

Program Evaluation and Justification Review

Support Program
Administered by the
Department of Management Services

August 1998

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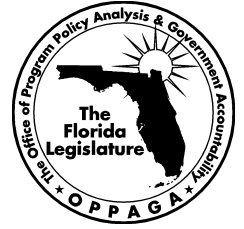
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The Florida Legislature

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY



John W. Turcotte, Director

August 1998

The President of the Senate,
the Speaker of the House of Representatives,
and the Legislative Auditing Committee

I have directed that a program evaluation and justification review be made of the Support Program administered by the Department of Management Services. The results of this review are presented to you in this report. This review was made as a part of a series of justification reviews to be conducted by OPPAGA under the Government Performance and Accountability Act of 1994. This review was conducted by Brian Betters, Becky Vickers, and Richard Woerner, under the supervision of Thomas S. Roth.

We wish to express our appreciation to the staff of the Department of Management Services for their assistance.

Sincerely,

John W. Turcotte
Director

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Support Program Administered by the Department of Management Services

Scope

This is the second of two reports presenting the results of OPPAGA's Program Evaluation and Justification Review of the Department of Management Services' Support Program. This was preceded by a March 1998 report that examined the program's performance measures and standards and made recommendations for improving them. OPPAGA conducts a justification review of each program operating under performance-based program budgeting. Our review assesses the program's performance measures and standards, evaluates program performance by examining services provided, and identifies policy alternatives for improving those services and reducing costs.

Background

The Support Program delivers services through four major subprograms.

- **State Purchasing.** The State Purchasing Subprogram establishes state term contracts and negotiated price agreements. State term contracts are intended to allow state agencies and local governments to buy commodities and services at a discount. Negotiated price agreements are intended to allow agencies to more easily obtain emerging technologies and services, such as Internet World Wide Web design services. The program also oversees and monitors state agency purchasing actions. This subprogram was allotted \$6.3 million and 64 staff for Fiscal Year 1997-98.
- **Vehicle Operations and Maintenance.** The Vehicle Operations and Maintenance Subprogram develops technical specifications for state term contracts for purchasing passenger and special purpose vehicles, watercraft, and heavy equipment. The program also develops vehicle rental contracts for use by state agencies and local governments. Program staff maintain a motor pool of state-owned vehicles in Tallahassee for use by state employees on official business; operate 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 hold auctions to dispose of state vehicles. This subprogram was allotted \$3.8 million and 24 staff for Fiscal Year 1997-98.
- **Aircraft Operations and Maintenance.** The Aircraft Operations and Maintenance Subprogram operates and maintains the state's

executive aircraft pool, which has four airplanes available on a 24-hour basis for state executive travel and for emergency purposes. Program staff at the state aircraft facility located in Tallahassee handle routine aircraft maintenance functions for pool aircraft and certain aircraft operated by other state agencies. The program also approves the purchase of all state-owned aircraft and major maintenance and disposal requests. This subprogram was allotted \$2 million and 20 staff for Fiscal Year 1997-98.

- **Federal Property Assistance.** The Federal Property Assistance Subprogram acquires and distributes donated surplus federal property for use by public agencies and certain nonprofit organizations. This subprogram was allotted \$2.6 million and 24 staff for Fiscal Year 1997-98.

Conclusions

Program Necessity. The Support Program is of benefit to the public because it helps to control the cost of government. The program's purchasing services provide state and local government entities with reduced prices for commodities and services through volume discounts. The program also benefits its customers by providing ways to make purchasing more efficient. The program's vehicle maintenance, vehicle rental, and federal surplus property distribution services also help other agencies control costs.

The program is not an essential state function. If the program were discontinued, its customers (state agencies, local government entities, and nonprofit organizations) would still be able to purchase needed commodities and services. However, discontinuing the program would increase state agency and local government costs for acquiring commodities and services. State agency purchasing directors reported they do not have the staff and resources to set up the types of term contracts established by the Support Program, nor would they be able to receive the types of discounts the program obtains by pooling the state's buying power. Moreover, customers would not be able to obtain federal surplus property at nominal prices due to the lack of a state conduit for distributing the property.

Most of the Support Program's activities should be continued because they help control government costs. However, due to recent changes to put the program's aircraft pool on a full cost recovery basis, future demand for these services is uncertain. If state agency managers do not choose to pay the higher costs of the aircraft pool, demand may not be sufficient to support operations of three pool aircraft. If the program is unable to fully utilize its aircraft, the program's aircraft pool fleet and staffing should be reduced.

Most of the program's activities in purchasing and vehicle operations are already decentralized to state agencies. The program's major functions are not unnecessarily duplicative with those of other agencies and we did not identify any benefit from transferring these functions to another agency. The Department of Management Services is the only state agency with a role of providing centralized support services to other agencies.

Program Performance. With the exception of its aircraft operations, the Support Program has generally performed well in helping the state reduce costs.

- **State Purchasing.** The State Purchasing Subprogram's term contracts have helped state agencies and local governments reduce costs by obtaining significant price discounts on commodities and services. Agency purchasing directors are generally satisfied with program services and the number of local agencies voluntarily using the program's state term contracts has increased. Program managers also have taken various actions in recent years to streamline the process for purchasing commodities and services, improve customer service, decrease procurement processing time, and improve efficiency.
- **Vehicle Operations and Maintenance.** The program has kept its labor and parts costs for vehicle maintenance below private sector costs and thus helped to reduce state agencies' expenses. The program's motor pool provides vehicle rentals at lower prices than private companies. The program's activities relating to purchasing of vehicles help state and local government agencies reduce their vehicle acquisition costs. The program plans to help reduce vehicle operations and maintenance costs through use of a new state fleet card, which will make it easier for state agencies to obtain fuel and maintenance for their vehicles while providing agencies with a discount on charges for promptly paying their bills.
- **Aircraft Operations and Maintenance.** The Support Program did not meet its performance-based program budgeting standard for hourly flight costs in Fiscal Year 1996-97, although its hourly flight costs were below those for the previous year. The program's efforts to centralize purchasing of aircraft fuel, engines, and engine components has helped to reduce program costs as well as the costs for other state agencies that operate aircraft. However, the program has not been charging passengers the full cost of operating the aircraft in its pool. As a result, state officials have not had to consider the full cost of using the aircraft pool when deciding whether to use the aircraft pool or commercial air service. To address this concern, the

1998 Legislature did not allocate any general revenue for the State Executive Aircraft Pool and instead directed the department to operate the pool on a full cost recovery basis. DMS is also selling one of the aircraft in the pool, which should reduce use of executive aircraft by low priority passengers, until it receives funds to replace this aircraft.

- **Federal Property Assistance.** The Support Program has not met established performance standards relating to the distribution of federal surplus property, but the program's performance was largely due to factors outside of its control. The quantity and quality of federal surplus property donated has declined, and thus fewer eligible recipients can receive the property they desire. Despite this decline, we concluded that the program's federal property assistance activities help to reduce the expenses of government and should be continued. Through this program, participating organizations are able to stretch their budget dollars and obtain needed items at a nominal cost. For every \$100 in service charges, eligible recipients receive surplus property with a current market value of approximately \$1,200. In order to provide better information on program performance, the Legislature should add a measure to the Support Program's performance-based program budgeting measures that compares the market value of the property obtained by customers to program service charges. Program managers have taken steps to improve program's performance in distribution of surplus property by improving access to donated property.

Privatization. The program has already privatized some of its operations. The program uses private vendors to screen and transport federal surplus property and perform aircraft and vehicle maintenance services. However, the program could privatize more activities, such as by contracting for a centralized vehicle maintenance program for use by state agencies needing private garage services and private charter services for use if further downsizing of the State Executive Aircraft Pool becomes necessary due to low utilization.

Options for Cost Savings and Program Improvement. Although the program has generally performed well in helping to reduce state costs, we identified opportunities to further reduce costs or improve performance in each of the program's four subprograms.

- **State Purchasing.** Customer service performance could be improved by providing agency purchasing directors with better and more timely information for use in managing their agencies' procurement systems. The program could help streamline the state's purchasing process by eliminating the requirement that state agencies post notice of proposed contract exception purchases 72 hours prior to buying the items. The program could also help streamline state purchasing by further decentralizing

agency purchasing authority. The program rarely denies agency purchasing requests that still require its approval. This high approval rate indicates that agencies are generally following state purchasing laws.

- **Vehicle Operations and Maintenance.** Although the Support Program's vehicle operations and maintenance activities can assist state agencies in meeting their transportation needs in a cost-effective manner, individual state agencies have the primary responsibility for the procurement, use, assignment, and maintenance of their vehicles. The cost-effectiveness of state agency vehicle fleet management could be improved through use of a centralized maintenance system and changing the ways that agencies assign state-owned vehicles to their employees.
- A centralized vehicle maintenance system (a network of private garages or managed maintenance program) could save the state \$800,000 to \$2.4 million annually. Although the Governor and Cabinet approved the State Council on Competitive Government to competitively bid state vehicle maintenance in December 1996, the council has failed to implement competitive bidding.
- Many state-owned vehicles are assigned to employees who drive fewer than 10,000 miles per year for state business, excluding commuter miles. Some of these vehicles are being used largely for employee commuting rather than job duties. Also, law enforcement staff who do not perform patrol functions typically are provided fully equipped pursuit vehicle. State agencies could save up to \$5 million by reassigning low-mileage cars, recovering employee-commuting costs, and providing standard cars with portable emergency equipment to law enforcement staff who do not routinely respond to emergency situations.
- Many state employees use their personal vehicles in excess of 15,000 miles annually for state business and are reimbursed 29 cents a mile. State agencies could save \$290,000 annually by providing vehicles to employees who drive more than 15,000 miles instead of reimbursing them for mileage. For the first two years, an additional \$110,000 could be saved annually by reassigning state-owned vehicles that are currently underutilized or inappropriately assigned.

- **Aircraft Operations and Maintenance.** With the possible decline in state executive use of the Executive Aircraft Pool due to charging full costs, demand for these services may no longer be sufficient to fully utilize the aircraft in the pool. If demand for services drops to the point where aircraft are underutilized, the program’s aircraft fleet and staffing should be reduced.
- **Federal Property Assistance.** Although there is currently sufficient demand for federal surplus property to justify the program operating three distribution centers, long term reductions in the quality and quantity of federal property could reduce the need to operate all of these facilities. The department needs to closely monitor the trend of declining quality and quantity of available federal surplus property and evaluate whether there is a continuing need to maintain multiple distribution centers.

Recommendations

Table 1 summarizes our recommendations for cost savings or changes to improve the Support Program.

**Table 1
Recommendations for Cost Savings or Changes to Improve the Support Program**

Subprogram	Option	Recommendations
State Purchasing	Provide agency purchasing directors with better and more timely information for use in managing their agencies’ procurement systems.	The Department of Management Services should develop an electronic mail system for communicating with agency purchasing directors on procurement-related matters, such as obtaining the directors' views on proposed changes on guidelines and new services. The system could also be used to provide purchasing directors with information on best purchasing practices for use in managing their agency's procurement system. This information could be compiled from the program staffs' solutions for agency problems reported to the help desk and provided on a weekly basis through electronic mail.
	Streamline the state’s purchasing process by eliminating posting requirements.	The department should eliminate language in Rule 60A-1.006(6), F.A.C., requiring agencies to post notice of all exceptions to state contract purchases for 72 hours on purchasing office bulletin boards before an approved exception purchase can be made. This procedure does not add value to the procurement process and should be discarded.
	Further decentralize the state's procurement process.	To further decentralize the state's procurement process, the Legislature should amend s. 287.017, F.S., to raise the dollar thresholds to appropriate levels in conjunction with the department's recommendations. If Category 1 is raised to at least \$15,000, agencies will have the authority to make purchases covering approximately 98% of their purchasing orders and 37% of the purchase orders' total dollar value without department prior approval, while maintaining the program's approval authority over higher dollar value purchases.

(Continued on next page)

Subprogram	Option	Recommendations
Vehicle Operations and Maintenance	Implement a centralized maintenance system (a garage network or managed maintenance program) which could save state agencies \$800,000 to \$2.4 million annually.	<p>The State Council on Competitive Government should give priority to implementing competitive bidding of state vehicle maintenance.</p> <p>If the council cannot implement competitive bidding by December 1998, we recommend that the Department of Management Services pursue contracting with a private garage network for optional use by state agencies and with a private company to provide a managed maintenance program on a pilot basis.</p>
	Reassign low-mileage state-owned cars, recover employee-commuting costs, and provide standard cars with portable emergency equipment to law enforcement staff who do not routinely respond to emergency situations, which could save state agencies up to \$5 million.	<p>The Legislature should develop specific criteria for agency vehicle assignments. These criteria should provide that vehicles be driven a minimum number of miles, excluding commuting mileage on state business unless extenuating circumstances exist. Additionally, law enforcement supervisors meeting this criteria should be assigned standard sedans with portable emergency lights unless they can justify the need for pursuit vehicles on a frequent basis.</p> <p>The Legislature and the Governor's Office of Planning and Budget should revise agency instructions for Legislative Budget Requests to require agencies to provide information in their budget requests on the annual mileage driven in assigned vehicles and the percentage of use attributed to commuting. The Governor's Office and the appropriations committees could then review this information when considering agency requests for vehicle replacement funding.</p> <p>The Legislature should require employees with assigned cars to reimburse the state for their commuting use of the vehicles.</p>
	Provide state-owned vehicles to employees who drive more than 15,000 miles in their personal vehicles instead of reimbursing them for mileage, which could save state agencies \$290,000 annually; and reassign state-owned vehicles that are currently underutilized or inappropriately assigned, which could save state agencies an additional \$110,000 for the first two years.	<p>The Legislature should adopt a policy to provide state vehicles for employees who drive personal cars extensively for state business when it is more cost-effective for the state to do so.</p> <p>The Legislature and the Executive Office of the Governor should amend agency instructions for Legislative Budget Requests to require agencies to identify in their budget requests all instances in which employees are reimbursed for driving more than 15,000 miles annually.</p> <p>The Department of Management Services should compute the break-even mileage level every two years to account for changes in the price of vehicles, cost of maintenance, and potential changes in the mileage reimbursement rate.</p> <p>State agencies should identify on an annual basis assigned vehicles that are underutilized or inappropriately assigned and reassign those vehicles to employees who are being reimbursed for driving their personal vehicles extensively for state business.</p>

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Subprogram	Option	Recommendations
Aircraft Operations and Maintenance	If DMS is not fully utilizing the remaining three aircraft in the pool, the Legislature should consider further downsizing the aircraft pool.	The Department of Management Services should closely monitor the demand for aircraft pool services and utilization of its three remaining executive aircraft. If demand for services is not sufficient to fully utilize three aircraft, the department should request legislative authorization to sell one additional executive aircraft (leaving two aircraft) and reduce staffing accordingly. If passenger traffic continues to decrease to the point where the remaining planes are not fully utilized, then the department should further reduce its aircraft fleet and staffing.
Federal Property Assistance	Monitor whether demand continues to justify three distribution centers for federal surplus property.	The Department of Management Services should closely monitor the trend of declining quality and quantity of available federal surplus property and evaluate whether there is a continuing need to maintain multiple distribution centers in the state at least every three years.

Source: Office of Program Policy Analysis and Government Accountability

Agency Response

The Executive Director of the Department of Management Services provided a detailed response to our preliminary and tentative findings and recommendations. The response described actions the department is taking, or will be taking, to address our recommendations. (See Appendix C, page 61.)

The Director of the Office of Planning and Budgeting of the Executive Office of the Governor noted in his response that our report did not reflect the Council on Competitive Government's work to draft and release a request for proposals/invitation to bid for state vehicle maintenance services. (See Appendix D, page 69.)

Purpose

This is the second of two reports presenting the results of OPPAGA's Program Evaluation and Justification Review of the Department of Management Services' Support Program.¹ This was preceded by a March 1998 report that examined the program's performance measures and standards and made recommendations for improving them. (See Appendix B.) The program began operating under performance-based program budgeting in Fiscal Year 1996-97. Under the authority of s. 11.513, F.S., OPPAGA conducts a justification review of each program operating under performance-based program budgeting. Our review assesses the program's performance measures and standards, evaluates program performance by examining services provided, and identifies policy alternatives for improving those services and reducing costs. Appendix A summarizes our conclusions regarding each issue area as required by law.

Background

The Support Program's purpose 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 delivers services through four major subprograms.

- **State Purchasing.** The State Purchasing Subprogram establishes state term contracts and negotiated price agreements. State term contracts are intended to allow state agencies and local governments to buy commodities and services at a discount. For Fiscal Year 1996-97, \$352 million in goods and services were purchased through the program's term contracts. Negotiated price agreements are intended to allow agencies to more easily obtain emerging technologies and services, such as Internet World Wide Web design

¹ In accordance with state law, OPPAGA informs the Legislature of actions taken in response to earlier reports on state programs. This report also includes our assessment of the extent to which findings and recommendations relating to establishing a centralized vehicle maintenance function included in Report No. 96-84. [Review of State Vehicle Fleet Purchasing](#), May 1997, has been addressed by the Department of Management Services (See pages 24-25).

services. The program currently administers 191 term contracts and 608 negotiated price agreements; it also oversees and monitors state agency purchasing actions.

- **Vehicle Operations and Maintenance.** The Vehicle Operations and Maintenance Subprogram develops technical specifications for state term contracts for purchasing passenger and special purpose vehicles, watercraft, and heavy equipment. The program also develops vehicle rental contracts for use by state agencies and local governments. The program provides a computer-based system, the Equipment Management Information System (EMIS), for agencies' use in tracking the use, cost, and maintenance of their vehicles. Program staff maintain a motor pool of 150 state-owned vehicles in Tallahassee for use by state employees on official business; operate 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 hold auctions to dispose of state vehicles.
- **Aircraft Operations and Maintenance.** The Aircraft Operations and Maintenance Subprogram operates and maintains the state's executive aircraft pool, which has four airplanes available on a 24-hour basis for state executive travel and for emergency purposes. Program staff at the state aircraft facility located in Tallahassee handle routine aircraft maintenance functions for pool aircraft and certain aircraft operated by other state agencies. 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 81 aircraft that are not part of the program's Executive Aircraft Pool.)
- **Federal Property Assistance.** The Federal Property Assistance Subprogram acquires and distributes donated surplus federal property for use by public agencies and certain nonprofit organizations. During Fiscal Year 1997-98, Federal Property Assistance facilitated the transfer of surplus federal property with an original value of approximately \$56 million and a current estimated value of \$13.1 million to eligible agencies.

The Support Program was appropriated \$13.3 million and 136 positions for Fiscal Year 1998-99. Exhibit 1 shows appropriations for the Support Program for Fiscal Years 1996-97 through 1998-99. The program is primarily funded from various trust funds into which customer fees are deposited (67%), with the remainder from general revenue (33%). The Support Program's funding allotments to its four subprograms are shown in Exhibit 2.

Exhibit 1
Support Program Appropriations for
Fiscal Years 1996-97 Through 1998-99¹

Legislative Appropriations	1996-97	1997-98	1998-99
General Revenue	\$ 4,386,511	\$ 4,488,991	\$ 4,384,291
State Trust Funds	8,129,830	9,888,506	8,885,108
Total	\$12,516,341	\$14,377,497	\$13,269,399
FTEs	128	131	136

¹Includes funding for fixed capital outlay

Source: Office of Program Policy Analysis and Government Accountability review of the Fiscal Years 1996-97, 1997-98, and 1998-99 General Appropriations Acts

Exhibit 2
Fiscal Year 1997-98
Support Program Allotments and Staffing¹

Subprograms	General Revenue	Trust Funds	Total Allotment	FTEs
State Purchasing	\$2,902,964	\$ 3,403,090	\$ 6,306,054	64 ²
Federal Property Assistance	0	2,553,922	2,553,922	24
Aircraft Operations and Maintenance	1,186,810 ³	1,960,030	3,146,840 ³	20
Vehicle Operations and Maintenance	466,298	3,318,553	3,784,851	24
Total	\$4,556,072	\$11,235,595	\$15,791,667⁴	132²

¹Includes funding for fixed capital outlay.

²The department transferred one position from the Facilities Program to the Support Program during Fiscal Year 1997-98.

³The general revenue allotment for Aircraft Operations and Maintenance includes a double budget appropriation of \$1,166,097 that is used to supplement the aircraft user fee. The actual total allotment for Aircraft Operations and Maintenance was \$1,980,743.

⁴The total allotment for the Support Program exceeds the total appropriation due to budget transfers during the fiscal year. For example, the program received additional revenue from grants.

Source: Department of Management Services' Budget Office

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Chapter 2:

General Conclusions and Recommendations

The Support Program Benefits the State and Most of the Activities Should Be Continued

Program Necessity. The Support Program is of benefit to the public because it helps to control the cost of government. The program's purchasing services provide state and local government entities with reduced prices for commodities and services through volume discounts. The program also benefits its customers by providing ways to make purchasing more efficient. The program's vehicle maintenance, vehicle rental, and federal surplus property distribution services also help other agencies control costs.

The program is not an essential state function. If the program were discontinued, its customers (state agencies, local government entities, and nonprofit organizations) would still be able to purchase needed commodities and services. However, discontinuing the program would increase state agency and local government costs for acquiring commodities and services. State agency purchasing directors reported they do not have the staff and resources to set up the types of term contracts established by the Support Program, nor would they be able to receive the types of discounts the program obtains by pooling the state's buying power. Moreover, customers would not be able to obtain federal surplus property at nominal prices due to the lack of a state conduit for distributing the property.

Most of the Support Program's activities should be continued because of their benefit in helping control government costs. However, due to recent changes to put the program's aircraft pool on a full cost recovery basis, future demand for these services is uncertain. If state agency managers do not choose to pay the higher costs of the aircraft pool, demand may not be sufficient to support operations of three pool aircraft. If the program is unable to fully utilize its aircraft, the fleet and staffing should be reduced.

Much of the program's activities in purchasing and vehicle operations are already decentralized to state agencies. The program's major functions do not unnecessarily duplicate those of other agencies, and we did not identify any benefit from transferring these functions to another agency. The Department of Management Services is the only state agency with a role of providing centralized support services to other agencies.

**Three of Four
Subprograms Have
Performed Well in Helping
Reduce
State Costs**

Program Performance. With the exception of its aircraft operations, the Support Program has generally performed well in helping the state reduce costs.

- **State Purchasing.** The State Purchasing Subprogram's term contracts have helped state agencies and local governments reduce costs by obtaining significant price discounts on commodities and services. For example, the program reported achieving a 36.7% average discount on the 191 state term contracts used by state agencies. This discount reduced the cost of state and local purchasing of commodities and services from \$556 million to \$352 million, representing a total cost avoidance of \$204 million in Fiscal Year 1996-97. Agency purchasing directors are generally satisfied with program services and the number of local agencies voluntarily using the program's state term contracts has increased. Program managers also have taken various actions in recent years to streamline the process for purchasing commodities and services, improve customer service, decrease procurement processing time, and improve efficiency.
- **Vehicle Operations and Maintenance.** The program has kept its labor and parts costs for vehicle maintenance below private sector costs and thus helped to reduce state agencies' expenses. The program's motor pool provides vehicle rentals at lower prices than private companies. Activities relating to purchasing of vehicles help state and local government agencies reduce their vehicle acquisition costs. The program plans to help reduce vehicle operations and maintenance costs through use of a new state fleet card, which will make it easier for state agencies to obtain fuel and maintenance for their vehicles while providing agencies with a discount on charges for promptly paying their bills.

Aircraft Operations and Maintenance. The Support Program did not meet its performance-based program budgeting standard (\$908) for hourly flight costs in Fiscal Year 1996-97, although its hourly flight costs (\$987) were below those for the previous year (\$1,010). The program also has not been charging passengers the full cost of operating the aircraft in its pool. As a result, state officials have not had to consider the full cost of using the aircraft pool when deciding whether to use the aircraft pool or commercial air service. To address this concern, the 1998 Legislature did not allocate any general revenue for the State Executive Aircraft Pool and instead directed the department to operate the pool on a full cost recovery basis. DMS also plans to sell one of the aircraft in the

pool, which should reduce use of executive aircraft by low priority passengers, until it receives funds to replace this aircraft.

- **Federal Property Assistance.** The Support Program has not met established performance standards relating to the distribution of federal surplus property, but the program's performance was largely due to factors beyond its control. The quantity and quality of federal surplus property donated has declined, and thus fewer eligible recipients can receive the property they desire. The percentage of donees (state agencies and local government units) that ordered and received federal surplus property through the program was 40.4%, which was below the standard of 50%. Also, 2,334 federal property orders were processed compared to a standard of 2,500. Despite this performance, we concluded that the program's federal property assistance activities help to reduce the expenses of government and should be continued. Through this program, participating organizations are able to stretch their budget dollars and obtain needed items at a nominal cost. For every \$100 in service charges, eligible recipients receive surplus property with a current market value of approximately \$1,200. In order to provide better information on program performance, the Legislature should add a measure to the Support Program's performance-based program budgeting measures that compares the market value of the property obtained by customers to program service charges. Program managers have taken steps to improve program's performance in distribution of surplus property by improving access to donated property.

**The Program
Could Privatize
More Services**

Privatization. The program has already privatized some of its operations. The program uses private vendors to screen and transport federal surplus property and perform aircraft and vehicle maintenance services. However, the program could privatize more activities, such as by contracting for a centralized vehicle maintenance program for use by state agencies needing private garage services and private charter services for use if further downsizing of the State Executive Aircraft Pool becomes necessary due to low utilization.

**Opportunities Exist to
Further Reduce
State Costs or Improve
Performance**

Options for Cost Savings and Program Improvement. Although the program has generally performed well in helping to reduce state costs, we identified opportunities to further reduce costs or improve performance in each of the program's four subprograms.

- **State Purchasing.** The program's performance in serving its customers could be improved by providing agency purchasing directors with better and more timely information for use in managing their agencies' procurement systems. The program could help streamline the state's purchasing process by eliminating the requirement that state agencies post notice of proposed purchases 72 hours prior to buying the items. The program could also help streamline state purchasing by further decentralizing agency purchasing authority. The program rarely denies agency purchasing requests that still require its approval. This high approval rate indicates that agencies are generally following state purchasing laws and rules and that the program's review may not be adding value to the process.

- **Vehicle Operations and Maintenance.** Although the Support Program's vehicle operations and maintenance activities can assist state agencies in meeting their transportation needs in a cost-effective manner, individual state agencies have the primary responsibility for the procurement, use, assignment, and maintenance of their vehicles. The cost-effectiveness of state agency vehicle fleet management could be improved through use of a centralized maintenance system and changing the ways that agencies assign state-owned vehicles to their employees.

 - A centralized vehicle maintenance system (a network of private garages or managed maintenance program) could save the state \$800,000 to \$2.4 million annually. Although the Governor and Cabinet approved the State Council on Competitive Government to competitively bid state vehicle maintenance in December 1996, the council has failed to implement competitive bidding.
 - Many state-owned vehicles are assigned to employees who drive less than 10,000 miles per year for state business, excluding commuter miles. Some of these vehicles are being used largely for employee commuting rather than job duties. Also, law enforcement staff who do not perform patrol functions typically are provided fully equipped pursuit vehicle. State agencies could save up to \$5 million by reassigning low-mileage cars, recovering employee-commuting costs, and providing standard cars with portable emergency equipment to law enforcement staff who do not routinely respond to emergency situations.
 - Many state employees use their personal vehicles in excess of 15,000 miles annually for state business and are reimbursed 29 cents a mile. State agencies could save \$290,000 annually by providing vehicles to employees who drive more than

15,000 miles instead of reimbursing them for mileage. An additional \$110,000 for the first two years could be saved annually by reassigning state-owned vehicles that are currently underutilized or inappropriately assigned.

- **Aircraft Operations and Maintenance.** With the possible decline in state executive use of the Executive Aircraft Pool due to charging full costs, demand for these services may no longer be sufficient to fully utilize the aircraft in the pool. If demand for services drops to the point where aircraft are underutilized, the program's aircraft fleet and staffing should be reduced.
- **Federal Property Assistance.** Although there is currently sufficient demand for federal surplus property to justify the program operating three distribution centers, long term reductions in the quality and quantity of federal property could reduce the need to operate all of these facilities. The department needs to closely monitor the trend of declining quality and quantity of available federal surplus property and evaluate whether there is a continuing need to maintain multiple distribution centers.

Recommendations. Exhibit 3 summarizes our recommendations for cost savings or changes to improve the Support Program.

Exhibit 3
Recommendations for Cost Savings or Changes to Improve the Support Program

Subprogram	Option	Recommendations
State Purchasing	Provide agency purchasing directors with better and more timely information for use in managing their agencies' procurement systems	The Department of Management Services should develop an electronic mail system for communicating with agency purchasing directors on procurement-related matters, such as obtaining the directors' views on proposed changes on guidelines and new services. The system could also be used to provide purchasing directors with information on best purchasing practices for use in managing their agency's procurement system. This information could be compiled from the program staffs' solutions for agency problems reported to the help desk and provided on a weekly basis through electronic mail.
	Streamline the state's purchasing process by eliminating posting requirements	The department should eliminate language in Rule 60A-1.006(6), F.A.C., requiring agencies to post notice of all exceptions to state contract purchases for 72 hours on purchasing office bulletin boards before an approved exception purchase can be made. This procedure does not add value to the procurement process and should be discarded.
	Further decentralize the state's procurement process	To further decentralize the state's procurement process, the Legislature should amend s. 287.017, F.S., to raise the dollar thresholds to appropriate levels in conjunction with the department's recommendations. If Category 1 is raised to at least \$15,000, agencies will have the authority to make purchases covering approximately 98% of their purchase orders and 37% of the purchase orders' total dollar value without department prior approval, while maintaining the program's approval authority over higher dollar value purchases.
Vehicle Operations and Maintenance	Implement a centralized maintenance system (a garage network or managed maintenance program) which could save state agencies \$800,000 to \$2.4 million annually	<p>The State Council on Competitive Government should give priority to implementing competitive bidding of state vehicle maintenance.</p> <p>If the council cannot implement competitive bidding by December 1998, we recommend that the Department of Management Services pursue contracting with a private garage network for optional use by state agencies and with a private company to provide a managed maintenance program on a pilot basis.</p>
	Reassign low-mileage state-owned cars, recover employee-commuting costs, and provide standard cars with portable emergency equipment to law enforcement staff who do not routinely respond to emergency situations, which could save state agencies up to \$5 million	<p>The Legislature should develop specific criteria for agency vehicle assignments. These criteria should provide that vehicles be driven a minimum number of miles, excluding commuting mileage on state business unless extenuating circumstances exist. Additionally, law enforcement supervisors meeting this criteria should be assigned standard sedans with portable emergency lights unless they can justify the need for pursuit vehicles on a frequent basis.</p> <p>The Legislature and the Governor's Office of Planning and Budget should revise agency instructions for Legislative Budget Requests to require agencies to provide information in their budget requests on the annual mileage driven in assigned vehicles and the percentage of use attributed to commuting. The Governor's Office and the appropriations committees could then review this information when considering agency requests for vehicle replacement funding.</p> <p>The Legislature should require employees with assigned cars to reimburse the state for their commuting use of the vehicles.</p> <p style="text-align: right;"><i>(Continued on next page)</i></p>

Subprogram	Option	Recommendations
	<p>Provide state-owned vehicles to employees who drive more than 15,000 miles in their personal vehicles instead of reimbursing them for mileage which could save state agencies \$290,000 annually and reassign state-owned vehicles that are currently underutilized or inappropriately assigned which could save state agencies an additional \$110,000 annually for two years</p>	<p>The Legislature should adopt a policy to provide state vehicles for employees who drive personal cars extensively for state business when it is more cost-effective for the state to do so.</p> <p>The Legislature and the Executive Office of the Governor should amend agency instructions for Legislative Budget Requests to require agencies to identify in their budget requests all instances in which employees are reimbursed for driving more than 15,000 miles annually.</p> <p>The Department of Management Services should compute the break-even mileage level every two years to account for changes in the price of vehicles, cost of maintenance, and potential changes in the mileage reimbursement rate.</p> <p>State agencies should identify on an annual basis assigned vehicles that are underutilized or inappropriately assigned and reassign those vehicles to employees who are being reimbursed for driving their personal vehicles extensively for state business.</p>
<p>Aircraft Operations and Maintenance</p>	<p>If DMS is not fully utilizing the remaining three aircraft in the pool, the Legislature should consider further downsizing the aircraft pool.</p>	<p>The Department of Management Services should closely monitor the demand for aircraft pool services and utilization of its three remaining executive aircraft. If demand for services is not sufficient to fully utilize three aircraft, the department should request legislative authorization to sell one additional executive aircraft (leaving two aircraft) and reduce staffing accordingly. If passenger traffic continues to decrease to the point where the remaining planes are not fully utilized, then the department should further reduce its aircraft fleet and staffing.</p>
<p>Federal Property Assistance</p>	<p>Monitor whether demand continues to justify three distribution centers for federal surplus property</p>	<p>The Department of Management Services should closely monitor the trend of declining quality and quantity of available federal surplus property and evaluate whether there is a continuing need to maintain multiple distribution centers in the state at least every three years.</p>

Source: Office of Program Policy Analysis and Government Accountability

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Introduction

The Support Program's State Purchasing Subprogram has several major responsibilities:

- Managing the state's procurement process to control costs and obtain best value products and services.
- Establishing term contracts and negotiated price agreements. State term contracts are intended to allow state agencies and local governments to buy commodities and services in the largest possible volumes and thereby secure the largest potential discounts and reduce the state's costs. These contracts establish prices for items and designate the vendors with whom orders must be placed. Negotiated price agreements are intended to allow agencies to easily obtain emerging technologies and services, such as Internet World Wide Web design services. The program currently administers 191 term contracts and 608 negotiated price agreements. For Fiscal Year 1996-97, \$352 million in goods and services were purchased through the program's term contracts.
- Controlling certain agency purchasing decisions. State purchasing in Florida has historically been partly decentralized. Agencies make purchases by using the state term contracts established by the program or by other means such as term contracts they establish themselves. However, the program must approve certain state agency purchasing actions. For example, the program must approve agency requests to purchase commodities and services from sources other than state term contracts if these have a dollar value exceeding the Category 1 threshold of \$5,500.²
- Guiding agency purchasing actions. The program is responsible for developing guidelines, including written contracting procedures and manuals, for agencies to follow in making purchasing decisions.
- Overseeing and monitoring agency purchasing actions.

² Section 287.017, F.S.

For Fiscal Year 1998-99, the State Purchasing subprogram was allotted \$2.97 million in general revenue and \$4.93 million from various trust funds. Trust fund revenues include user service fees and grants. (See Exhibit 4.) The subprogram was allotted 68 positions.

Exhibit 4
State Purchasing Subprogram Allotments for Fiscal Years 1993-94 Through 1998-99

Program Allotment	1993-94	1994-95	1995-96	1996-97	Estimated 1997-98	Estimated 1998-99
General Revenue	\$3,735,437	\$3,493,509	\$2,767,915	\$2,783,479	\$2,902,964	\$2,971,028
Trust Funds	924,202	660,055	1,042,809	1,553,991	3,403,090	4,930,537
Total Allotment	\$4,659,639	\$4,153,564	\$3,810,724	\$4,337,470	\$6,306,054	\$7,901,565
Total Staffing	88	79	60	60	64	68

Source: Rule 60A-1.001, F.A.C.

Program Performance

Program Term Contracts Help Reduce State Costs

Contracting Responsibilities. As shown in Exhibit 5, the State Purchasing Subprogram's performance measures indicate that its term contracts helped the state reduce costs by providing an overall price discount of 36.7% on commodities and services. However, as we noted in *Review of the Department of Management Services' Support Program's Performance-based Budgeting Measures and Standards*, OPPAGA Report No. 97-55, March 1998, the program did not obtain data needed to verify the price discounts provided by its contracts. Program staff used unverified data provided by vendors to calculate results for this outcome measure. 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. 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. As a result, the program's reported price discount cannot be interpreted as representing a precise figure.

However, our review indicates that the program is obtaining significant price discounts on commodities and services. For example, we determined that envelopes that are available from a national office supply vendor at a price of \$21.98 per 1,000 envelopes may be purchased using a state contract for \$11.08, representing a price discount of 50%. Similarly, tires for law enforcement pursuit vehicles available from a tire manufacturer at a listed price of \$73.01 per tire may be purchased for \$50.38 using

a state contract, representing a price discount of 31%. Our prior reports have also concluded that the program's term contracts provided significant savings to state and local government.³

Exhibit 5
State Purchasing Has Performed Well in Obtaining Price Discounts
From Vendors Also Offering Goods and Services

Performance Measure	1995-96 Reported Performance	1996-97 Reported Performance	1996-97 Standards	Met Standard for 1996-97?	Improved Performance Over Time?
Percentage of state term contracts savings (percent discount from normal price based on vendor certification)	31%	36.7%	23%	Yes	Yes
State term contracts cost avoidance	\$147 million	\$204 million	\$138 million	Yes	Yes

Source: Office of Program Policy Analysis and Government Accountability review of the Fiscal Year 1996-97 General Appropriations Act, program Legislative Budget Requests, and program records supporting reported performance

The program's state term contracts take advantage of volume purchasing to obtain greater price discounts from vendors. To increase the volume of commodities and services purchased, the program has encouraged local government and federal agencies to use its contracts.

Customer Satisfaction With Services. Customer satisfaction measures can be good indicators of the quality of services provided by a program. In March 1998, OPPAGA conducted a focus group with 44 state agency purchasing officers to determine their opinions on the program's performance. The purchasing directors generally concluded that the State Purchasing subprogram has performed well in providing services. Another indicator of customer satisfaction is the number of government agencies voluntarily using the programs state term contracts. As of January 1998, 265 state, local, and federal agencies were voluntarily paying subscription fees for on-line access to the state term contracts.

Program Efforts Have Streamlined State Purchasing

Recent Program Efforts to Improve Efficiency and Effectiveness of the Purchasing Process. Program managers have taken various actions in recent years to streamline the process for purchasing commodities and services, improve customer service, decrease procurement processing time, and improve efficiency. These actions include developing the four services discussed below.

³ See *Performance Audit of the Statewide System of Purchasing Office Supplies as Administered by the Department of Management Services*, Office of the Auditor General, Report No. 11929, August 1992. In this report, we concluded the state term contracts allowed agencies to purchase office supplies at an average of 60% discount below the manufacturer's suggested prices.

- **Electronic State Term Contracts System (ETC).** In 1996, the program began to make copies of its state term contracts available through the Internet as means to reduce the amount of time agency staff spend in daily purchasing activities. Agencies and local governments pay fees to access the system.
- **State Negotiated Agreement Price Schedules (SNAPS).** In 1995, program staff implemented the State Negotiated Agreement Price Schedules (SNAPS). SNAPS are non-mandatory, non-exclusive agreements with vendors that can be used by state agencies, local governments, and the state university system to acquire new or emerging commodities, services, and technologies, such as Internet Web-site development services or multi-functional fax-copier-computer printer equipment. SNAPS are intended to simplify the purchasing process since prices are pre-negotiated for new products and services. The program currently has SNAP agreements with 608 vendors.
- **Purchasing Cards.** The use of purchasing cards was implemented in 1997 as a result of a joint effort by the program, the Department of Banking and Finance, NationsBank and Visa. Purchasing Cards are intended to streamline small-dollar purchases (under \$1,000) by eliminating the need for agencies to prepare and submit purchase orders and invoices.
- **On-Line Vendor Bid System.** The program's on-line Vendor Bid System makes agency bid advertisements immediately available to vendors through the Internet. Program managers expect that vendors will be able to register for automatic notification of bids relevant to their business, and receive bids over the Internet by December 1998. This should improve the efficiency of the purchasing process by eliminating the time and costs associated with manually handling bid announcements and responses.

**The Program Has
Reduced Reliance on
General Revenue**

The Program's Activities Are More Self-Supporting. Program managers have decreased the program's reliance on general revenue funding in recent years by developing alternative methods to fund operations, such as charging fees and obtaining grants. For example, the program was awarded a grant of \$282,000 from the Innovation Investment Program in Fiscal Year 1996-97 and in Fiscal Year 1997-98 a follow up grant of \$197,000 to support the development of its on-line Vendor Bid System. Further, the program has significantly increased the amount of fees it receives as payment for certain services. As shown in Exhibit 6, program revenue from fees has increased substantially over the past three fiscal years. These fees are paid by state and local agencies and

vendors that use the program's services. Local agencies voluntarily use the program's services since they allow them to obtain needed commodities and services at reduced costs. These fees have allowed the program to help develop new purchasing services which will improve the efficiency of the purchasing process, such as the on-line state term contracts and purchasing cards. It is also using this revenue help cover its operating costs. Twenty-seven (40%) of the subprogram's 68 positions will be funded from fees and grants revenue in Fiscal Year 1998-99.

Exhibit 6
According to the Department, the Program Has Decreased
Its Reliance on General Revenue by Charging Fees for Services

Sources of Grants and Donations Trust Fund	1995-96	1996-97	Estimated 1997-98 Up to 5/31/98	Estimated 1998-99
Fees	\$ 211,840	\$ 701,126	\$1,580,243	\$2,620,000
Other Grants	830,969	852,865	1,822,757	2,310,537 ¹
Total Grants and Donations Trust Fund	\$1,042,809	\$1,553,991	\$3,403,090	\$4,930,537
Fee Percentage of Total Trust Fund	20%	45%	46%	53% ¹
Grants and Donations Trust Fund Percentage of Total Appropriation	27%	36%	54%	62%
Percentage General Revenue Funding	73%	64%	46%	38%
Staffing by Funding Source				
General Revenue	49	47	48	41
Trust Funds	11	13	16	27
Total	60	60	64	68

¹ State Purchasing has received a \$1.2 million grant for 1998-99 to prepare for the deregulation of electricity; this has caused the percentage of fees to decrease.

Source: Department of Management Services

The Program Has Effectively and Efficiently Performed Its Oversight and Monitoring Activities

Performance of Oversight and Monitoring Responsibilities.

The program is efficiently and effectively carrying out its responsibilities for overseeing and monitoring agency purchases. Program staff reviewed 546 agency requests for "exceptions" to purchasing items or services requests during the period from July 1997 to May 1998. State Purchasing reported taking an average of six days to review and approve these agency requests. Further, our review of program records indicated that program staff were reviewing agency exception purchasing requests for compliance with relevant rules and statutes, identifying deficiencies, and following up to ensure that problems were corrected.

The program also has developed systems that can be used to provide information to assist it in performing its purchasing oversight and monitoring responsibilities. For example, all agency

purchases are recorded in the program's SPURS database. Program managers are using this data to monitor agency purchasing actions, such as the use of the program's term contracts and contract exceptions.

Options for Improving Performance

In recent years, the program has taken action to improve the services it provides to state agencies and increase the efficiency of the purchasing process. However, the program could further improve its performance in providing services and assistance to customer agencies in several areas, such as responding to agency requests for assistance and eliminating antiquated procedures that unnecessarily delay the procurement process.

Improve Support and Technical Assistance

Customer Service. Agency purchasing directors attending OPPAGA's focus group reported that the program could improve its performance in providing support and technical assistance. Program staff perform a variety of customer service and assistance activities such as operating a help desk and providing technical support in using state term contracts and interpreting rules and statutes. However, agency purchasing directors reported problems in the program's customer services, such as program staff not responding to requests for purchasing information and interpretations in a timely manner or not responding at all. They also reported that program staff were not always consulting with them before developing new services.

These customer service problems appear to originate from communication problems between the program and state agencies. The program has not established methods to transmit program information to customers on an ongoing, timely basis.

Program managers could use an electronic mail system to communicate with agency purchasing directors on procurement-related matters, such as obtaining their views on proposed changes to purchasing guidelines and new services. This system could also be used to inform agencies about methods for addressing purchasing problems and applying best purchasing practices.

Eliminate Posting Requirements

Eliminating Antiquated Procedures That Unnecessarily Delay the Procurement Process. A program rule presently requires agencies to post notices of all exceptions to state contract purchases on their purchasing office's bulletin boards for 72 hours before the purchases can be made. This is an antiquated procedure carried over from periods during which there was little delegation of authority to the agencies and seems inconsistent with the program's recent efforts to expedite and streamline the purchasing

process. Agency purchasing directors report that it is extremely rare for a vendor to visit agency offices and review their postings. Discarding this unnecessary procedure, which does not add value to the process, will reduce the time involved in making purchases.

Delegate Purchasing Authority

Further Decentralize Purchasing Authority. Although the program is reasonably efficient and effective in carrying out its regulatory responsibilities, agency purchasing authority could still be further decentralized. The program rarely denies agency purchasing requests that still require its approval. For example, the program approved 99.6% of the agency term contact exception requests in Fiscal Year 1997-98. This high approval rate indicates that agencies are generally following state purchasing laws and rules.

If agencies were delegated authority to make exception purchases up to a higher dollar authority, a higher percentage of purchases could be made without requiring program approval. For example, if the current approval delegation limit were raised from \$5,500 to \$15,000, approximately 98% of their purchase orders (representing 37% of the total dollar value of agency purchase orders) would not have to be processed by the program's prior approval system. This would save time for agencies while helping the program to further concentrate its efforts on activities that provide the most benefit to the state.

Conclusions and Recommendations

The State Purchasing subprogram's term contracts have helped the state and local governments reduce costs by obtaining significant price discounts on commodities and services. Agency purchasing directors are generally satisfied with program services and the number of local agencies voluntarily using the program's state term contacts has increased. Program managers also have taken various actions in recent years to streamline the process for purchasing commodities and services, improve customer service, decrease procurement processing time, and improve efficiency. However, the program's performance could be further improved in several areas, and agency purchasing authority could be further decentralized. The program rarely denies agency purchasing requests that still require its approval. This high approval rate indicates that agencies are generally following state purchasing laws and rules.

To improve the program's performance, we recommend the Department of Management Services develop an electronic mail system for communicating with agency purchasing directors on procurement-related matters, such as obtaining the directors' views

on proposed changes on guidelines and new services. The system could also be used to provide purchasing directors with information on best purchasing practices for use in managing their agency's procurement system. This information could be compiled from the program staffs' solutions for agency problems reported to the help desk and provided on a weekly basis through electronic mail.

To expedite the process for approving agency requests for "exception" purchasing requests, we recommend the department eliminate language in Rule 60A-1.006(6), F.A.C., requiring agencies to post all exceptions to state contract purchases for 72 hours on purchasing office bulletin boards before an approved exception purchase can be made. This procedure does not add value to the procurement process and should be discarded.

To further decentralize the state's procurement process, we recommend that the Legislature amend s. 287.017, F.S., to raise the dollar thresholds to appropriate levels in conjunction with the department's recommendations. If Category 1 is raised to at least \$15,000, agencies will have the authority to make purchases covering approximately 98% of their purchase orders and 37% of the purchase orders' total dollar value without department prior approval, while maintaining the program's approval authority over higher dollar value purchases.

Chapter 4:

Vehicle Operations and Maintenance

Introduction

The Vehicle Operations and Maintenance Subprogram is responsible for meeting the transportation needs of state agencies by providing cost-effective means for acquiring, operating, maintaining, and disposing of the state's vehicle and watercraft fleet.

The program develops technical specifications for state term contracts for purchasing passenger and special purpose vehicles, watercraft, and heavy equipment. State agencies and local governments make their own vehicle purchases using these contracts. In Fiscal Year 1998-99, an estimated 5,400 vehicles, 100 watercraft, and 400 pieces of heavy equipment will be purchased under these contracts. As part of its responsibilities, the program provides policies, rules, and procedures to guide agencies in purchasing vehicles using the state contract. The program also develops vehicle rental contracts for use by state agencies and local governments. Program managers estimate that agencies and local governments will spend \$8.6 million in vehicle rental fees in Fiscal Year 1998-99. A computer-based reporting system, the Equipment Management Information System, is provided by the program for agencies' use in tracking the use, cost, and maintenance of their vehicles.

The program also performs other functions related to vehicle operations and maintenance. Program staff maintain a motor pool of 150 state-owned vehicles in Tallahassee for use by state employees on official business. Program managers estimated that motor pool vehicles were used 39,000 vehicle-days and 167,000 total miles in Fiscal Year 1997-98. The program also operates a maintenance garage in Tallahassee that services motor pool vehicles, as well as motor vehicles owned by other state agencies. Program managers estimated that the maintenance garage provided services costing \$675,000 for 600 vehicles in Fiscal Year 1997-98. The program also holds auctions to dispose of state vehicles. The program auctioned 2,045 vehicles in Fiscal Year 1997-98, with \$4,958,543 returned to the state.

The Support Program's vehicle operations and maintenance activities are primarily funded by service charges (88%) paid by state agencies for using the program's motor pool, maintenance garage, vehicle disposal auctions, and computer system, with the remainder from general revenue. In Fiscal Year 1997-98, the Vehicle Operations and Maintenance Subprogram was allotted

\$3,318,553 from the Motor Vehicle Operating Trust Fund and \$466,289 in general revenue. The subprogram was allotted 24 full-time equivalent positions (FTEs) to carry out its operations.

Program Performance

The Program Has Performed Well in Helping to Reduce State Vehicle Operations and Maintenance Costs

The Support Program has performed well in fulfilling its responsibility to provide cost-effective means for operating and maintaining state vehicles. The program has kept its labor and parts costs for vehicle maintenance below private sector costs and thus helped to reduce state agencies' expenses. The program's motor pool provides vehicle rentals at lower prices than those charged by the vendor holding the state rental car contract. The program's activities relating to purchasing of vehicles help state and local government agencies reduce their vehicle acquisition costs by obtaining low prices on vehicle contracts. The program also plans to help reduce vehicle operations and maintenance costs through use of a new state fleet purchasing card. (See page 23.) The program's vehicle operations and maintenance activities benefit the state and should be continued.

Parts and Labor Costs. Parts and labor costs for the program's vehicle maintenance facility are below those charged by private companies for maintaining a vehicle fleet. The program's maintenance garage in Tallahassee charged an hourly labor rate of \$35 for repairing and maintaining state rental pool vehicles and agency vehicles in Fiscal Year 1996-97. As shown in Exhibit 7, this rate was 18% below the program's estimate of the hourly rate charged by the private sector for maintaining a vehicle fleet. Moreover, the program's cost for vehicle parts was 28% below the average retail cost.⁴ The program's costs for both labor and parts met the applicable Fiscal Year 1996-97 performance-based program budgeting standards.

Vehicle Rental Charges. The program's vehicle rental charges also compare favorably to private sector prices and were below the standard for Fiscal Year 1996-97 (see Exhibit 7). The average cost the program charges agencies for using vehicles in the state rental motor pool was 44% below the lowest rental rate charged by

⁴ As we noted in our *Review of the Department of Management Services' Support Program's Performance-Based Program Budgeting Measures and Standards*, Report No. 97-55, published March 1998, the program's measure for evaluating its parts charges compares program charges to routine "over the counter" prices. A better comparison would be to evaluate program charges to discounted prices offered by a private fleet management company.

the current vendor holding the state rental car contract (Avis).⁵ Program managers attribute this performance to two factors. First, the program is able to extend the life of state vehicles to five years, which is more than twice the life of the rental vehicles operated by the vendor holding the state rental car contract. Second, the program does not incur costs such as advertising or franchise costs, as is the case with private sector companies.

Exhibit 7
The Support Program’s Vehicle Operations and Maintenance Subprogram
Provides Vehicle Maintenance Services and Rental Cars
At Lower Prices Than Private Sector Companies

Performance-Based Program Budgeting Measures	1996-97 Performance	1996-97 Performance-Based Program Budgeting Standards	Met Standard for 1996-97?
Average percent below private sector fleet maintenance costs (labor only) ¹	18%	13%	Yes
Average percent below retail parts cost	28%	25%	Yes
Average percent state rental vehicles below state rental contract rates	44%	30%	Yes

¹ This measure compares labor charges per hour for vehicles repaired at the department’s maintenance facility to similar private sector garages in the geographic area.

Source: Office of Program Policy Analysis and Government Accountability review of the Department of Management Services Fiscal Year 1996-97 Legislative Budget Request and program records, and interviews with program staff

Motor Vehicle Contracts. The program’s performance-based program budgeting measures do not address its performance in developing cost-effective motor vehicle contracts. However, the program's internal performance measures show that these contracts helped state and local governments acquire vehicles at a price 12.75% below dealer cost. The program is responsible for annually researching and preparing the technical specifications for six major vehicle categories. State and local government agencies purchase approximately \$80 million worth of vehicles annually using these contracts.⁶

Fleet Purchasing Card. The program’s new fleet purchasing card should help reduce state costs for maintaining and operating vehicles, as well as improve input of data into state fleet management data systems. Beginning in the first quarter of calendar year 1999, DMS will replace its current state gasoline

⁵ 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.

⁶ We examined the program’s motor vehicle term contract in our *Performance Audit of the Practices of Purchasing Motor Vehicles for State Ownership as Administered by the Department of General Services*, Auditor General Report No. 11579, February 11, 1991, and found that the state saved an average of 13% from dealer invoice prices for its vehicles.

credit cards with fleet purchasing cards. The cards will be readily acceptable by all major oil companies for fuel purchases, with the purchasing of maintenance services to be added in the near future. The new fleet purchasing card is designed to streamline paperwork associated with controlling and managing gas and maintenance purchases, and will have the capability to be used in making electronic vendor payments. State agencies will receive a discount on charges for promptly paying their bills. The card will also allow fuel purchase and maintenance information to be electronically captured and transferred into fleet management data systems.

Potential Cost Savings

Although the Support Program's vehicle operations and maintenance activities can assist state agencies in meeting their transportation needs in a cost-effective manner, individual state agencies have the primary responsibility for the procurement, use, assignment, and maintenance of their vehicles. The cost-effectiveness of state agency vehicle fleet management could be improved through use of a centralized maintenance system and changing the ways that agencies assign state-owned vehicles to their employees.

Centralized Vehicle Maintenance Would Reduce State Costs for Private Garage Services

Centralized Vehicle Maintenance. State agencies use both in-house and private garages to maintain their vehicles. Agency practices vary on how they use private garages. Some agencies use private garages for all vehicle maintenance while others only use private garages for work that is covered under manufacturer's warranty or for those repairs that their in-house facilities do not perform.

OPPAGA previously reviewed the methods state agencies used to maintain their vehicles and found that the state is not receiving volume discounts from private garages based on its fleet size.⁷ Agency purchases of vehicle maintenance services are fragmented and the need for these repairs is not always well monitored. As a result, Florida has likely paid more than necessary to maintain its vehicle fleet. We determined the state could realize savings ranging from \$800,000 to \$2.4 million annually by implementing a centralized vehicle maintenance system that used a network of private garages or managed maintenance (a garage network with centralized monitoring) to maintain state-owned vehicles. Such a system can provide volume discounts of 10% to 30% while helping prevent state agencies from paying for unnecessary repairs.

⁷ *Review of State Vehicle Maintenance*, OPPAGA Report No. 96-08, September 25, 1996

Our previous study recommended that the State Council on Competitive Government pursue contracting with a private company for a garage network that agencies could use to obtain discounted prices for vehicle maintenance services and a managed maintenance program on a pilot basis. In response, the council recommended to the Governor and Cabinet that state vehicle maintenance be approved for competitive bidding. This recommendation was approved in December 1996. However, the council has not completed the process of determining how to best implement competitive bidding for state vehicle maintenance. The council has not met since the fall of 1997.

We believe that centralized vehicle maintenance continues to have the potential for significant cost savings. If the council cannot implement competitive bidding in an expeditious manner, the Department of Management Services should pursue contracting with a private garage network for optional use by state agencies or with a private company to provide a managed maintenance program on a pilot basis.

Changes in How State Agencies Assign Vehicles Could Result in Cost Savings

Many State Vehicles Are Not Appropriately Used. In previous reports, OPPAGA has analyzed the use of state-owned vehicles and found that many of these vehicles are driven low mileage or are inappropriately assigned. At the same time, many state employees are using their personal vehicles to the point where the state spends more reimbursing them for mileage than it would cost to assign them state-owned vehicles. Changing how state agencies use and assign vehicles to their employees could produce additional cost savings.

OPPAGA reviewed the use of assigned state vehicles in *Review of the Use of Assigned State Vehicles*, Report No. 96-03, July 29, 1996. In this report, we concluded that many state-owned vehicles are assigned to employees who drive less than 10,000 miles per year for state business, excluding commuter miles. Some of these state-owned vehicles are being used largely for employee commuting rather than job duties. Additionally, law enforcement staff who do not perform patrol functions typically are provided fully equipped pursuit vehicle. We concluded the state could save up to \$5 million by reassigning low-mileage cars, recovering employee-commuting costs, and providing standard cars with portable emergency equipment to law enforcement managers who do not routinely respond to emergency situations.

OPPAGA also reviewed personal vehicle use by state employees in *Review of Personal Vehicle Use by State Employees*, Report No. 96-12, October 16, 1996. We found that many state employees use their personal vehicles in excess of 15,000 miles annually for state business and are reimbursed at 29 cents per mile. It is more

cost-effective to provide state-owned vehicles, which have lower per-mile costs, than reimbursing employees who use their personal cars extensively. We concluded that the state could save up to \$1.7 million (or \$290,000 annually) by providing vehicles to employees who drive more than 15,000 miles instead of reimbursing them at the 29 cents per mile rate. We also concluded that for a two-year period, an additional \$110,000 could be saved annually by reassigning state-owned vehicles to these employees that are currently underutilized or inappropriately assigned.⁸ The 1998 Legislature considered, but did not pass legislation that would have established better criteria for the assignment and use of state-owned vehicles by agency employees. We continue to recommend that the Legislature adopt such criteria.

Conclusions and Recommendations

The Support Program's vehicle operations and maintenance activities are of benefit to the state and should be continued. The program has performed well in fulfilling its responsibility to provide cost-effective means for operating and maintaining state vehicles. The program has kept its vehicle maintenance labor and parts costs below private sector costs, and thus helped to reduce state agencies' expenses. The program's motor pool provides vehicle rentals at lower prices than those charged by private sector companies. The program's activities relating to purchasing of vehicles helps state and local government agencies reduce their vehicle acquisition costs. The program's replacement of current state gasoline credit cards with fleet purchasing cards will make it easier for state agencies to obtain fuel for their vehicles while providing an opportunity to reduce costs.

However, Florida probably has paid more than necessary to maintain its vehicle fleet. Agency purchases of vehicle maintenance services are fragmented and the need for these repairs is not always well monitored. Use of a centralized maintenance system (a garage network or managed maintenance program) could save the state \$800,000 to \$2.4 million annually. Although the Governor and Cabinet approved the State Council on Competitive Government to competitively bid state vehicle maintenance in December 1996, the council has not yet implemented competitive bidding for this service. We recommend that the State Council on Competitive Government give priority to implementing competitive bidding of state vehicle maintenance. If the council cannot implement competitive bidding by December 1998, we

⁸ This estimate was based on the remaining life of the underutilized or inappropriately assigned vehicles.

recommend that the Department of Management Services pursue contracting with a private garage network for optional use by state agencies and with a private company to provide a managed maintenance program on a pilot basis.

Many state-owned vehicles are assigned to employees who drive less than 10,000 miles per year for state business, excluding commuter miles. Some of these vehicles are being used largely for employee commuting rather than job duties. Additionally, law enforcement staff who do not perform patrol functions typically are provided fully equipped pursuit vehicle. The state could save up to \$5 million by reassigning low-mileage cars, recovering employee-commuting costs, and providing standard cars with portable emergency equipment to law enforcement staff who do not routinely respond to emergency situations. We continue to recommend that:

- the Legislature develop specific criteria for agency vehicle assignments. These criteria should provide that vehicles be driven a minimum number of miles, excluding commuting mileage on state business unless extenuating circumstances exist. Additionally, law enforcement supervisors meeting these criteria should be assigned standard sedans with portable emergency lights unless they can justify the need for pursuit vehicles on a frequent basis.
- the Legislature and the Governor's Office of Planning and Budget revise agency instructions for Legislative Budget Requests to require agencies to provide information in their budget requests on the annual mileage driven in assigned vehicles and the percentage of use attributed to commuting. The Governor's Office and the appropriations committees could then review this information when considering agency requests for vehicle replacement funding.
- the Legislature require employees with assigned cars to reimburse the state for their commuting use of the vehicles.

Many state employees use their personal vehicles in excess of 15,000 miles annually for state business and are reimbursed 29 cents a mile. Traveling in excess of 15,000 miles annually for state business in personal vehicles over the cost incurred if these employees used state-owned vehicles costs the state an additional \$290,000 annually. We continue to recommend that:

- the Legislature adopt a policy to provide state vehicles for employees who drive personal cars extensively for state business when it is more cost-effective for the state to do so;

- the Legislature and the Executive Office of the Governor amend agency instructions for Legislative Budget Requests to require agencies to identify in their budget requests all instances in which employees are reimbursed for driving more than 15,000 miles annually;
- the Department of Management Services compute the break-even mileage level every two years to account for changes in the price of vehicles, cost of maintenance, and potential changes in the mileage reimbursement rate; and
- state agencies identify on an annual basis assigned vehicles that are underutilized or inappropriately assigned and reassign those vehicles to employees who are being reimbursed for driving their personal vehicles extensively for state business. We estimate that this action would save an additional \$110,000 annually for the first two years.

Introduction

The purpose of the Aircraft Operations and Maintenance Subprogram is to provide safe and secure flight services for Florida's executives. The program operates the state's executive aircraft pool, which has four airplanes available on a 24-hour basis for state executive travel and for emergency purposes and 12 pilots.⁹ In Fiscal Year 1997-98, Executive Aircraft Pool aircraft will have flown an estimated 750 passengers for 1,957 flight hours, totaling 1,242,477 passenger miles.

The pool assigns planes to state officers, executives, and employees based on three priority levels:

- Priority 1 -- the Governor, Lieutenant Governor, Cabinet officers, the Chief Justice of the Supreme Court, the President of the Senate, and the Speaker of the House;
- Priority 2 -- supreme court justices, chairs of legislative committees, and state agency and commission heads; and
- Priority 3 -- all other state employees who are authorized by their agency managers to use state aircraft.

Lower priority users may be "bumped" if a scheduled plan is needed to transport a higher-priority passenger.

Several other Support Program activities relate to state-owned aircraft. The State Executive Aircraft Pool has a small airplane that can be rented by state agencies. However, unlike other pool aircraft, state agencies using this plane must furnish their own pilot. State agencies are not allowed to purchase, lease, or acquire aircraft unless prior approval is first obtained from program staff. The program also disposes of surplus aircraft for state agencies. Further, program staff at the state aircraft facility located in Tallahassee handle routine aircraft maintenance functions for pool aircraft and certain aircraft operated by other state agencies. Program staff maintain aircraft inspection schedules and maintenance logs that comply with manufacturers' required inspection time frames and applicable Federal Aviation Administration regulations.

⁹ The use of one of these aircraft is being limited in an attempt to postpone expensive engine overhauls.

Subprogram Is Not Self-Supporting

For Fiscal Year 1997-98, the majority (60%) of the Aircraft Operations and Maintenance Subprogram's funding was from general revenue (\$1,186,810), with the remaining 40% from user fees (approximately \$700,000 from passenger fees and the remainder from aircraft maintenance fees paid by state agencies). The subprogram was allotted 20 full-time equivalent positions (FTEs) and two OPS staff in Fiscal Year 1997-98.

Program Performance

Program Flight Hour Costs Did Not Meet the Standard

The Aircraft Operations and Maintenance Subprogram did not meet its performance-based program budgeting standard for hourly flight costs in Fiscal Year 1996-97. The program's cost per flight hour of \$987 exceeded the standard (\$908) by 9%. However, the program's ability to meet the standard for this measure is affected by the accuracy with which staff can predict workload when the standard is established. Aircraft in the Executive Aircraft Pool flew fewer hours in Fiscal Year 1996-97 than program staff estimated in 1995 when the standard was established. Program staff said 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 relatively fixed (approximately 75% of the total operating costs). Although the program did not meet the standard for its flight costs, its flight cost per hour was lower in Fiscal Year 1996-97 (\$987) than in the previous year (\$1,010).

The Aircraft Operations and Maintenance Subprogram has undertaken initiatives to reduce some operating costs. The program has become a distributor for a major aircraft engine manufacturer, which saved \$15,000 for aircraft engine and engine component purchases in Fiscal Year 1997-98. Program staff also established a delivery-storage contract that allows the program and state agencies to obtain aviation fuel at a discount. Program staff estimate that this contract resulted in annual savings of \$24,000.

Recent Program Changes

The Executive Aircraft Pool Must Now Operate on a Full Cost Recovery Basis

Due to actions by the 1998 Legislature, the Aircraft Operations and Maintenance Subprogram will soon undergo major changes. The 1998 Legislature did not appropriate any general revenue to fund State Executive Aircraft Pool operations as it had in the past. Rather, the legislature directed the program to charge fees from all persons receiving air transportation services to cover the full costs to operate the aircraft pool and other aircraft related activities of DMS. The legislature further stated that its intent was that the pool operate on a full cost recovery basis, using its available trust fund balance (estimated to be \$350,000 as of July 1, 1998) to continue operations.

Charging agencies the full cost of employee flights is consistent with conclusions made in previous OPPAGA reports.¹⁰ We concluded that agencies had limited incentive to efficiently use pool aircraft because the program was not charging state agencies the full cost of flights. In Fiscal Year 1997-98, agencies were paying 40% of the program's actual costs. It is generally more expensive to the state when executives use pool aircraft rather than commercial air services. However, state officials did not have to consider the full cost of using the aircraft pool when deciding whether to use the aircraft pool or commercial air service.

Program staff reported that they are presently working with Governor's Office and legislative appropriations staff to implement a strategy to recover from users the full costs of using pool aircraft. They indicated that the program will be requesting user agencies to provide funds at the beginning of Fiscal Year 1998-99 sufficient to cover the fixed costs of operating the aircraft pool. For example, the Governor's Office will provide the program with \$400,000 from appropriated transition funds. Other state agencies will be asked to provide up-front funding based on their use of the aircraft pool in the prior fiscal year (see Exhibit 8). If these agencies provide the program with the requested level of funding, their officials will be charged current rates (an average of \$350 per flight hour) for use of pool aircraft. However, agencies that do not provide up-front funding will be charged hourly rates ranging from \$1,032 to \$1,200 (depending on the aircraft used).

¹⁰ *Review of the Executive Aircraft Pool*, OPPAGA Report No. 95-05, September 14, 1995, and *Follow-Up Report on the Review of the State Executive Aircraft Pool*, OPPAGA Report No. 96-74, April 1997.

Exhibit 8
Up-Front Funding to Be Requested From State Agencies to Fund
Fiscal Year 1998-99 State Executive Aircraft Pool Operations

State Agency	Percentage of Flights in Fiscal Year 1997-98 ¹	Assessment
Priority 1 (\$10,000 per percentage)		
Governor	21%	\$ 210,000
Lieutenant Governor	19%	190,000
Total	40%	\$ 400,000
Priority 1 (\$5,000 per percentage)		
Education Commissioner	8%	\$ 40,000
Secretary of State	8%	40,000
Insurance Commissioner	8%	40,000
Attorney General/Legal Affairs	4%	20,000
Agriculture Commissioner	3%	15,000
Comptroller/Banking and Finance	1%	5,000
Chief Justice of the Supreme Court	1%	5,000
Legislature - President/Speaker	1%	5,000
Total	31%	\$170,000
Priority 2 - Regular Flying (\$2,000 per percentage)		
FSU/Athletics	8%	\$ 16,000
FDLE	6%	12,000
Juvenile Justice	7%	14,000
Corrections	3%	6,000
Business and Professional Regulation	3%	6,000
Management Services	2%	4,000
Environmental Protection	2%	4,000
Transportation	2%	4,000
Health Care Administration	2%	4,000
Lottery	2%	4,000
Total	37%	\$ 74,000
Priority 2 - Non-Regular Flying (\$1,000 flat fee)		
Total	15 agencies	\$ 15,000
Overall Total		\$659,000

¹Does not add to 100%

Source: Department of Management Services

Another action by the program that will affect aircraft operations is its plan to replace one of its four executive aircraft.¹¹ The program plans to sell its oldest plane and replace it with a newer aircraft. The program will have only three aircraft during the transition

¹¹DMS managers plan to lay off 2 of the aircraft pool's 11 filled pilot positions. This will leave 9 filled pilot positions for the remaining three aircraft.

period, which will in effect downsize the fleet. Downsizing the aircraft pool is consistent with prior OPPAGA recommendations. In an earlier study, we found that 30% of pool flights were for Priority 3 passengers who generally were traveling to locations that were also served by commercial airline services at a significantly lower cost. Downsizing the pool will reduce the availability of aircraft for lower priority passengers, which should save costs since these persons will travel using commercial airline service or motor vehicles. Program managers believe that very few Priority 3 passengers will be served by the pool once the fourth plane is sold. We estimate the program will save \$500,000 annually by downsizing the pool and reducing the number of pilots and staff needed to operate the remaining three planes.

Cost Savings Option

The Uncertainty of Future Demand for Services May Result in a Need to Further Downsize the Executive Aircraft Pool

Although the program has a plan for continuing the aircraft pool's operation and recovering the full cost of flights, future demand for state executive aircraft services is still uncertain. If state agency managers do not choose to make up-front payments to cover the fixed costs of operating the aircraft pool at the beginning of Fiscal Year 1998-99, or conclude that they cannot justify using pool aircraft given high hourly charges, demand may not be sufficient to support operations of three pool aircraft. If the program is unable to fully utilize its remaining three aircraft, the Legislature should consider further downsizing the aircraft pool. We identified two options for downsizing: (1) reducing the number of aircraft in the pool, or (2) eliminating the State Executive Aircraft Pool and selling all executive aircraft.¹²

Reducing the Number of Aircraft in the Pool. Under this option, DMS would sell but not replace one more plane in its fleet and reduce its pilot staff accordingly. Downsizing the fleet to three aircraft would enable the program to have two planes available for use, as one plane would generally be unavailable due to maintenance downtime. This option would make two state-owned aircraft and six pilots available as needed for high priority executive and emergency travel. Program managers estimate that the program could meet all of the travel needs of the Governor and 80% of the travel needs of other Priority 1 passenger with three aircraft (two operating). Program managers estimate they could meet all the travel needs of the Governor and 20% of the travel needs of cabinet members with two planes (only one plane would

¹²Review of the Executive Aircraft Pool, OPPAGA Report No. 95-05, September 14, 1995.

be available at times due to maintenance downtime). If necessary, the program could contract with a private vendor to provide charter air service to meet the travel needs of state executives that could not be met by the State Executive Aircraft Pool.

Program managers should closely monitor the demand for executive air travel and reduce pool operations, including staffing, if pool aircraft are not being fully utilized. We estimate the program could save \$500,000 annually by reducing the size of the pool from four to three aircraft (two operating aircraft) and reducing the number of pilots from 11 to 6. The program would also realize an estimated \$500,000 from selling its oldest aircraft. If demand does not justify operating with three aircraft, the program should sell another plane and operate with two aircraft.

Eliminating the State Executive Aircraft Pool. Alternatively, the Legislature could choose to eliminate the DMS aircraft pool. Under this option, DMS would contract with a private vendor to provide charter air service to state executives. State executives would need to choose between using commercial airline services or private charter for air travel. This option would result in one-time revenues from sale of the existing pool aircraft (an estimated \$1.7 million) and eliminate the program's annual costs for operating the aircraft pool (\$1.9 million). However, this option has several disadvantages. Due to the federal regulations for charter aircraft, eliminating the aircraft pool and relying on charter air service may preclude state executives from making some emergency flights they now make in state-owned aircraft. Charter operators have to fly under stricter federal regulations, which could prohibit them from making some emergency flights currently made by pool aircraft. For example, charter aircraft are prohibited from landing at an airport closed for reasons such as a natural disaster, while government aircraft can still use the airport. Also, full privatization of the aircraft pool raises security issues. The highest priority and most frequent users of the aircraft pool are the Governor and his staff. The state would have less control over the security of charter aircraft than those in the DMS aircraft pool. Further, it is not clear whether state costs would decrease under this option. The prices charged by private charter services in Tallahassee are currently comparable to the hourly flight cost of using pool aircraft.

Conclusions and Recommendations

The Aircraft Operations and Maintenance Subprogram did not meet its performance-based program budgeting standard for hourly flight costs in Fiscal Year 1996-97, although its hourly flight costs were below those for the previous year.

However, the program has not been charging passengers the full cost of operating the aircraft in its pool. As a result, state officials have not had to consider the full cost of using the aircraft pool when deciding whether to use the aircraft pool or commercial air service. To address this concern, the 1998 Legislature did not allocate any general revenue for the State Executive Aircraft Pool and instead directed the department to operate the pool on a full cost recovery basis. Under full cost recovery, agencies may reduce their use of the Executive Aircraft Pool. DMS also plans to sell one of the aircraft in the pool, which should reduce use of executive aircraft by low priority passengers. DMS plans to replace the plane with a new plane, which we do not believe is needed.

Future demand for state executive aircraft services is uncertain. If DMS is not fully utilizing the remaining three aircraft in the pool, the Legislature should consider further downsizing the pool. We recommend that the Department of Management Services closely monitor the demand for aircraft pool services and utilization of its three remaining executive aircraft. If demand for services is not sufficient to fully utilize three aircraft, we recommend that the department request legislative authorization to sell one additional executive aircraft (leaving two aircraft) and reduce staffing accordingly. If utilization then continues to decline, the department should further reduce its aircraft fleet and staffing.

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Chapter 6:

Federal Property Assistance

Introduction

The Federal Property Assistance Subprogram is responsible for procuring and distributing federal surplus property that is donated to eligible organizations in Florida including state agencies, local governments, and nonprofit health and education organizations. Florida's program has the fourth largest "entitlement" to available federal surplus properties nationwide. This entitlement per state is based on a state's population and per capita income.

Federal Property Assistance administers two major functions, the Federal Surplus Property Donation Program and the Department of Defense Excess Property Program for Law Enforcement. The Federal Surplus Property Donation Program enables public agencies and eligible private/nonprofit educational and health agencies in Florida to obtain needed items such as bulldozers and generators at a nominal cost that cover program expenses such as handling, storage, and transportation. The U.S. Department of Defense Excess Property Program for Law Enforcement enables state and local law enforcement agencies to acquire items such as helicopters and buses at minimal costs that also cover program expenses.

Surplus items allocated to Florida are transported to three distribution centers in Florida: Starke and Marianna for the Federal Surplus Property Donation Program and Tallahassee for the Department of Defense Excess Property Program for Law Enforcement. During Fiscal Year 1997-98, Federal Property Assistance facilitated the transfer of surplus federal property with an original value of approximately \$56 million and a current estimated value of \$13.1 million to eligible agencies.

The Support Program's federal property assistance activities rely on service charges to fund program operations such as crating, transportation, and administrative functions. State agencies, local governments, and nonprofit organizations that obtain surplus property through the program pay services charges currently averaging 2.6% of the original acquisition cost. In Fiscal Year 1997-98, Federal Property Assistance was allotted \$2,553,922 (including fixed capital outlay) from the Surplus Property Revolving Trust Fund and 24 full-time equivalent (FTE) positions.

Program Performance

The Program Did Not Meet Standards for Distribution of Federal Surplus Property

Distribution of Federal Surplus Property. The Support Program did not meet its performance-based program budgeting standards relating to its federal property assistance activities in Fiscal Year 1996-97. As shown in Exhibit 9, the percentage of donees (state agencies and local government units) that ordered and received federal surplus property through the program was 40.4%, which was below the 50% standard. Also, the federal property orders processed were 2,334 compared to a standard of 2,500. However, performance in these areas was affected by factors outside the program's control. Program managers attribute not meeting these standards to a decrease in the quality and quantity of surplus 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. For example, the value of property donated declined from \$13.8 million in Fiscal Year 1996-97 to \$13.1 million in Fiscal Year 1997-98.

Exhibit 9

The Support Program's Federal Property Assistance Subprogram Did Not Meet Its Performance-Based Program Budgeting Standards for Fiscal Year 1996-97

Performance-Based Program Budgeting Standards	1996-97		Met Standard for 1996-97?
	1996-97 Performance	Performance-Based Program Budgeting Standards	
Percent of active federal property donees	40.4%	50%	No
Federal property orders processed	2,334	2,500	No

Source: *Review of the Department of Management Services' Support Program's Performance-Based Program Budgeting Measures and Standards*, Report No. 97-55, issued March 1998, p. 5

As we discussed in our *Review of the Department of Management Services' Support Program's Performance-Based Program Budgeting Measures and Standards*, Report No. 97-55, issued March 1998, the performance-based program budgeting measures for federal property assistance have weaknesses. (See Appendix B.) For example, the *percent of active federal property donees* is influenced by factors outside program control such as the number of eligible recipients and the quality and quantity of federal surplus property donated. To provide a better measure of program effectiveness in marketing federal surplus property, we recommended that the Legislature replace the measure *percent of*

active federal property donees with a measure of visits by state agencies, local governments, and nonprofit health and education organizations to distribution centers. Another measure that would help the Legislature evaluate the program's performance would be the *ratio of the market value of property obtained by customers to program service charges*.

The Program Provides Its Customers With Cost-Effective Federal Surplus Property

Program Benefits. Although the Support Program did not meet its Fiscal Year 1996-97 performance standards for its federal property assistance activities, we concluded that these activities are of benefit to the state and should be continued. For every \$100 in service charges to the program, eligible recipients receive donated federal surplus property with a current market value of approximately \$1,200. Thus, the program is a valuable resource to state agencies, local government units, and nonprofit health and educational organizations within the state. The program benefits Florida taxpayers by helping to reduce the expenses of government on obtaining needed equipment.

The Program Is Improving Access to Surplus Property

Better Access and Distribution. Program managers are in the process of improving the program's performance in distribution of surplus property by improving access to donated property in two ways. First, to improve access for eligible entities in South Florida, the program is contracting with an individual in central Florida to screen available federal surplus property for quality and desirability. Currently, eligible entities located in the southern part of the state do not have easy access to the program's three distribution centers (Marianna, Tallahassee, and Starke) where eligible organizations normally go to receive surplus property after it has been screened and transported by program staff. The main objective of contracting for screening services from a vendor in Brevard County is to allow eligible entities to directly receive surplus property from the federal installations such as Patrick Air Force Base, Kennedy Space Center, and the Orlando Naval Training Center through a method of direct screening without having to go through a state distribution center. The program is promoting the screener's presence in the central Florida area to organizations in the south and central parts of the state to expand the use of surplus property in these areas. It should be noted that the planned closing of the Orlando Naval Training Center in the near future will negatively affect this effort.

A second way the program is trying to improve access to surplus property is by increasing computerization. The program has recently developed and implemented a computer system to track inventories and maintain agency eligibility records. This system was developed in response to a federal program audit that concluded the program's manual property tracking systems were cumbersome and very time consuming to use. The program has

also upgraded its computers so that staff can electronically screen federal surplus property. Program staff can now use their computers to view listings of available property maintained by the U.S. General Services Administration (GSA) and the Defense Reutilization and Marketing Service (DRMS) over the Internet. The federal government is closing a number of surplus property sites located in federal facilities in Florida and the Southeast United States. Once these centers are closed, it will be difficult for program staff to know what surplus property is available at these federal facilities except by electronically screening.

Program managers also plan to obtain a computer program to allow Internet access to the program's distribution center inventories. This would reduce the need for eligible entities to send representatives to the distribution centers to review available items. It would also provide eligible entities with an easy method to communicate their surplus property needs to the program.

Declining Federal Property Donations Could Require Program Consolidation

As noted above, program managers report a decline in the quality and quantity of surplus property available for transfer to eligible recipients. Although there is currently sufficient demand for federal surplus property to justify the operation of the program's three distribution centers, long term reductions in the quality and quantity of federal property could reduce the need to operate all three facilities. The department should closely monitor the trend of declining quality and quantity of available federal surplus property and evaluate whether there is a continuing need to maintain multiple distribution centers at least every three years.

Conclusions and Recommendations

The Support Program has not met established performance standards for distributing federal surplus property, but the program's performance was largely due to factors outside of its control. The quantity and quality of federal surplus property donated has declined, thereby reducing the number of eligible recipients receiving desired property. Despite this decline, we conclude that the program's federal property assistance activities help to reduce the expenses of government and should be continued. Through this program, participating organizations are able to obtain needed items at a nominal cost. Moreover, program managers have taken steps to improve performance by improving access to donated property.

The program's current performance-based program budgeting measures have weaknesses. As we recommended in OPPAGA Report No. 97-55, the Legislature should replace the measure *percent of active federal property donees* with a measure of visits to distribution centers. We also recommend that the Legislature add a measure to the Support Program's performance-based program budgeting measures that compares the market value of the property obtained by customers to program service charges.

Although there is currently sufficient state demand for federal surplus property to support use of three distribution centers, continued reductions in the quality and quantity of federal property could reduce the demand for the program's services. We recommend that the Department of Management Services closely monitor the trend of declining quality and quantity of available federal surplus property and evaluate whether there is a continuing need to maintain multiple distribution centers in the state at least every three years.

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Appendices

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Appendix A

Statutory Requirements for Program Evaluation and Justification Reviews

Section 11.513(3), F.S., provides that the OPPAGA Program Evaluation and Justification Reviews shall address nine issue areas. Our conclusions on these issues as they relate to the Support Program are summarized in Table A-1. As appropriate, Table A-1 makes reference to pages in this report and Appendix B where our analysis of the program's performance based on its performance-based program budgeting measures and standards is discussed at greater length. Appendix B contains the full text of our earlier performance report (OPPAGA Report No. 97-55, published March 1998).

Table A-1
Summary of the Program Evaluation and Justification Review of the Support Program

Issue	OPPAGA Conclusions
The identifiable cost of each program	The Support Program was allotted \$15.8 million for Fiscal Year 1997-98. (See page 3.)
The specific purpose of the program, as well as the specific public benefit derived therefrom	<p>The program's purpose is to provide government entities access to "best value" commodities and services through centralized purchasing, federal property assistance, and fleet management. The concept of <i>best value</i> 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 delivers services through four major subprograms: State Purchasing, Vehicle Operations and Maintenance, Aircraft Operations and Maintenance, and Federal Property Assistance. (See pages 1 and 2.)</p> <p>The Support Program is of benefit to the public because it helps to control the cost of government. The program's purchasing services provide state and local government entities with reduced prices for commodities and services through volume discounts. The program also benefits its customers by providing ways to make purchasing more efficient. The program's vehicle maintenance, vehicle rental, and federal surplus property distribution services also help other agencies control costs. (See page 5.)</p>
Progress toward achieving the outputs and outcomes associated with each program	<p>The program's performance measures indicate that:</p> <ul style="list-style-type: none"> • the State Purchasing Subprogram has obtained significant price discounts on commodities and services through its contracting practices (see page 13); • the Vehicle Operations and Maintenance Subprogram achieved lower costs for labor and parts, and lower vehicle rental prices than the standards (see page 22); • the Executive Aircraft Pool's cost per flight hour was higher than the standard (see page 30); and • the Federal Property Assistance Subprogram did not meet established performance standards for distributing federal surplus property (see page 38).

(Continued on next page)

Issue	OPPAGA Conclusions
<p>An explanation of circumstances contributing to the state agency's ability to achieve, not achieve, or exceed its projected outputs and outcomes, as defined in s. 216.011, F.S., associated with the program</p>	<ul style="list-style-type: none"> • State Purchasing: Vendors generally 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. (See Appendix B). • Vehicle Operations and Maintenance: Program managers attribute the program's vehicle rental costs being lower than private companies to two factors. First, the program is able to extend the life of state vehicles to five years, which is more than twice the life of the rental vehicles operated by the vendor holding the state rental car contract. Second, the program does not incur costs such as advertising or franchise costs, as is the case with private sector companies. (See pages 22 and 23.) • Aircraft Operations and Maintenance: The program's ability to meet the standard for the cost per flight hour is affected by the accuracy with which staff can predict workload when the standard is established. Aircraft in the Executive Aircraft Pool flew fewer hours in Fiscal Year 1996-97 than program staff estimated in 1995 when the standard was established. Program staff said 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 relatively fixed (approximately 75% of the total operating costs). (See page 30.) • Federal Property Assistance: The program's performance in distributing federal surplus property was largely due to factors outside of its control. The quantity and quality of federal surplus property donated has declined, thereby reducing the number of eligible recipients receiving desired property. (See page 38.)
<p>Alternative courses of action that would result in administering the program more efficiently and effectively</p>	<p>Much of the program's activities in purchasing and vehicle operations are already decentralized to state agencies. The program's major functions are not unnecessarily duplicative with those of other agencies and we did not identify any benefit from transferring these functions to another agency. The Department of Management Services is the only state agency with a role of providing centralized support services to other agencies.</p> <p>The program has already privatized some of its operations. The program uses private vendors to screen and transport federal surplus property and perform aircraft and vehicle maintenance services. However, the program could privatize more activities, such as by contracting for: (1) a centralized vehicle maintenance program for use by state agencies needing private garage services, and (2) private charter services for use if further downsizing of the State Executive Aircraft Pool becomes necessary due to low utilization.</p> <p>Although the program has generally performed well in helping to reduce state costs, we identified opportunities to further reduce costs or improve performance in each of the program's four subprograms.</p> <ul style="list-style-type: none"> • State Purchasing. The program's performance in serving its customers could be improved by providing agency purchasing directors with better and more timely information for use in managing their agencies' procurement systems. The program could help streamline the state's purchasing process by eliminating the requirement that state agencies post notice of proposed state contract exception purchases for 72 hours prior to buying the items. The program could also help streamline state purchasing by further decentralizing agency purchasing authority. The program rarely denies agency purchasing requests that still require its approval. This high approval rate indicates that agencies are generally following state purchasing laws and rules. (See pages 18 and 19.)

(Continued on next page)

Issue	OPPAGA Conclusions
	<ul style="list-style-type: none"> • Vehicle Operations and Maintenance. Although the Support Program’s vehicle operations and maintenance activities can assist state agencies in meeting their transportation needs in a cost-effective manner, individual state agencies have the primary responsibility for the procurement, use, assignment, and maintenance of their vehicles. The cost-effectiveness of state agency vehicle fleet management could be improved through use of a centralized maintenance system and changing the ways that agencies assign state-owned vehicles to their employees. <ul style="list-style-type: none"> – A centralized vehicle maintenance system (a network of private garages or managed maintenance program) could save the state \$800,000 to \$2.4 million annually. Although the Governor and Cabinet approved the State Council on Competitive Government to competitively bid state vehicle maintenance in December 1996, the Council has failed to implement competitive bidding. (See pages 24 and 25.) – State agencies could save up to \$5 million by reassigning low-mileage cars, recovering employee-commuting costs, and providing standard cars with portable emergency equipment to law enforcement staff who do not routinely respond to emergency situations. (See page 25.) – State agencies could save up to \$290,000 annually by providing vehicles to employees who drive more than 15,000 miles instead of reimbursing them for mileage. An additional \$110,000 annually could be saved for the first two years by reassigning state-owned vehicles that are currently underutilized or inappropriately assigned. (See page 26.) • Aircraft Operations and Maintenance. With the possible declines in state executives using the Executive Aircraft Pool due to charging full costs, demand for these services may no longer be sufficient to fully utilize the aircraft in the pool. If demand for services drops to the point where aircraft are underutilized, the program’s aircraft fleet and staffing should be reduced. (See pages 33 and 34.) • Federal Property Assistance. Although there is currently sufficient demand for federal surplus property to justify the program operating three distribution centers, long term reductions in the quality and quantity of federal property could reduce the need to operate all of these facilities. The department needs to closely monitor the trend of declining quality and quantity of available federal surplus property and evaluate whether there is a continuing need to maintain multiple distribution centers. (See page 40.)
The consequences of discontinuing such program	<p>If the program were discontinued, its customers (state agencies, local government entities, and nonprofit organizations) would still be able to purchase needed commodities and services. However, discontinuing the program would increase state agency and local government costs for acquiring commodities and services. State agency purchasing directors reported they do not have the staff and resources to set up the types of term contracts established by the Support Program nor would they be able to obtain the types of discounts the program obtains by pooling the state’s buying power. Moreover, customers would not be able to obtain federal surplus property at nominal prices due to the lack of a state conduit for distributing the property.</p> <p>Most of the Support Program’s activities should be continued because of their benefit in helping control government costs. However, due to recent changes to put the program’s aircraft pool on a full cost recovery basis, future demand for these services is uncertain. If state agency managers do not choose to pay the higher costs of the aircraft pool, demand may not be sufficient to support operations of three pool aircraft. If the program is unable to fully utilize its aircraft, the program’s aircraft pool fleet and staffing should be reduced. (See pages 33 and 34.)</p>

Issue	OPPAGA Conclusions
<p>Determination as to public policy, which may include recommendations as to whether it would be sound public policy to continue or discontinue funding the program, either in whole or in part, in the existing manner</p>	<p style="text-align: right;"><i>(Continued on next page)</i></p> <ul style="list-style-type: none"> • The State Purchasing Subprogram is primarily funded (54%) from user fees and grant funding. User fees help ensure that entities who benefit from the program's efforts are paying for these benefits. Program managers have decreased the program's reliance on general revenue funding in recent years by developing alternative methods to fund operations such as charging fees and obtaining grants. The program's use of some general revenue funding can be justified by the overall benefit the program is providing the state. In return for approximately \$3 million in general revenue, the program helped state and local government entities avoid approximately \$200 million in costs during Fiscal Year 1996-97. (See pages 13 and 14.) • The Vehicle Operations and Maintenance Subprogram is primarily funded (88%) by fees paid by users of its services, which is an equitable and efficient funding method. The general revenue funding for this subprogram (\$466,000) supports staff who prepare technical specifications for the state's motor vehicle term contracts. As with the general revenue funding for State Purchasing, the state receives a significant return on its general revenue investment through discounted prices on vehicle purchases. (See pages 21 through 23.) • The Aircraft Operations and Maintenance Subprogram was formerly receiving a general revenue supplement to augment costs not covered by the fee charged for state executives using the State Executive Aircraft Pool. However, beginning July 1, 1998, the program is required to charge fees from all persons receiving air transportation services to cover the full costs to operate the aircraft pool and other aircraft related activities of DMS. Charging agencies the full cost of employee flights is consistent with conclusions made in previous OPPAGA reports. (See pages 31 through 33.) • The Federal Property Assistance Subprogram is funded from fees charged to users of its services. User fees are an equitable way to fund these services since they help ensure that those who obtain the benefit of reduced prices on surplus property are contributing toward the cost of providing this service. (See page 37.)
<p>Whether the information reported pursuant to s.216.031(5), F.S., has relevance and utility for the evaluation of each program</p>	<p>Some of the program's performance-based program budgeting measures are not valid indicators of program performance and should be changed. In addition, the program's performance measures cannot be used to evaluate some aspects of its performance, such as its measures in State Purchasing. (See Appendix B.)</p> <p>In order to provide better information on program performance in distributing federal surplus property, the Legislature should add a measure to the Support Program's performance-based program budgeting measures that compares the market value of the property obtained by customers to program service charges. (See pages 38 and 39.)</p>
<p>Whether state agency management has established control systems sufficient to ensure that performance data are maintained and supported by state agency records and accurately presented in state agency performance reports</p>	<p>The program reported accurate Fiscal Year 1996-97 performance data to the Legislature for most of its 12 performance-based program budgeting measures. (See Appendix B.)</p>

Source: OPPAGA

Appendix B

OPPAGA Review of the Department of Management Services' Support Program's Performance-Based Program Budgeting Measures and Standards, Report No. 97-55, Issued March 1998

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
Percent of state term contracts savings (percent discount from normal price based on vendor certification)	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.
State term contracts cost avoidance	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.
Average percent [state] below private sector [of] fleet maintenance/ [and of] retail parts	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.
Average percent state rental vehicles below state rental contract rates	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.
Estimated percent of disposal net return above published wholesale	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.
Cost per flight hour: DMS Aircraft pool and Southeast states' aircraft	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.
Percent of active federal property donees	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.
Federal property distribution rate	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
Commodities/services on term contracts	This measure records the number of commodities/services that DMS has available to state agencies on state term contracts.
Number/percent of agencies using SPURS	This measure records the number and the percentage of state agency-level organizations using the State Purchasing Subsystem.
Federal property orders processed	This measure identifies the number of donee property orders processed by DMS.
Vehicle maintenance service hours	This measure counts the number of vehicle maintenance hours provided by the DMS garage.
Days/miles of state rental vehicle service provided	This measure tracks the days and miles of rental service provided by the DMS motor pool.
Flights by executive aircraft pool	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
Outcomes				
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.
Outputs				
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.¹

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).² 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

¹ 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.

² 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.

flight hour because the Pool's total operating cost is 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 GAA Standards	Proposed 1998-99 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/ 1,758,108	41,000/ 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.³
- 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.)

³ 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
State Purchasing				
Administering State Term Contracts and Providing Purchasing Oversight	\$4,568,355	38.3%	Percent of savings from state term contracts Estimated amount of cost avoided by using state term contracts Number of commodities /services on term contracts (estimated) The program does not have performance measures for its oversight function.	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. There are no measures for oversight responsibilities. Program needs to develop measures for this significant responsibility.
Purchasing Systems Support	463,351	3.9%	Number of agencies using SPURS Percent of agencies using SPURS	
Promoting Recycled Products	675,371	5.7%	There are no measures for recycled product responsibilities.	Program has internal measures that could be adapted.
Promoting Pride Products	145,347	1.2%	There are no measures for PRIDE or RESPECT product purchases.	Program has internal measures that could be adapted.
Federal Property Assistance				
Acquiring and distributing Federal Surplus and Excess Property	\$1,154,917	9.7%	Percent of active federal property donees Federal property distribution rate Number of federal property orders processed	This measure should be discarded and replaced with the measure of visits to the distribution centers.
Vehicle Operations and Maintenance				
Vehicle Rental Pool	\$ 619,974	5.2%	Percent state rental vehicles below rental contract rate Days/miles of state rental service provided	
Maintaining state vehicles	680,052	5.7%	Percent below private sector fleet maintenance/retail parts 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	This measure should be discarded and not replaced.
Fleet Management Information System (EMIS)	413,859	3.5%	There are no legislative measures for this function.	Program has internal measures that could be adapted.
Aircraft Operations and Maintenance				
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.
Total Support Program	\$12 million	100.0%		

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.

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

OPPAGA provides objective, independent, professional analyses of state policies and services to assist the Florida Legislature in decision-making, to ensure government accountability, and to recommend the best use of public resources. This project was conducted in accordance with evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302).

Web site: <http://www.oppaga.state.fl.us/>

Project supervised by: Tom Roth (850/488-1024)

Project conducted by: Brian Betters (850/487-9268)

Appendix C

Response From the Department of Management Services

In accordance with the provisions of s. 11.45(7)(d), F.S., a list of preliminary and tentative review findings was submitted to the Executive Director of the Department of Management Services for his review and response.

The executive director's written response is reprinted herein beginning on page 62.



DEPARTMENT OF MANAGEMENT
SERVICES

4050 Esplanade Way · Tallahassee, Florida 32399-0950

LAWTON CHILES, GOVERNOR

August 3, 1998

WILLIAM H. LINDNER, SECRETARY

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, Program Evaluation and Justification Review of the Support Program Administered by the Department of Management Services. Our response corresponds with the order of your findings and recommendations.

State Purchasing

Improve Support and Technical Assistance

Recommendation:

To improve the program's performance, we recommend the Department of Management Services develop an electronic mail system for communicating with agency purchasing directors on procurement-related matters, such as obtaining the directors' views on proposed changes on guidelines and new services. The system could also be used to provide purchasing directors with information on best purchasing practices for use in managing their agency's procurement system. This information could be compiled from the program staffs' solutions for agency problems reported to the help desk and provided on a weekly basis through electronic mail.

Response:

We concur with this recommendation. Multiple solutions will be implemented to improve communications on procurement-related matters including, but not limited to, a "LISTSERV" of e-mail addresses to disseminate information to state agency purchasing directors. A purchasing communique, "AT YOUR SERVICE," will be targeted to all purchasing personnel in each agency. A legislative budget request issue will be submitted



Recycled Paper

Mr. John Turcotte
August 3, 1998
Page 2

requesting funding for education and training of the State Purchasing Program and state agencies' purchasing personnel to improve support and technical assistance.

Eliminate Posting Requirements

Recommendation:

To expedite the process for approving agency requests for "exception" purchasing requests, we recommend the department eliminate language in Rule 60A-1.006(6), F.A.C., requiring agencies to post all exceptions to state contract purchases for 72 hours on purchasing office bulletin boards before an approved exception purchase can be made. This procedure does not add value to the procurement process and should be discarded.

Response:

We agree, we will incorporate this rule change along with several others that are being put forward for legal review.

Delegate Purchasing Authority

Recommendation:

To further decentralize the state's procurement process, we recommend that the Legislature amend s. 287.017, F.S., to raise the dollar thresholds to appropriate levels in conjunction with the department's recommendations. If Category 1 is raised to at least \$15,000, agencies will have the authority to make purchases covering approximately 98% of their purchase orders and 37% of the purchase orders' total dollar value without department prior approval, while maintaining the program's approval authority over higher dollar value purchases.

Response:

We agree with this recommendation. The Department will review and determine the best approach of achieving this recommendation.

Vehicle Operations and Maintenance

Centralized Vehicle Maintenance Would Reduce State Costs for Private Garage Services

Recommendation:

Use of a centralized maintenance system (a garage network or managed maintenance program) could save the state \$800,000 to \$2.4 million annually. Although the Governor and Cabinet approved the State Council on Competitive Government to competitively bid state vehicle maintenance in December 1996, the council has not yet implemented competitive bidding for this service. We recommend that the State Council on Competitive Government give priority to implementing competitive bidding of state vehicle maintenance. If the council cannot implement competitive bidding by December 1998, we recommend that the Department of Management Services pursue contracting with a private garage network for optional use by state agencies and with a private company to provide a managed maintenance program on a pilot basis.

Response:

The Department will begin a process of establishing a garage network for optional use by state agencies.

Changes in How State Agencies Assign Vehicles Could Result in Cost Savings

Recommendation:

The state could save up to \$5 million by reassigning low-mileage cars, recovering employee-commuting costs, and providing standard cars with portable emergency equipment to law enforcement staff who do not routinely respond to emergency situations. We continue to recommend that:

- The Legislature develop specific criteria for agency vehicle assignments. These criteria should provide that vehicles be driven a minimum number of miles, excluding commuting mileage on state business unless extenuating circumstances exist.

- Additionally, law enforcement supervisors meeting these criteria should be assigned standard sedans with portable emergency lights unless they can justify the need for pursuit vehicles on a frequent basis.
- The Legislature and the Governor's Office Planning and Budget revise agency instructions for Legislative Budget Requests to require agencies to provide information in their budget requests on the annual mileage driven in assigned vehicles and the percentage of use attributed to commuting. The Governor's Office and the appropriations committees could then review this information when considering agency requests for vehicle replacement funding.
- The Legislature require employees with assigned cars to reimburse the state for their commuting use of the vehicles.

Response:

We view these recommendations as policy decisions that must be made by the Governor's Office of Planning and Budgeting and the Legislature. We will adopt any policy changes made by these parties.

Recommendation:

Many state employees use their personal vehicles in excess of 15,000 miles annually for state business and are reimbursed 29 cents a mile. Traveling in excess of 15,000 miles annually for state business in personal vehicles over the cost incurred if these employees used state-owned vehicles costs the state an additional \$290,000 annually. We continue to recommend that:

The Legislature adopt a policy to provide state vehicles for employees who drive personal cars extensively for state business when it is more cost-effective for the state to do so;

- The Legislature and the Executive Of floe of the Governor amend agency instructions for Legislative Budget Requests to require agencies to identify in their budget requests all instances in which employees are reimbursed for driving more than 15,000 miles annually;

Mr. John Turcotte
August 3, 1998
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- The Department of Management Services compute the break-even mileage level every two years to account for changes in the price of vehicles, cost of maintenance, and potential changes in the mileage reimbursement rate; and
- State agencies identify on an annual basis assigned vehicles that are underutilized or inappropriately assigned and reassign those vehicles to employees who are being reimbursed for driving their personal vehicles extensively for state business. We estimate that this action would save an additional \$10,000 annually for the first two years.

Response:

We will advise state agencies of your findings and suggest that they review travel reimbursement records to determine if employees who use personal cars for state business should be provided state vehicles. We will also advise agencies to review vehicle utilization and assignments to ensure vehicles are economically used. The Department will compute the break-even mileage level every two years to account for changes in cost and changes in the mileage reimbursement rate.

Aircraft Operations and Maintenance

The Uncertainty of the Future Demand for Services May Result in a Need to Further Downsize the Executive Aircraft Pool

Recommendation:

If DMS is not fully utilizing the remaining three aircraft in the pool, the Legislature should consider further downsizing the pool. We recommend that the Department of Management Services closely monitor the demand for aircraft pool services and utilization of its three remaining executive aircraft. If demand for services is not sufficient to fully utilize three aircraft, we recommend that the department request legislative authorization to sell one additional executive aircraft (leaving two aircraft) and reduce staffing accordingly. If utilization then continues to decline, the department should further reduce its aircraft fleet and staffing.

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August 3, 1998
Page 6

Response:

In our professional opinion, it takes 4 aircraft to furnish 100% air transportation to the Governor, Lt. Governor, Cabinet Officers, Chief Justice, Speaker and President of the Senate. Downsizing the Executive Airpool should be cleared with all these elected officials as it directly effects their productivity and ability to readily serve the taxpayers of Florida. We estimate three aircraft in the Airpool can furnish 100% of the Governor's travel and 80% of the Cabinet's travel requirements. Two aircraft in the Airpool can only provide 100% of the Governor's travel and 20% of the Cabinet's travel requirements.

The Department has polled the agencies utilizing the Executive Airpool along with the plan to secure up-front funding for fixed costs related to the Airpool. Overwhelmingly, agencies have endorsed the plan for up-front funding of the Airpool and expressed the continuing need for the service provided. The Department is planning to sell one of the aircraft in the Airpool due to age and other replacement criteria. The 1998 Legislature funded the replacement of this aircraft if available funds were recovered. We plan to closely monitor the utilization of the Airpool this year and consult with the Governor and the Legislature as to the replacement of the aircraft later this year.

Federal Property Assistance

The Program Did Not Meet Standards for Distribution of Federal Surplus Property

Recommendation:

The program's current performance-based program budgeting measures have weaknesses. As we recommended in OPPAGA Report No. 97-55, the Legislature should replace the measure *percent of active federal property donees* with a measure of visits to distribution centers. We also recommend that the Legislature add a measure to the Support Program's performance-based program budgeting measures that compares the market value of the property obtained by customers to program service charges.

Response:

We agree with the recommendation, and have prepared information for the FY 1999/2000 Legislative Budget Request detailing the methodology, data sources, validity, and reliability for the measure, number of government & nonprofit organizations visiting a surplus property distribution center.

Mr. John Turcotte
August 3, 1998
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We agree that a measure comparing the market value of the property obtained by customers to program service charges would be a valid measure as long as the market value is based on a consistent methodology. While we do not have the resources to make such an assessment on each transaction, we have been using the U.S. General Services Administration's market basket survey of property value (23.3% of acquisition cost) to determine the amount of federal financial assistance provided by the program for the purposes of the Single Audit Act.

Declining Federal Property Donations Could Require Program Consolidation

Recommendation:

Although there is currently sufficient state demand for federal surplus property to support use of three distribution centers, continued reductions in the quality and quantity of federal property could reduce the demand for the program's services. We recommend that the Department of Management Services closely monitor the trend of declining quality and quantity of available federal surplus property and evaluate whether there is a continuing need to maintain multiple distribution centers in the state at least every three years.

Response:

We agree with this recommendation. We will continue to monitor all factors that affect the availability of donable federal excess and surplus property and the ability of each distribution center to support itself through approved service charge assessments.

I appreciate the assistance provided by OPPAGA staff during this review. Our department is committed to continuous improvement and the recommendations made by OPPAGA will be of assistance in this regard. If further information is needed concerning our response, please contact Millie Seay, Inspector General, at 488-5285.

Sincerely,
/s/
William H. Lindner
Secretary

WHL/tbw

Appendix D

Response From the Office of Planning and Budgeting

In accordance with the provisions of s. 11.45(7)(d), F.S., a list of preliminary and tentative review findings was submitted to the Director of the Office of Planning and Budgeting Services for his review and response.

The director's written response is reprinted herein beginning on page 70.



LAWTON CHILES
GOVERNOR

STATE OF FLORIDA

Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

August 4, 1998

Mr. John Turcotte, Director
Office of Program Policy Analysis and
Government Accountability
Room 312, Claude Pepper Building
Tallahassee, Florida 32399

Dear Mr. Turcotte:

Thank you for providing us with a copy of your office's draft *Program Evaluation and Justification Review of the Support Program Administered by the Department of Management and Services*. We appreciate you providing us with an opportunity to review and comment on the draft report.

As noted in your cover letter, the draft report contains many comments that relate to the State Council on Competitive Government (SCCG). Several of these comments include the statement: "...the council has failed to implement competitive bidding." These comments do not accurately reflect the council's work to improve state performance by increasing competition in the delivery of state services. Specifically, the draft does not mention the ongoing efforts to draft and release the council's request for proposals (RFP)/invitation to bid for vehicle maintenance and tracking services.

The 1994 Legislature created the SCCG and also placed oversight and administration of many new and important functions with the Governor's Office of Planning and Budgeting (OPB). No additional resources were provided to administer these new requirements or to support the council. OPB serves as staff to the Administration Commission, and as such, coordinates activities relating to the council. The Governor's Office has placed a high priority on implementing the provisions relating to performance-based program budgeting. Because of the demanding workload associated with performance budgeting, staff resources have been limited to devote solely to the council. However, following the Administration Commission's approval for the SCCG to competitively bid state vehicle maintenance and tracking, OPB staff prepared and distributed a fleet management survey to each agency head to gather specific information on how agencies authorize and perform operational and maintenance activities on state owned vehicles. Agency survey responses were not all returned until early this year. OPB staff

Mr. John Turcotte
August 4, 1998
Page 2

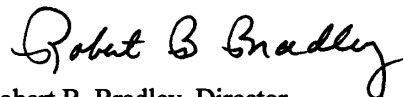
completed evaluating, analyzing and summarizing the agencies' responses in February 1998. The survey results demonstrated extreme diversity in how state agencies are performing and tracking vehicle maintenance. After completing its review of the surveys, OPB staff determined that a great deal of follow up and research are needed about public and private vehicle maintenance and tracking options. While working on the draft RFP for the council, OPB staff have been in contact with representatives of several other states, including New York, Georgia, Wisconsin, Massachusetts, Maryland and West Virginia. Also, private sector providers have been contacted to help develop a successful RFP. The draft RFP is scheduled for review by a technical team of agency fleet vehicle and purchasing staff in the next few weeks. Following the technical review and inclusion of any needed revisions, the RFP will be published.

Also included in the draft report is a recommendation for the OPB to revise agency instructions for Legislative Budget Requests to require agencies to provide information in their budget requests on the annual mileage driven in assigned vehicles and the percentage of use attributed to commuting. Further, the draft report includes a recommendation for the Legislature and the Executive Office of the Governor to amend agency instructions for Legislative Budget Requests to require agencies to identify in their budget requests all instances in which employees are reimbursed for driving more than 15,000 miles annually. The Governor's Office welcomes these recommendations and will be pleased to introduce them for consideration with the legislative staff when we begin to draft the next budget instructions.

Hopefully, these comments will be useful to you as you finalize the *Program Evaluation and Justification Review of the Support Program Administered by the Department of Management and Services*. We appreciate having an opportunity to review and provide these comments on the draft report and will be pleased to advise you of our ongoing work to complete the council's RFP for vehicle management and tracking.

If you have any questions regarding our comments, please telephone me or Teresa Tinker at 488-7793.

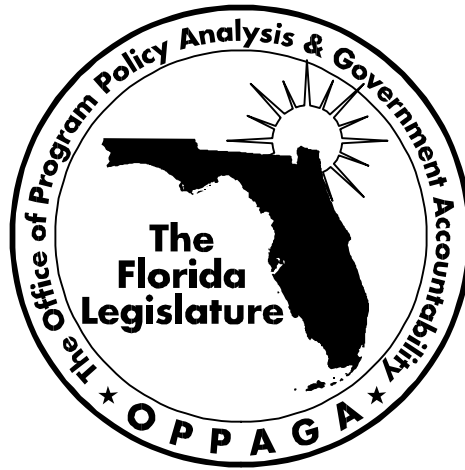
Sincerely,



Robert B. Bradley, Director
Office of Planning and Budgeting

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



ANNOUNCEMENT

The Office of Program Policy Analysis and Government Accountability announces the availability of its newest reporting service. The **Florida Government Accountability Report (FGAR)**, an electronic publication specifically designed for the World Wide Web, is now up and operating for your use.

FGAR provides Florida legislators, their staff, and other concerned citizens with approximately 400 reports on all programs provided by the state of Florida. Reports include a description of the program and who is served, funding and personnel authorized for the program, evaluative comments by OPPAGA analysts, and other sources of information about the program.

Please visit **FGAR** at <http://www.oppaga.state.fl.us/government>. Your comments and suggestions about improving our services are always welcome.

Gena Wade, FGAR Coordinator (850/487-9245)

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Web site: <http://www.oppaga.state.fl.us>

Project supervised by: Thomas S. Roth (850/488-1024)

Project conducted by: Brian Betters, Becky Vickers,
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