

**State of Alaska
FY2006 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, cost allocation plans, collection of federal and other revenue, and web site development and maintenance.
- Development of policies and procedures.
- Oversight of the Highway Working Capital Fund.
- Liaison between DOT&PF and the Department of Administration for financial, personnel, payroll, and information technology directives.
- Liaison with the Office of Management and Budget and the Legislature relating to budget issues.
- Funding for the day-to-day operational support for the department's 85 locations throughout the state.
- Essential information technologies supporting the department's mission.

End Results	Strategies to Achieve Results
<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%.</p> <p><u>Measure #1:</u> Ratio of total administrative overhead funding as compared to total department costs.</p> <p><u>Target #2:</u> Increase to 80% the respondents (customers) that rate the division's service at 4 or better on a scale of 1 to 5.</p> <p><u>Measure #2:</u> Percent of respondents rating service at 4 or above on a scale of 1 to 5 in the areas that Administrative Services has purview over: budget, finance/accounting, and information technology.</p>	<p>A1: Improve the payment to contractors or vendors.</p> <p><u>Target #1:</u> Reduce the number of vendor payments that exceed 30 days by 5%.</p> <p><u>Measure #1:</u> The number of vendor payments that exceed 30 days from invoice date compared to previous year</p> <p><u>Target #2:</u> Reduce duplicate payments by 10%.</p> <p><u>Measure #2:</u> Percent change in number of duplicate payments compared to previous year.</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

FY2006 Resources Allocated to Achieve Results

FY2006 Results Delivery Unit Budget: \$10,084,200	Personnel:	
	Full time	71
	Part time	0
	Total	71

Performance Measure Detail

A: Result - Increase efficiency of the department.

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

Measure #1: Ratio of total administrative overhead funding as compared to total department costs.

Indirect Overhead Cost Rate

Year	YTD
2003	5.5%
2004	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.

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

Measure #2: Percent of respondents rating service at 4 or above on a scale of 1 to 5 in the areas that Administrative Services has purview over: budget, finance/accounting, and information technology.

Percent of respondents rating service at 4 or above on a scale of 1 to 5 in the areas that Administrative Services has purview over: budget, finance/accounting, and information technology.

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
2005	0	0	0	0	0

Analysis of results and challenges: This is a new measure and the survey is still being developed.

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

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

Measure #1: The number of vendor payments that exceed 30 days from invoice date compared to previous year

Number of days to process vendor payments

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
2004	not available				

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 12,000 vendor payments per month during FY2004 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 #2: Reduce duplicate payments by 10%.

Measure #2: Percent change in number of duplicate payments compared to previous year.

Duplicate Payments

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
2003	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.

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, reduced processing time for reimbursable services agreements, and more timely and accurate collection of federal revenues.

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.

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 were moved to Statewide Administrative Services from Program Development. Staff is 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 FY2006

The State Equipment Fleet has been centralized under the supervision of the Statewide Maintenance Engineer in the Commissioner's Office.

Major RDU Accomplishments in 2004

- Continued making improvements to the procedures and processes used to establish, monitor, bill and close capital improvement projects.
- Completed implementation of recommendations made by the task force created to improve the closing of capital improvement projects. Successfully provided the FAA access to the department's Management Reporting System. This allows FAA staff to review the status of aviation projects and reduces the amount of paperwork transfers and hard copy reporting requirements.
- Received FHWA approval of Internal Annual Assurances/Affirmative Action Plan with no findings.
- Provided various assistance required for usability enhancements and technical upgrades for the Management Reporting System.
- Participated in the new statewide IT standards and policy creation and planning process.
- Developed the department's first Information Technology Plan.

Contact Information
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**Administrative Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2004 Actuals				FY2005 Management Plan				FY2006 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	442.6	0.0	1,312.6	1,755.2	2,405.2	0.0	3,028.9	5,434.1	2,426.3	0.0	3,315.6	5,741.9
State Equipment Fleet Admin	0.0	0.0	2,605.8	2,605.8	0.0	0.0	2,738.1	2,738.1	0.0	0.0	0.0	0.0
Statewide Information Systems	453.9	661.6	1,723.9	2,839.4	415.4	0.0	1,429.2	1,844.6	415.4	0.0	1,471.8	1,887.2
Regional Admin Services	685.6	0.0	2,909.6	3,595.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	0.0	0.0	0.0	0.0	661.4	0.0	1,397.4	2,058.8	997.5	0.0	1,457.6	2,455.1
Totals	1,582.1	661.6	8,551.9	10,795.6	3,482.0	0.0	8,593.6	12,075.6	3,839.2	0.0	6,245.0	10,084.2

Administrative Services
Summary of RDU Budget Changes by Component
From FY2005 Management Plan to FY2006 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	3,482.0	0.0	8,593.6	12,075.6
Adjustments which will continue current level of service:				
-Statewide Admin Services	21.1	0.0	286.7	307.8
-State Equipment Fleet Admin	0.0	0.0	-2,738.1	-2,738.1
-Statewide Information Systems	0.0	0.0	42.6	42.6
Proposed budget increases:				
-Human Resources	336.1	0.0	60.2	396.3
FY2006 Governor	3,839.2	0.0	6,245.0	10,084.2