

# **State of Alaska FY2007 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 the Department of Transportation & Public Facilities (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><b>A: Increase efficiency of the department.</b></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><b>A1: Improve payment processing to contractors or vendors.</b></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 percentage change in 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"> <li>• Implement new electronic timesheet program.</li> <li>• Require all new supervisors to attend training.</li> <li>• Automate as much of the AMHS dispatch process as possible.</li> <li>• Reduce contractor pay estimate processing time</li> <li>• Increase use of electronic transfers for contractor payments.</li> </ul>	<ul style="list-style-type: none"> <li>• Analyze information technology processes within department to better serve the agency</li> <li>• Simplify accounting structures</li> <li>• Reduce number of elements for accounting documents</li> <li>• Standardize operating budget/accounting structures</li> </ul>

**FY2007 Resources Allocated to Achieve Results**

<b>FY2007 Results Delivery Unit Budget: \$11,722,900</b>	<b>Personnel:</b>	
	Full time	73
	Part time	0
	<b>Total</b>	<b>73</b>

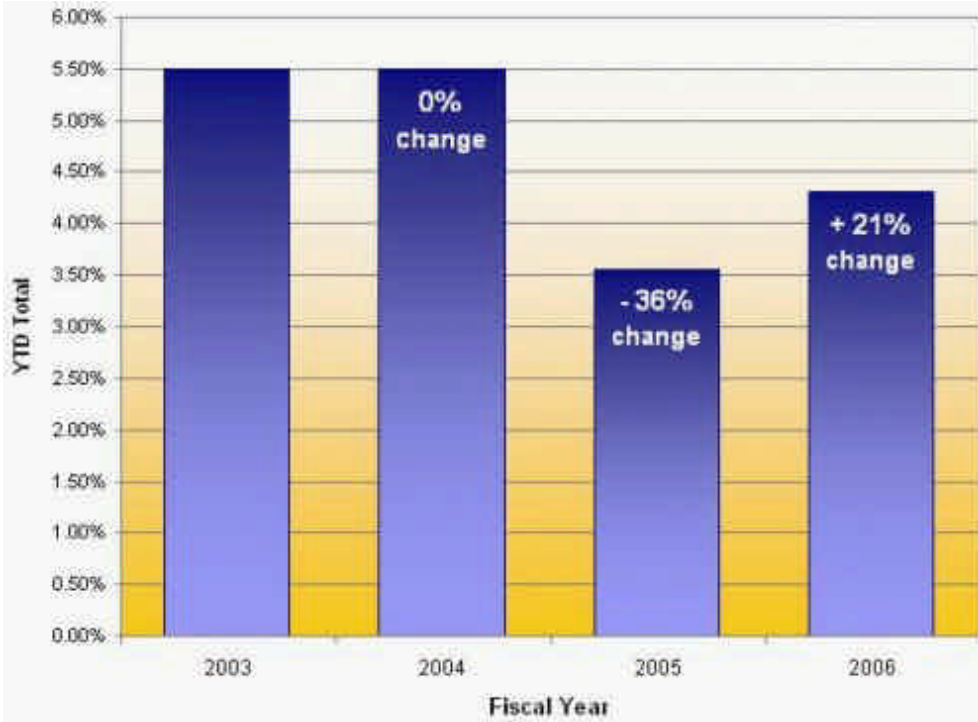
**Performance Measure Detail**

**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**



**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 FY05 vary between 1% for harbor projects to 4.3% for highway projects. The federal highway project rate is used for year to year comparisons. FY06 rates are developed based on FY04 actual expenditure data.

When the FY06 rates were being calculated, the department learned that several planning expenses that had been considered direct expenses to the capital budget must now be considered indirect operating expenses. In addition, due to a variety of problems, construction activity slowed in the Federal Highway funded capital project program. Because the amount of indirect costs increased due to the added planning expenses, and the

dollar amount of capital projects decreased, the indirect cost rate increased for FY06.

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. 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 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 Satisfied Customers**

Fiscal Year	YTD Total
FY 2005	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 the areas of budget development and monitoring, information systems, web development and management, financial reporting and vendor payment. Survey responses will provide managers 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%.

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

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

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
FY 2004	7,948	7,414	6,873	6,115	28,350
FY 2005	7,785	9,478	6,740	5,991	29,994
	-2.05%	+27.84%	-1.94%	-2.03%	+5.80%

**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 11,985 vendor payments per month during FY2005. 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.

The increase in Quarter 2 of FY2005 was associated with the Alaska Supply Chain Integration (ASCI) procurement pilot project in Juneau Headquarters, Southeast Region and the Alaska Marine Highway System. There was a delay in receiving copies from ASCI documenting that goods were received. This documentation is needed in order to pay invoices. The department's policies and procedures were updated to formalize the

process.

**Target #2:** Reduce duplicate payments by 10%.

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

### Duplicate Payments

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
FY 2005	54	36	54	36	180
FY 2006	54 0%	0 -100.00%	0 -100.00%	0 -100.00%	0 -100.00%

**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. Areas currently under review, or in initial stages of implementation include: improved financial monitoring of capital projects, electronic timesheets, Federal Highway Administration's (FHWA's) newly revised financial system (FMIS 4.0) and FHWA's new payment system—Rapid Approval and State Payment System (RASPS), and a performance measurement status reporting system.

Federal agencies have increased the financial oversight of state DOT's. The Financial Integrity Review and Evaluation program started by FHWA this past year 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.

We will continue to provide guidance to DOT&PF personnel regarding centralized Human Resources, assisting in implementation of personnel directives, coordinating and training staff statewide, and fielding questions and concerns from employees.

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 FY2007

No significant change anticipated.

### Major RDU Accomplishments in 2005

- Completed the Indirect Cost Allocation Plan and received FHWA approval of the plan.
- Transitioned 95% of DOT&PF web pages over to the new statewide standard.
- Implemented and trained DOT&PF staff statewide to use the new standard PARF (personnel action request form) and NEO (new employee orientation) under the directive of the Department of Administration/Personnel.
- Monitored department-wide expenditures vs. budget that ended lapsing less than \$50,000 General Funds for FY04.
- Up time of production computer services was 99%, resulting in the positive integrity and reliability of our services, especially in web based services.
- Provided an adequate testing environment during the development and testing phases of the Maintenance

Management System (MMS) development phase.

- Provided various assistance required for usability enhancements and technical upgrades for the Management Reporting System (MRS).

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

*All dollars shown in thousands*

	FY2005 Actuals				FY2006 Management Plan				FY2007 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	2,304.6	0.0	3,042.2	5,346.8	2,491.7	0.0	3,424.5	5,916.2	2,668.5	0.0	3,531.1	6,199.6
Statewide Information Systems	828.6	0.0	1,498.3	2,326.9	479.5	0.0	1,516.3	1,995.8	1,352.6	0.0	1,601.4	2,954.0
Human Resources	767.0	0.0	1,605.9	2,372.9	997.5	0.0	1,457.6	2,455.1	1,111.7	0.0	1,457.6	2,569.3
State Equipment Fleet Admin	0.0	0.0	3,696.7	3,696.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Totals</b>	<b>3,900.2</b>	<b>0.0</b>	<b>9,843.1</b>	<b>13,743.3</b>	<b>3,968.7</b>	<b>0.0</b>	<b>6,398.4</b>	<b>10,367.1</b>	<b>5,132.8</b>	<b>0.0</b>	<b>6,590.1</b>	<b>11,722.9</b>

**Administrative Services**  
**Summary of RDU Budget Changes by Component**  
**From FY2006 Management Plan to FY2007 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2006 Management Plan</b>	<b>3,968.7</b>	<b>0.0</b>	<b>6,398.4</b>	<b>10,367.1</b>
<b>Adjustments which will continue current level of service:</b>				
-Statewide Admin Services	118.4	0.0	90.5	208.9
-Statewide Information Systems	96.5	0.0	72.3	168.8
-Human Resources	114.2	0.0	0.0	114.2
<b>Proposed budget increases:</b>				
-Statewide Admin Services	58.4	0.0	16.1	74.5
-Statewide Information Systems	776.6	0.0	12.8	789.4
<b>FY2007 Governor</b>	<b>5,132.8</b>	<b>0.0</b>	<b>6,590.1</b>	<b>11,722.9</b>