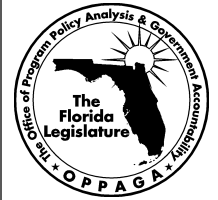




## Office of Program Policy Analysis And Government Accountability



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# Review of the Department of Management Services' Support Program's Performance-Based Program Budgeting Measures and Standards

### Abstract

- The Support Program's State Purchasing component has obtained significant price discounts on commodities and services through its contracting practices. However, the dollar savings cannot be readily estimated.
- The percentage of state agencies and local governments that received federal surplus property was below the standard for Fiscal Year 1996-97. However, this appears to be due to a decrease in the quality and quantity of property made available by the federal government.
- The Program's Vehicle Operations and Maintenance costs for labor and parts were lower than private sector costs and slightly lower than the standard. The program also provided state rental pool vehicles at a lower price than that charged by the state rental car contract.
- The Aircraft Operations and Maintenance cost per flight hour was higher than the established standard, primarily as a result of aircraft in the Executive Aircraft Pool flying fewer hours than expected.
- The program's measures could be improved by including more measures on major program functions and by maintaining source documents and calculation records to verify reported performance data.

### Purpose

Chapter 94-249, Laws of Florida, directs state agencies to prepare performance-based program budgeting measures in consultation with the Governor's Office of Planning and Budgeting, staff from the appropriate legislative committees, and the Office of Program Policy Analysis and Government Accountability (OPPAGA). State agencies then are required to submit performance-based program budget requests with performance measures and standards to the Legislature for approval. The Legislature includes the approved performance measures and standards in the annual General Appropriations Act.

State agencies must report annually on their performance against these standards to the Governor and the Legislature in their legislative budget requests. The Legislature considers this information in making funding decisions and may award incentives and disincentives for program performance that exceeds or fails to meet the established standards.

Section 11.513, F.S., directs OPPAGA to complete a program evaluation and justification review of each state agency program that is operating under a performance-based program budget. The Support Program began operating under a performance-based program budget in Fiscal Year 1996-97.

This is the first of two reports presenting the results of our program evaluation and justification review of the Department of Management Services' Support Program. In this review, OPPAGA examined the program's performance compared to the approved standards for Fiscal Year 1996-97 and options for

improving the program's measures and standards for Fiscal Year 1998-99. Our second report, which will be issued by July 1, 1998, will address the program's necessity and alternative means for providing program services.

## Background

The Department of Management Services' (DMS) Support Program provides services and oversight relating to the purchase of commodities and services, passenger and special purpose aircraft, motor vehicles and watercraft, and federal surplus property. The Support Program's goal is to provide government entities access to "best value" commodities and services through centralized purchasing, federal property assistance, and fleet management. The concept of best value focuses on the quality, service, timeliness, and functionality of an item or service over its useful life at the lowest cost to the state.

The Support Program is composed of four major components: State Purchasing, Federal Property Assistance, Vehicle Operation and Maintenance, and Aircraft Operations and Maintenance.

- **State Purchasing.** The State Purchasing component establishes term contracts and negotiated price agreements that agencies can use to purchase commodities and services. These term contracts and price agreements are intended to reduce the state's costs for acquiring commodities and services through volume discounts. As of January 8, 1998, the program had 143 term contracts in effect.

In recent years, the Legislature and State Purchasing have granted agencies more authority to buy needed items without having to obtain approval from the program.

- **Federal Property Assistance.** The Federal Property Assistance component acquires and distributes federally owned property for use by public agencies, eligible private non-profit health and education organizations, and organizations that provide assistance to the homeless. The program also helps state and local law enforcement agencies acquire items that can be used in their activities.
- **Vehicle Operations and Maintenance.** The Vehicle Operations and Maintenance component develops technical specifications for the state contracts for purchasing passenger and special

purpose vehicles, watercraft, heavy equipment and vehicle parts. State agencies and local governments make their own vehicle purchases using these contracts. As part of its oversight responsibilities, the program provides policies, rules, and procedures to guide agencies in purchasing vehicles using the state contracts. The program also provides a computer-based system, the Equipment Management Information System (EMIS), that agencies may use to track the use and maintenance of their vehicles.

Under this component, the program also maintains a pool of 150 state-owned vehicles in Tallahassee for use by state employees on official business; operates a maintenance garage in Tallahassee that services motor pool vehicles, as well as motor vehicles owned by other state agencies that want to use its services; and administers a vehicle disposal service.

- **Aircraft Operations and Maintenance.** The Aircraft Operations and Maintenance component operates and maintains an Executive Aircraft Pool of four aircraft to enable state executives and their authorized passengers to travel to locations where commercial airline service is limited or not available. In Fiscal Year 1996-97, Pool aircraft flew 1,957 flight hours, totaling 1,242,477 passenger miles. The program also approves the purchase of all state-owned aircraft and major maintenance and disposal requests (state agencies own and maintain a total of 80 aircraft that are not part of the program's Executive Aircraft Pool.)

**Program Funding and Staffing.** For Fiscal Year 1997-98, the Support Program was appropriated \$14,377,497 (including fixed capital outlay), funded in part by the General Revenue Fund (\$4,488,991) and various trust funds (\$9,888,506). The program was authorized 131 positions for Fiscal Year 1997-98.

The Legislature authorized the Support Program to operate under a performance-based program budget in Fiscal Year 1996-97 and specified eight outcome and six output measures for the program. (See Exhibit 1.)

The Legislature continued the program's authorization to operate under a performance-based program budget in Fiscal Year 1997-98. Seven of the eight outcome measures were continued from the previous year.

## Exhibit 1

## Support Program Performance-Based Program Budgeting Measures for Fiscal Year 1996-97

| Outcome Measures  | Explanation   |
|---|---|
| <b>Percent of state term contracts savings (percent discount from normal price based on vendor certification)</b> | This measure is a comparison of the price discount offered by vendors on commodities and services purchased through state term contracts to regular prices offered state agencies.  |
| <b>State term contracts cost avoidance</b>  | This measure is an estimate of the dollar value of cost avoided by agencies purchasing goods and services through the state contracts instead of paying regular prices.   |
| <b>Average percent [state] below private sector [of] fleet maintenance/ [and of] retail parts</b>                 | This measure is a comparison of the per hour maintenance (labor) cost and the parts cost for work performed on state vehicles in the state garage to the same work performed by private sector garages and the retail price of parts.   |
| <b>Average percent state rental vehicles below state rental contract rates</b>                                    | This measure compares the cost of providing the days and miles of rental vehicle service provided by the state motor pool with the cost of the same level of service if provided under the state's competitively bid rental vehicle contract.   |
| <b>Estimated percent of disposal net return above published wholesale</b>   | This measure compares the net dollars returned to the state from disposal of vehicles and equipment to the published wholesale dollar value of the vehicles as reported by the National Auto Research Used Car Market Guide or other recognized, non-fleet-used-vehicle pricing publications. |
| <b>Cost per flight hour: DMS Aircraft pool and Southeast states' aircraft</b>                                     | This measure was intended to identify the full operating costs of the Executive Aircraft Pool as an average hourly cost in comparison to that of the southeastern states' aircraft.   |
| <b>Percent of active federal property donees</b>  | This measure compares the number of donee organizations that participated in the program with the number of donee organizations the program has certified as eligible to participate.   |
| <b>Federal property distribution rate</b>   | This measure compares the amount of federal surplus property being placed with eligible organizations to the amount being received into the state's inventory and available for distribution.   |
| Output Measures   | Explanation   |
| <b>Commodities/services on term contracts</b>   | This measure records the number of commodities/services that DMS has available to state agencies on state term contracts.   |
| <b>Number/percent of agencies using SPURS</b>   | This measure records the number and the percentage of state agency-level organizations using the State Purchasing Subsystem.  |
| <b>Federal property orders processed</b>  | This measure identifies the number of donee property orders processed by DMS.   |
| <b>Vehicle maintenance service hours</b>  | This measure counts the number of vehicle maintenance hours provided by the DMS garage.   |
| <b>Days/miles of state rental vehicle service provided</b>  | This measure tracks the days and miles of rental service provided by the DMS motor pool.  |
| <b>Flights by executive aircraft pool</b>   | This measure tracks the annual number of flights provided by the executive aircraft pool.   |

Source: DMS 1996-97 Legislative Budget Request

However, the outcome measure for the Executive Aircraft Pool was changed from a comparison of Florida's cost per flight hour compared to other

southeastern states to only the Florida flight hour cost rate. Further, a second outcome measure was included for the Executive Aircraft Pool that compares the

passenger load factor for the Pool to the load factor for a large corporation. (See Exhibit 3.)

All of the outcome measure standards were revised to reflect the actual results experienced in previous years. The six output measures were continued from the previous year, but all of the measures' standards were revised. (See Exhibit 3.)

The department has requested that the Legislature allow the program to operate under a performance-based budget in Fiscal Year 1998-99. Also, it has proposed one new outcome measure for the Executive Aircraft Pool that will compare its variable operating cost to published industry standards and revised eight of the nine outcome standards and all six of the output standards. (See Exhibit 3.)

## Findings

### What can be concluded about the Support Program's performance in Fiscal Year 1996-97 based on its measures?

We were able to draw these conclusions about the program's performance from its measures:

- State Purchasing has obtained significant price discounts on commodities and services through its contracting practices. However, the Program did not obtain data needed to verify the extent to which its performance exceeded the standards for price discounts and the dollar amount of costs avoided through the use of its contracts. (See Exhibit 2.)
- The percentage of donees (state agencies and local government units) that ordered and received property through the Program's Federal Property Assistance Component was below the standard for Fiscal Year 1996-97. However, this appears to be due to a decrease in the quality and quantity of property made available by the federal government. (See Exhibit 2.)
- The Vehicle Operations and Maintenance costs for labor and parts were lower than private sector costs and slightly lower than the standard for Fiscal Year 1996-97. The program also provided vehicles in

its state rental pool at a lower price than that charged by the vendor holding the state rental car contract and at a lower price than the standard. (See Exhibit 2.)

- The Aircraft Operations and Maintenance components' cost per flight hour was higher than the standard, primarily as a result of aircraft in the Executive Aircraft Pool flying fewer hours than expected. (See Exhibit 2.)

### State Purchasing

The Program's State Purchasing component has obtained significant price discounts on commodities and services through its contracting practices. (See Exhibit 2.) This outcome reflects the program's focus on developing state contracts that take advantage of volume purchasing to obtain greater price discounts from vendors. Generally, vendors offer significant discounts on volume purchases. To increase the volume of commodities and services purchased from its contracts, the program is encouraging local government units and federal agencies to use its contracts.

However, the program did not obtain data needed to verify the extent to which its performance exceeded the standards for price discounts and the dollar amount of costs avoided through the use of its contracts. Program staff used unverified data provided by vendors to calculate results for the outcome measure, *State term contracts cost avoidance*. Vendors reported to the program the percentage discount they offered under their contracts and the discounts they would normally offer state agencies, but did not provide any supporting information that could be used to independently validate their reported figures. The vendor-reported data cannot be taken at face value because it is in a vendor's interest to have its discount viewed in the best possible light.

The program has increased the number of commodities/services offered through its term contracts from 199,555 in Fiscal Year 1994-95 to 233,000 in Fiscal Year 1996-97, an increase of almost 17%. Increasing the number of commodities and services offered should improve the state term contracts' usefulness to state agencies. (See Exhibit 2.)

**Exhibit 2**  
**Less Than Half of the Support Program Measures Were Useful as Indicators of Program Performance**

| Fiscal Year 1996-97 Measures   | Reported 1996-97 Performance | 1996-97 GAA Standard | Standard Met | OPPAGA Comments  |
|--|------------------------------|----------------------|--------------|--|
| <b>Outcomes</b>  |                              |                      |              |  |
| Percent of state term contracts savings (percent discount from normal price based on vendor certification) | 36.7%                        | 23%                  | Yes          | Performance improved 18% above the previous year. However, this could not be verified with current data.   |
| State term contracts cost avoidance  | \$204 mil.                   | \$138 mil.           | Yes          | Performance improved 39% above the previous year. However, this could not be verified with current data.   |
| Average percent [state] below private sector [of] fleet maintenance  | 15%/                         | 13%/                 | Yes          | Performance improved above the previous year.  |
| / [and of] retail parts  | 28%                          | 25%                  | Yes          | Performance improved above the previous year.  |
| Average percent state rental vehicles below state rental contract rates                                    | 44%                          | 30%                  | Yes          | Performance declined slightly from last year but still met the standard.   |
| Estimated percent of disposal net return above published wholesale price                                   | 8.97%                        | 20%                  | No           | Performance declined from last year, but the accuracy of the data is questionable.   |
| Cost per flight hour: DMS Aircraft pool and Southeast states' aircraft                                     | \$987 and <u>unknown</u>     | \$908 / \$889        | No           | The flight hour cost was less than the previous year but still exceeded the standard by 9% due to less total flight hours than estimated. Measure changed because southeastern states' aircraft data is unavailable. |
| Percent of active federal property donees  | 40.4%                        | 50%                  | No           | Actual performance declined 9% below the previous year as a result of factors outside of the program's control.  |
| Federal property distribution rate   | 75%                          | 98%                  | No           | Standard is too high because the data calculations changed. Actual performance improved 3% above the previous year.  |
| <b>Outputs</b>   |                              |                      |              |  |
| Commodities/services on term contracts   | 233,000                      | 196,555              | Yes          | If data is accurate, performance improved 28% above the previous year, but the data cannot be verified.  |
| Number/percent of agencies using SPURS   | 28 / 70%                     | 31 / 74%             | Yes          | Program accomplished a 93% agency user rate, but reported an inaccurate 70%.   |
| Federal property orders processed  | 2,334                        | 2,500                | No           | Program processed 10% more orders than in the previous year. However, this measure is affected by factors outside of the program's control.  |
| Vehicle maintenance service hours  | 8,391                        | 8,600                | No           | Actual performance declined 6% below the previous year.  |
| Days/miles of state rental vehicle service provided  | 41,023 / 1.7 mil.            | 39,553 / 1.8 mil.    | Yes          | Performance was comparable to the previous year.   |
| Flights by executive aircraft pool   | 2,416                        | 2,010                | No           | Reported data was inaccurate. Actual performance, 1957 flights, improved by 13% above the previous year, but still fell short of the standard.   |

Source: Office of Program Policy Analysis and Government Accountability, DMS 1996-97 Legislative Budget Request, interviews with program staff

Further, the program has increased the percentage of state agencies that are using the State Purchasing

Subsystem (SPURS) from 71% in Fiscal Year 1994-95 to 93% in Fiscal Year 1996-97. SPURS is a

computerized database that records information on agency purchases. By increasing the percentage of state agencies using SPURS, the program has better information to use in overseeing agency purchasing practices.

#### **Federal Property Assistance**

The percentage of donees (state agencies and local government units) that ordered and received property through the program's Federal Property Assistance Component was below the standard for Fiscal Year 1996-97. (See Exhibit 2.) However, this is likely due to a decrease in the quality and quantity of property made available by the federal government.

The supply of federal surplus property available to states varies considerably over time, with more property being available following actions, such as the closing of U.S. military bases in response to the end of the Cold War. Program managers believe the performance measures indicate that Florida's Federal Surplus Property component is presently experiencing a decline in the both quantity and quality of available property.

Program managers based their conclusion on data indicating that although the number of organizations eligible to receive federal property increased 17% in Fiscal Year 1996-97, there was not a corresponding increase in the number that actually received property. Further, requests for federal surplus property decreased from 2,482 in Fiscal Year 1994-95 to 2,118 in Fiscal Year 1995-96 and 2,334 in Fiscal Year 1996-97.

#### **Vehicle Operations and Maintenance**

The program's performance measures also indicate the Vehicle Operations and Maintenance component's costs for labor and parts were lower than private sector costs and slightly lower than the standard for Fiscal Year 1996-97. The program also provided vehicles in its state rental pool at a lower price than that charged by the vendor holding the state rental car contract and at a lower price than the standard. (See Exhibit 2.)

For example, the Vehicle Operations and Maintenance component's maintenance garage in Tallahassee charged an hourly labor rate of \$35 for repairing and maintaining state rental pool vehicles and agency vehicles. This rate was 15% below an estimate of the

hourly rate charged by the private sector for maintaining a vehicle fleet.<sup>1</sup>

Also, the program's cost for parts was 28% below the average retail cost and below the standard of 25%. According to program staff, the measure was not intended to represent a comparison of fleet-volume-discount-parts prices to retail parts prices, but rather a comparison of the discounts obtained under the program's vehicle parts and term contracts to routine, "over the counter" retail parts prices.

The program's outcome measure, *Average percent state rental vehicles below state rental contract rates*, compares the average cost the program charges agencies for using vehicles in the state rental motor pool to the rates charged by the current vendor holding the state rental car contract (Avis).<sup>2</sup> The program compares its rate for a sedan to the lowest rate charged by the contracted vendor. The measure shows the program's rental rate was 44% below the rate charged by Avis. Program managers attributed this performance to several factors: the program is able to extend the life of state vehicles to five years, which is more than twice the life of a rental vehicle operated by a private company, and the program does not incur certain costs, such as advertising or franchise costs, as is the case with private sector companies.

#### **Aircraft Operations and Maintenance**

The Aircraft Operations and Maintenance component's performance measure indicates the program cost per flight hour did not meet the standard (\$908) for Fiscal Year 1996-97, exceeding the expected cost by 9%. Program staff attributed this outcome to aircraft in the Executive Aircraft Pool flying fewer hours in Fiscal Year 1996-97 than the staff originally estimated in 1995. Program staff believe that the number of flight hours is the most significant determinant of the cost per flight hour because the Pool's total operating cost is

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<sup>1</sup> The program actually miscalculated its performance. If the 15% discount for fleet repairs is applied to the average private sector rate of \$50.21, it lowers the labor rate to \$42.68. The state labor rate, \$35, is 18% below the private sector rate as opposed to 15% as reported by the program.

<sup>2</sup> The motor pool charges one rate for passenger cars (excluding station wagons), regardless of size, while Avis charges a different rate for passenger cars based on size. Also, the state motor pool primarily rents passenger sedans and has only a minimal amount of station wagons and vans. To allow this measure to be used with a minimum of administrative record keeping and processing time, the program uses the state's single passenger car rate and compares it to the lowest relevant vendor passenger car rate. Although some absolute accuracy is sacrificed, this method is preferable to the labor needed to analyze completely the costs of all rental vehicle categories, and the term, 'average,' refers to this adjustment.

relatively fixed (approximately 75% of the total operating costs). To meet its standard for the cost per flight hour, Pool aircraft would have to fly the number of flight hours used in developing the standard. If fewer hours are flown for reasons such as inclement weather or change in travel plans, the program's costs per hour will increase.

### **What improvements can be made to the program's measures and standards for Fiscal Year 1998-99?**

The program could improve the State Purchasing component's performance measures for Fiscal Year 1998-99 by modifying some of the existing measures and adding several new measures.

#### **Improvements to Existing Measures**

**State Purchasing.** The program needs to maintain verifiable data for its State Purchasing performance measures. Program staff have been developing a market basket approach to determine the percentage discounts received from vendors. However, program staff will have to implement an approach that will allow them to evaluate the current year's performance as it is progressing, so that the results can be reported in the program's next budget request. Currently, market basket studies have been conducted for only Fiscal Year 1994-95 and the first half of Fiscal Year 1995-96. (See Exhibit 3.)

Given that the prices and discounts are market-driven and that the program's term contracts are continuously competed, the market basket study needs to be current in order to provide useful data for evaluating recent program performance.

The program also has used a labor-intensive approach to conduct market basket studies and should consider alternative methods for assessing its performance. For example, the program may want to require vendors to provide documentation supporting their reported price discounts in the form of catalogues or price lists identifying the base prices upon which the discounts are made. If this information was provided in

electronic form, program staff could maintain supporting data. Another approach the program could use is to develop a market basket for a statistically representative sample of the state term contracts. This alternative would be less labor intensive and could be maintained for the current period.

**Vehicle Operation and Maintenance.** The program could further improve its measures for the State Motor Vehicle Operation and Maintenance component by taking actions discussed below.

- The program presently compares the average price for parts charged by the state maintenance garage to retail prices. OPPAGA has previously recommended the program's performance be evaluated against the discounted prices that would be offered by a private fleet management company. OPPAGA believes this would provide a better assessment than simply comparing the prices charged by the program to regular, retail prices.
- The measure, *Estimated percent of disposal net return above published wholesale price*, is not a valid indicator of program performance and should be discarded. The measure compares the auction sales price of state fleet vehicles to the published sales prices of individually owned vehicles. Program staff stated that the markets for used fleet vehicles and used privately-owned vehicles are different in that buyers assume that fleet vehicles are poorly maintained due to multiple users and that fleet vehicles are almost completely worn out, while privately-owned vehicles have been maintained to preserve their value and have not reached the end of their useful life. However, because there are no published fleet vehicle auction prices, the program compares the disposal costs for its vehicles to the published prices for privately owned used vehicles. (See Exhibit 3.)

**Exhibit 3**  
**OPPAGA Comments and Recommendations to Improve the**  
**Proposed 1998-99 Support Program's Performance Measures and Standards**

| Proposed 1998-99 Measures  | 1997-98<br>GAA<br>Standards | Proposed<br>1998-99<br>Standards | OPPAGA Comments and Recommendations  |
|--|-----------------------------|----------------------------------|--|
| Percent of state term contracts savings(percent discount from normal price based on vendor certification)            | 31%                         | 35%                              | Program still needs to obtain data on vendor price discounts that can be verified by an external entity. Standard is reasonable and shows continuous improvement based on historical data.   |
| State term contracts cost avoidance  | \$146 million               | \$205 million                    | Program still needs to obtain data on vendor price discounts that can be verified by an external entity. Standard is reasonable and shows continuous improvement based on historical data.   |
| Average percent of state below private sector fleet maintenance/ retail parts  | 13 / 26%                    | 13 / 26%                         | Program needs to evaluate its parts prices against the discounts at a private fleet management company.  |
| Average percent state rental vehicles below state rental contract rates  | 45%                         | 30%                              | Current state rental contract expires this year and the new 1998 contract may affect the standard and the performance outcome.   |
| Estimated percent of disposal net return above published wholesale.  | 15%                         | 9%                               | This measure should be discarded, because, as constructed, it will not provide accurate data.  |
| <u>Changed measure:</u> Cost per flight hour: DMS Aircraft pool: dropped Southeast states' aircraft comparison cost. | \$973                       | \$1,166                          | Program has requested engine repair funds which will raise the cost per flight to this standard.   |
| Passenger load factor, large corporation / DMS Aircraft (New measure in 1997-98)                                     | 3.3 / 4.0                   | 3.4 / 3.5                        | Program has set this standard based on published Industry standards.   |
| Average percent direct cost per flight hour below Industry direct cost. (New 1998-99)                                | N/A                         | 40%                              | Program has set this standard based on published Industry standards.   |
| Percent of active federal property donees  | 42.5%                       | 50%                              | Due to declining federal surplus property supplies, the standard may be too high. This measure should be replaced with a measure of donee visits to distribution centers.  |
| Federal property distribution rate   | 80%                         | 85%                              | This standard may be too high given the recent history of declining property quantity and quality and may need to be lowered.  |
| Commodities/services on term contracts   | 182,500                     | 233,000                          | Program staff stated that the standard is increasing based on performance.   |
| Number/percent of agencies using SPURS   | 33 / 78.5                   | 30 / 75%                         | This standard is based on previous statutory requirements that have been amended. The program should revise the standard to reflect the actual number of agencies required to use SPURS.   |
| Federal property orders processed  | 2,150                       | 2,150                            | This measure is helpful to evaluate resource needs but not performance, because the program has always processed 100% of the received orders.  |
| Vehicle maintenance service hours  | 8,900                       | 8,600                            | Standard decreased due to current experience.  |
| Days/miles of state rental vehicle service provided  | 44,620/<br>1,758,108        | 41,000/<br>1,700,000             | Standard decreased due to current experience.  |
| Flights by executive aircraft pool   | 1,850                       | 2,500                            | Program staff developed this standard assuming that the Executive Aircraft Pool will receive an additional aircraft as proposed in the Program's 1998-99 budget request. If the new aircraft is not received, the standard will be too high. |

Source: Office of Program Policy Analysis and Government Accountability, DMS 1996-97 Legislative Budget Request, interviews with program staff



**New legislative measures are needed to provide more comprehensive performance information.**

Program accountability could be improved by reporting additional measures of program performance. These measures do not need to be included in the General Appropriations Act, but should be included in the agency's Legislative Budget Request to enable the Legislature to assess more fully program operations.

**State Purchasing.** The program should develop new measures for assessing its performance in carrying out other State Purchasing functions. (See Exhibit 4.) For example, the program should provide information on:

- the impact of new, innovative purchasing techniques, such as the State Negotiated Price Agreements (SNAPS), the Vendor On-line Bid System (VBS), and the Purchase Card. These initiatives should reduce costs in the same manner as the state term contracts and improve the level of service to state agencies. (See Exhibit 4.)
- its performance in supporting state preferential purchasing programs such as Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE), and RESPECT.<sup>3</sup>
- its performance in supporting activities with environmental goals, such as recycling products and using environmentally safe fuels.

Program staff stated that such purchasing activities could be tracked by measuring the value and number of commodities that the state purchases that support or relate to these entities and functions. They also indicated that relevant performance data is currently being maintained internally, but is not included in the program's performance-based program budgeting measures. The program also needs to develop measures that provide information about its performance in overseeing agency purchasing practices. (See Exhibit 4.)

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<sup>3</sup> PRIDE is a nonprofit corporation that uses state prison inmates to produce goods such as license plates, furniture, uniforms, and eyeglass lenses that are primarily sold to government agencies. RESPECT is a nonprofit unit of the Florida Commission for Purchase from the Blind or Other Severely Handicapped. RESPECT provides products from nonprofit organizations around the state that employ persons with disabilities.

**Federal Property Assistance.** The program should develop new measures for the Federal Property Assistance component. The measure, *Percent of active federal property donees*, should be replaced with measures that provide performance information that is useful to the Legislature in making budget decisions. For example, the impact of surplus property marketing efforts can be evaluated using data other than donee property orders. Program staff track and document on a daily and monthly basis the number of donee organizations and donee employees who visit the Starke and Marianna distribution centers to evaluate the available surplus property. For example, in July 1997, 169 donee organizations represented by 275 employees shopped at the Marianna center. At the Starke distribution center, 216 employees from 129 local government or non-profit organizations visited to assess the surplus property in July. This type of data on donee shopping trips and use of the distribution centers provides more useful information on the effectiveness of the program's marketing efforts than its current measure. (See Exhibit 4.)

**Vehicle Operation and Maintenance.** The program should develop new measures for the State Motor Vehicle Operation and Maintenance component.

- The program is not reporting its performance in administering the Equipment Management Information System (EMIS). However, the program maintains internal measures that could be adapted to provide information on this function.
- The program's measures do not address its performance in developing motor vehicle contracts. The program is responsible for annually researching and preparing the technical specifications for six major vehicles and vehicle parts contracts worth approximately \$80 million. Although this is a major function, the program has not developed any performance measures for assessing its performance in this area. (See Exhibit 4.)

**Exhibit 4**  
**Several New Measures Are Needed Because the**  
**Support Program's Proposed 1998-99 Performance Measures Are Not Comprehensive**

| Major Function  | 1996-97 Costs       | Program Percent | Outcome and Output Measures  | OPPAGA Comments  |
|---|---------------------|-----------------|--|--|
| <b>State Purchasing</b>   |                     |                 |  |  |
| Administering State Term Contracts and Providing Purchasing Oversight | \$4,568,355         | 38.3%           | Percent of savings from state term contracts<br>Estimated amount of cost avoided by using state term contracts<br>Number of commodities /services on term contracts (estimated)<br><b>The program does not have performance measures for its oversight function.</b> | These measures cover most of the state purchasing functions but the program has not developed procedures to add measures for the purchasing innovations that are continuously being implemented such as SNAPS or the Vendor Bid System.<br><b>There are no measures for oversight responsibilities. Program needs to develop measures for this significant responsibility.</b> |
| Purchasing Systems Support  | 463,351             | 3.9%            | Number of agencies using SPURS<br>Percent of agencies using SPURS  |  |
| Promoting Recycled Products   | 675,371             | 5.7%            | <b>There are no measures for recycled product responsibilities.</b>  | Program has internal measures that could be adapted.   |
| Promoting Pride Products  | 145,347             | 1.2%            | <b>There are no measures for PRIDE or RESPECT product purchases.</b>   | Program has internal measures that could be adapted.   |
| <b>Federal Property Assistance</b>                                    |                     |                 |  |  |
| Acquiring and distributing Federal Surplus and Excess Property        | \$1,154,917         | 9.7%            | Percent of active federal property donees<br><br>Federal property distribution rate<br>Number of federal property orders processed   | <b>This measure should be discarded and replaced with the measure of visits to the distribution centers.</b>   |
| <b>Vehicle Operations and Maintenance</b>                             |                     |                 |  |  |
| Vehicle Rental Pool   | \$ 619,974          | 5.2%            | Percent state rental vehicles below rental contract rate<br>Days/miles of state rental service provided  |  |
| Maintaining state vehicles  | 680,052             | 5.7%            | Percent below private sector fleet maintenance/retail parts<br>Hours of vehicle maintenance service provided   |  |
| Supporting New Vehicle Acquisition                                    | 258,834             | 2.2%            | There are no measures for the program component's technical support to the state vehicle contracts (totaling \$78 million)   | Program should consider developing measure for this significant function.  |
| Administering State Vehicle Disposal                                  | 737,111             | 6.2%            | Disposal net return above wholesale  | <b>This measure should be discarded and not replaced.</b>  |
| Fleet Management Information System (EMIS)                            | 413,859             | 3.5%            | <b>There are no legislative measures for this function.</b>  | <b>Program has internal measures that could be adapted.</b>  |
| <b>Aircraft Operations and Maintenance</b>                            |                     |                 |  |  |
| Operating and maintaining Executive Aircraft Pool                     | \$1,930,817         | 16.2%           | Cost per flight hour: DMS  |  |
| Maintaining Special Purpose Aircraft Pool                             | 296,180             | 2.5%            | None   | GAA measure not needed for this activity. Program has internal measures.   |
| <b>Total Support Program</b>  | <b>\$12 million</b> | <b>100.0%</b>   |  |  |

Source: Office of Program Policy Analysis and Government Accountability, DMS 1996-97 Legislative Budget Request, interviews with program staff

**Conclusions and Recommendations**

The Program's State Purchasing component has obtained significant price discounts on commodities

and services through its contracting practices. However, the program has not obtained verifiable data needed to verify the extent to which the price discounts and the dollar amount of costs avoided exceeded standards.

The percentage of state agencies acquiring products through the program's Federal Property Assistance component was below the standard. However, this appears to be due to a decrease in the quality and quantity of property made available by the federal government.

The Vehicle Operations and Maintenance component's costs for labor and parts were lower than private sector costs and slightly lower than the standard. The program also provided vehicles in its state rental pool at a lower price than that charged by the vendor holding the state rental car contract.

The Aircraft Operations and Maintenance components' cost per flight hour was higher than the standard, primarily as a result of the aircraft in the Executive Aircraft Pool flying fewer hours than expected.

To ensure that the measures provide comprehensive information on the performance of the Program's major functions, OPPAGA recommends that the department include performance measures in its Fiscal Year 1999-2000 Legislative Budget Request that address the program's performance in the following functions:

- overseeing agency purchasing practices;
- purchasing products through innovative practices, such as the State Negotiated Price Agreements and the Purchasing Card; and
- supporting other purchasing programs with socio-economic and environmental goals, such as PRIDE and recycled products.

To help ensure that the measures provide useful information about program performance, we also recommend that the Legislature not include the two measures recommended by the department for Fiscal Year 1998-99,

- percent of active federal property donees, and
- estimated percent of disposal net return above wholesale published price.

In lieu of the former measure, the Legislature should consider including the following output measure in the General Appropriations Act: *Number of local*

*government and non-profit organizations visiting a surplus property distribution center.*

To help ensure that the Department of Management Services provides the Legislature with reliable information on Program performance, OPPAGA recommends that the department:

- develop a methodology for comparing the prices it charges for motor vehicle parts to the prices that would be offered by a fleet maintenance vendor as well as the parts' retail prices;
- maintain source documents and calculation records needed to verify the accuracy of reported performance data and standards; and
- revise its standards whenever it changes its methodology for calculating a measure's results.

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## Agency Response

### Department of Management Services

February 19, 1998

Mr. John Turcotte, Director  
Office of Program Policy Analysis  
and Government Accountability  
Claude Pepper Building, Room 312  
111 West Madison Street  
Tallahassee, Florida 32302

Dear Mr. Turcotte:

Pursuant to Section 11.45(7)(d), Florida Statutes, this is our response to your report, Review of the Department of Management Services' Support Program's Performance-Based Program Budgeting Measures and Standards.

We plan to develop measures that address the following functions:

- oversight of agency purchasing practices

- purchase of products through innovative practices, such as the State Negotiated Price Agreements and the Purchasing Card
- support of other purchasing programs with socioeconomic and environmental goals, such as PRIDE and recycled products

Once these measures have been developed, we will consider whether it will be appropriate to track them internally or include them in our Legislative Budget Request.

We agree with your recommendation to the Legislature that the following measures be dropped:

- percent of active federal property donees
- estimated percent of disposal net return above wholesale published price

We plan to replace the percent of active federal property donees measure with the number of government and non-profit organizations visiting surplus property distribution centers measure.

To help ensure that the support program provides reliable program performance information, we plan to take the following steps:

- develop a methodology for comparing the prices charged by the Department for motor vehicle parts to the prices that would be offered by a fleet maintenance vendor
- maintain source documents and calculation records as required to verify the accuracy of reported performance data and standards
- revise the performance standards when a change in our methodology occurs for calculating a measure's results

If further information is needed concerning our response, please contact Randy Toothaker, Acting Inspector General, at 488-5285.

Sincerely,

/s/ William H. Lindner  
Secretary

WHL/emj

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