements and technical upgrades for the Management Reporting System;
- Created a Service Level Agreement with DOA-ITG concerning the co-management of the DOT/PF portions of the wide area network WAN;
- Participated in the new statewide IT standards and policy creation and planning process;

Contact Information

Contact: Nancy J. Slagle, Director, Administrative Services
Phone: (907) 465-3911
Fax: (907) 465-3124
E-mail: Nancy_Slagle@dot.state.ak.us

**Administrative Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2003 Actuals				FY2004 Authorized				FY2005 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	1,075.2	0.0	749.4	1,824.6	442.6	0.0	1,246.5	1,689.1	684.7	0.0	3,062.0	3,746.7
Statewide Information Systems	1,125.8	0.0	860.2	1,986.0	453.9	0.0	1,383.4	1,837.3	415.6	0.0	1,483.3	1,898.9
State Equipment Fleet Admin	0.0	0.0	2,391.8	2,391.8	0.0	0.0	2,687.0	2,687.0	0.0	0.0	2,736.6	2,736.6
Regional Admin Services	1,561.0	0.0	2,027.2	3,588.2	685.6	0.0	2,867.1	3,552.7	0.0	0.0	0.0	0.0
Human Resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	661.4	0.0	1,397.4	2,058.8
Totals	3,762.0	0.0	6,028.6	9,790.6	1,582.1	0.0	8,184.0	9,766.1	1,761.7	0.0	8,679.3	10,441.0

Administrative Services
Summary of RDU Budget Changes by Component
From FY2004 Authorized to FY2005 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	1,582.1	0.0	8,184.0	9,766.1
Adjustments which will continue current level of service:				
-Statewide Admin Services	242.1	0.0	1,815.5	2,057.6
-Statewide Information Systems	-38.3	0.0	99.9	61.6
-State Equipment Fleet Admin	0.0	0.0	49.6	49.6
-Regional Admin Services	-685.6	0.0	-2,867.1	-3,552.7
-Human Resources	681.4	0.0	1,537.4	2,218.8
Proposed budget decreases:				
-Human Resources	-20.0	0.0	-140.0	-160.0
FY2005 Governor	1,761.7	0.0	8,679.3	10,441.0