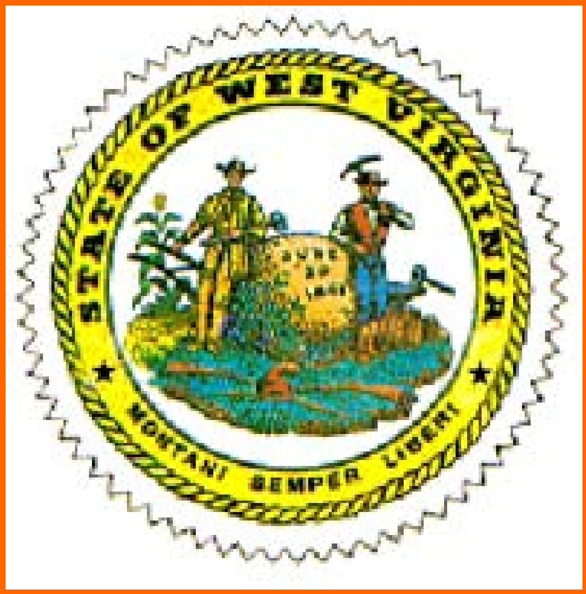
PHASE 2 REPORT
WEST VIRGINIA
PERFORMANCE REVIEW



September 2006

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DEPARTMENT OF ADMINISTRATION

P2-17

BUILD AN ONLINE SYSTEM SO AGENCIES CAN TRACK REQUESTS FOR MAINTENANCE

The General Services Division should provide an online system for state agencies to request work orders and track scheduled maintenance and repairs.

Background

The Department of Administration's General Services Division (GSD) currently acts as the State's service branch of government responsible for the maintenance, upkeep, and construction of buildings and property owned by the state. Each agency housed in state-owned buildings has a coordinator responsible for contacting the GSD to schedule maintenance or repair work as needed.[1]

GSD previously hired two temporary employees who responded to phone requests from state agencies that needed GSD services. GSD employees summarized the requests on paper and then typed the information from that form into a computer system, Datastream MP2, specifically designed for scheduling and managing construction and maintenance tasks. [2]

The Datastream's website describes the MP2 system as an integrated asset management system that enables companies or agencies to:

- Generate and track work orders
- Organize and track inventory
- Manage equipment costs
- Track inventory history
- Schedule preventive maintenance tasks
- Maintain labor records
- Allocate resources

GSD spends about $3,000 each year on maintenance, updates, and training for the system. Although the Department of Administration purchased the current software system in 1993, Datastream still meets the agency's needs. However, at this time GSD doesn't use the system to its fullest advantage. For example, the software can track and document construction or maintenance work performed by GSD employees, but it isn't being used for that. Past directors have not established policies with implementation plans for the software system.[3]

Findings

A computerized maintenance system is critical for GSD to be able to manage and track all the work orders generated by the division.[4] [4]

Unlike the West Virginia General Services Division, which handles requests for service manually, Virginia state employees may log onto the Virginia Bureau of Facilities Management (BFM) Web site and submit requests for maintenance through a secure Web-based software program, 1stService Requests.

The Virginia system asks for specific information, including facility name, specific location within the facility, and a description of the problem or work desired. After the 1st Service Request has been reviewed and accepted, the BFM service desk staff generates a work order in the main computer system and assigns a work order tracking number. At this time, the person making the request is notified via email of acceptance. The tracking number is appended to the request, and the status is updated to reflect that a work order was opened. The main computer system then notifies appropriate maintenance crews of the request. A phone number is provided for emergencies, nights and weekends.[5]

New Mexico's Building Services Division (BSD), housed in its General Services Department, maintains a Web site where state employees may make maintenance requests by completing a "BSD Work Order Form." The state's very simple, straight forward Web site requires customers to include the department, building, person requesting the work, phone number, type of service needed, and service or repair requested on the electronic order form. The customer then clicks "submit order form," which is then transmitted to the BSD.[6]

New Mexico's BSD also allows customers to check the status of the maintenance or repair by logging onto their Web site. The customer can query the system by work order ID, date, or department. The query shows the customer to whom the work order was assigned and when it was finished or is scheduled to be completed. New Mexico employees may use the same site to request code changes on digital locks and key changes on key locks.[7]

Idaho uses an online work order system that allows employees to submit requests for maintenance or repairs to the Facilities Services Division (FSD). This is important because it creates a record of all the requests received and allows the division to better schedule and track requests. The employee logs on to the division's Web site, then enters information such as name, phone number, email address, agency, building, floor or office number, and a description of the work requested.[8]

Several states, including New York, Vermont, and Washington, provide online work order systems for state employees to report problems or request maintenance. These sites are restricted and require passwords from state employees to gain access. This allows only authorized personnel to gain access to those sites.[9] [9]

Recommendation

West Virginia's General Services Division should institute an online work order request system for routine maintenance and repairs for customers in state owned buildings.

The online system should allow customers to log on to the GSD Web site to make maintenance requests and should provide estimates of when the work will be finished. This will allow GSD to better track maintenance and repair requests from building coordinators.

Datastream Systems, Inc., which owns the current MP2 software system utilized by GSD, has software that can be purchased which will allow up to one hundred users to access the site. The software includes electronic submission of work requests, email notification of confirmation/completion of work orders and allows for integration into the existing MP2 system.

This software creates a tracking system whereby all work orders that are entered into the system can be viewed and tracked from initial input to job completion.

Fiscal Impact

There will be costs for the purchase of the software for the online order request system in year one, and continuing maintenance costs for subsequent years.

Fiscal Year	Savings to the General Revenue Fund	Savings to Federal (Other) Funds	Expenditures
2006	$0	$0	$0
2007			$15,795.00
2008			$999.00
2009			$999.00
2010			$999.00

Implementation Table

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Purchase of Datastream work order system	General Services Division, Purchasing Division	September, 2006	November, 2006
Training of General Services Personnel	Datastream Systems, Inc.	December, 2006	January, 2007
Training of end users	Datastream Systems, Inc., General Services personnel	February, 2007	March, 2007

Footnotes

[1] West Virginia Code 5A-4-2
[2] Interview with Tim Lee, Operations/Maintenance Manager, WV General Services Division Feb. 15, 2006
[3] Interview with Tim Lee, Feb. 15, 2006
[4] Interview with Tim Lee, Feb. 15, 2006
[5] Bureau of Facilities Management website, State of Virginia http://firstservice.dgs.virginia.gov/Pages_FAQ/BFM_FAQ_Fac_1.asp http://firstservice.dgs.virginia.gov/BFM_Home.asp
[6] Building Services Division website, State of New Mexico http://www.state.nm.us/gsd/bsd/insert1.htm
[7] Building Services Division website, State of New Mexico http://www.state.nm.us/gsd/bsd/customermenu.html
[8] Facilities Services website, State of Idaho http://adm.idaho.gov/pubworks/
[9] General Administration website, State of Washington; Office of General Services Website, State of New York https://www3.ogs.state.ny.us/FacilityFocus/CMMS/LoginFacilityFocus.asp https://fortress.wa.gov/ga/inet/dcf/dcf_login.htm

HIRE PRIVATE CONTRACTORS FOR MAJOR CONSTRUCTION PROJECTS

The General Services Division should stop doing full-scale construction projects and hire outside contractors to do the job more efficiently and effectively, concentrating instead on routine maintenance and minor repair work.

Background

The state's General Services Division (GSD) currently performs construction work on state-owned buildings. This work consists of complete building renovation such as that done at One Davis Square; floor renovation; office renovation; bathroom, kitchen, and conference room renovation; and other construction type projects.[1]

Under state law, the GSD director has the full responsibility for the care, control, and custody of buildings in the Capitol Complex. The director is also in charge of all minor repairs and alterations of the capitol buildings and grounds. However, state law doesn't assign responsibility for GSD to make major repairs and alterations but stipulates that such major repairs and alterations be made under the *supervision* of the director, subject to the direction of the secretary.[2]

Findings

The agency lacks the staff to do major construction projects and historically hasn't done a proper job of managing the resources of the agency in a way to actually control the costs of construction projects. The agency doesn't have the professional staff to analyze and accurately calculate major construction jobs, nor does it have enough employees on staff to perform the actual work these projects require on a timely basis.[3]

In February, 2006 the GSD acquired a new director who understands that the agency lacks the necessary staff to adequately complete full-scale construction projects while also performing such other responsibilities as routine maintenance and repair. As a result, the new director refused a recent request for GSD to undertake a construction job, suggesting instead that the agency use a private contractor while assigning GSD the responsibility of making sure the project is properly bid to a private contractor.[4]

In the past two out of three years, the Secretary of Administration has been forced to transfer money from other divisions within the department to cover GSD expenses and payroll for the fiscal year. Income and expenses aren't properly tracked, so some construction jobs haven't been efficiently bid. Tenants in the Capitol Complex (with the exception of the Tax Department and the Secretary of Revenue on the third floor, west wing) don't pay rent.

In addition, rents for other tenants in state-owned buildings should be analyzed and, if appropriate, adjusted.[5] One reason GSD hasn't already raised the rent is that agencies don't believe they're getting adequate service from GSD.[6]

For example, GSD currently has a backlog in work orders. As of March 6, 2006, 85 customers were waiting for the crafts division and 204 for the maintenance division to complete requested repairs. These numbers don't include routine maintenance requiring GSD attention. Below are a few examples of outstanding work orders and dates they were requested:

- Repair east wing condensation pump, Building 1. Work requested 10/7/05.
- Replace two relief valves, Building 5. Work requested 11/08/05.
- Leaking window unit, Building 5. Work requested 12/12/05.
- Cracked window, cold air coming in, Building 5. Work requested 12/13/05.
- Leaking window unit, Building 5. Work requested 12/28/05.
- Repair leaking water fountain, Building 1. Work requested 1-09-06.
- Repair wall water leak causing plaster to come off, Building 1. Work requested 1/31/06.[7]

Routine maintenance is estimated to be performed at only 60% of the actual needs.[8]

GSD often loses money on the jobs it bids and takes longer to complete them than promised. For example, the agency began a renovation project on a building housing the State Tax Department on August 8, 2005. The project consists of renovating four offices, a file room, bathroom, conference room, and kitchen. In November, the former deputy director of General Services reassigned the construction crew to finish another project. The crew didn't return to the Tax Department job until January 2006, putting the project even further behind schedule.[9]

A renovation project that should have taken a couple of months will have taken approximately nine months when finally completed. During the renovation, between two and six employees of GSD have been working at any given time on the project, depending on the progression of the work. With the delays, the GSD expects not to cover the costs of the State Tax Department project with its original estimate.[10]

The agency's crafts section employs 18 people. With a total payroll of $700,000, the section collected $350,000 during the last fiscal year. Some jobs were performed for free and some invoices were never submitted for payment.[11]

Arkansas, North Dakota, and Utah all employ project management teams or construction management teams within their respective general services agencies to oversee government building construction projects contracted to private companies.[12] In West Virginia, there is currently no project management team to oversee such projects. Arkansas, North Dakota, and Utah all employ architects and other personnel with qualifications necessary to insure the quality and timeliness of contracted work is performed satisfactorily. West Virginia lacks a full time architect or other qualified personnel to make sure contract work is being performed satisfactorily.

GSD's current practice is to purchase materials for construction projects upfront and submit an invoice for payment only after the construction work has been completed.

Some projects can take months to complete, resulting in GSD financing the state agency's cost of the construction project.[13]

The federal General Services Administration's Public Buildings Service (PBS) serves as the landlord of the civilian federal government, with a total inventory of 345 million square feet of workspace for a million federal employees. The agency controls 1,600 government-owned buildings, which comprise about 55 percent of the total buildings. The remaining 45 percent are leased facilities.[14]

The PBS collects rent from federal agencies housed in federally owned buildings. PBS deposits the rents into the Federal Buildings Fund, the principal funding mechanism for the Public Buildings Service. The Federal Buildings Fund is used to maintain current buildings and pay for construction projects on federally owned buildings, with the profit obtained through rent payments.[15]

Only one percent of the entire General Services Administration's budget is provided through direct congressional appropriations. The vast majority of the operating costs must be recovered through the services it provides.[16]

Each federal building owned by the Public Building Service has a building manager. All work performed on federal buildings, whether routine maintenance or major construction, is bid out to contractors. The federal government does virtually no building maintenance or construction using federal employees.[17]

West Virginia University has a large number of buildings on the two main campuses in Morgantown, with an approximate total of seven million square feet of building space. Construction projects are viewed individually. And while there is not an exact dollar figure, generally projects aren't taken on by the facilities management division if they are over $50,000. Those projects are bid to other private contractors. Projects requiring certification, such as sprinkler systems or elevators, are usually bid to private contractors.[18]

The university's facilities management division has also experienced problems with coming under bid on construction projects. For example, the university bid a recent project at $4,000, although actual costs ran $15,000. Now the main focus of the division is to concentrate on the deferred maintenance of the university buildings, so the director will have time to manage the available labor resources in the best way to perform routine jobs.[19]

WVU has a system called Open End Task Order for pre-qualifying vendors for construction and maintenance projects. These orders are available for any construction project under $250,000 in estimated cost. The vendors are pre-qualified by the facilities management staff after the vendors have accepted all university contract terms and conditions, so no bid bonds are required.[20]

By pre-qualifying vendors, the bid process can be completed more quickly than the standard bidding process. Also, the competition between the vendors takes place electronically, enabling the bid process to be completed in as few as four days. A two-day notice of a site visit is allowed (if needed), followed by two days to submit bids. The Open End Task Order operation is entirely Web-based, so only pre-qualified vendors have access to the system.[21]

After bid closing, the results, minus bidder names, are forwarded to the project manager, who can then recommend the contract be awarded to the lowest bidder, reject all bids, or challenge an apparent mistake in the low bid. After acceptance of a bid, the university issues a stand-alone contract incorporating the signed terms and conditions from the Open End Task Order Agreement.[22]

Recommendation

The General Services Division should stop doing full-scale construction projects and hire outside contractors to do the job more efficiently and effectively.

The GSC should concentrate instead on routine maintenance and minor repair work on state owned buildings.

The lack of cost estimating abilities makes it impossible to estimate the impact this would have on operations. There have been delays in the past on completing construction projects, along with delays in acquiring needed materials for those projects. These delays should stop with outside contractors performing major construction work.

The GSC should incorporate a Project Management Section into its organization, including an architect, a project estimator, and a mechanical engineer. The agency should also work with the Purchasing Division to pre-qualify vendors for different types of construction and maintenance/repair projects to greatly speed up the process.

No estimate of cost savings is possible, although pre-qualifying vendors would allow a large number of contracts to be bid and projects completed much more quickly.

Fiscal Impact

The job titles and cost estimates for employees needed to staff General Services is discussed in issue P2-19. **Therefore there is no fiscal impact associated with these recommendations.**

Implementation

Task	**Responsible Party**	**Start Date [month/year]**	**Anticipated Completion**
Contract major construction work to independent companies	General Services	June 2006	

Footnotes

[1] Interview with Tim Lee, Operations/Maintenance Manager, West Virginia General Services Division 3-06-06
[2] West Virginia Code 5A-4-2
[3] Interview with Ross Taylor, Director of Finance, West Virginia Department of Administration 3-06-06
[4] Interview with David Oliverio, Director of West Virginia General Services Division 2-16-06
[5] Interview with Ross Taylor 3-06-06
[6] Interview with Ross Taylor 3-06-06
[7] Interview with Tim Lee – report generated 3-31-06 entitled Open Crafts Work Orders by GSD
[8] Interview with Tim Lee 2-28-06
[9] Telephone interview with Chris Morris, West Virginia Assistant Tax Commissioner 2-28-06
[10] Interview with Tim Lee 3-06-06
[11] Interview with Ross Taylor 3-06-06
[12] Arkansas, North Dakota, Utah websites http://www.asbs.com/construction/ http://www.nd.gov/Fac/officeinfo/facmgtorgchart.pdf http://www.dfcm.state.ut.us/fm_about.php
[13] interview with David Oliverio 4-03-06
[14] United States General Services Administration (GSA) website http://159.142.162.71/Portal/gsa/ep/contentView.do?contentId=8062&contentType=GSA_OVERVIEW
[15] GSA website http://159.142.162.71/Portal/gsa/ep/contentView.do?contentId=8062&contentType=GSA_OVERVIEW
[16] GSA website http://159.142.162.71/Portal/gsa/ep/contentView.do?contentId=8062&contentType=GSA_OVERVIEW
[17] GSA website http://159.142.162.71/Portal/gsa/ep/contentView.do?contentId=8062&contentType=GSA_OVERVIEW
[18] Telephone interview with Bob Campione, Associate Director of Facilities Management, West Virginia University 3-09-06
[19] Telephone interview with Bob Campione 3-09-06
[20] Email, report received from Philip Charneskie, West Virginia University, Purchasing Director 3-13-06 Report entitled Open End Task Order
[21] Email, report received from Philip Charneskie 3-13-06
[22] Email, report received from Philip Charneskie 3-13-06

RESTRUCTURE THE GENERAL SERVICES DIVISION

West Virginia should restructure its General Services Division to make it more effective and cost-efficient.

Background

The state's General Services Division does important work with a current work force of 83 full time employees.[1] The agency is divided into eight separate divisions, each with a separate manager. Managers and workers include:

Division	Supervisors	Workers
Leasing	2	7
Custodial	2	13
Operations/Maintenance	3	17
Grounds	2	7
Outlying Areas	1	3
Health/Safety Asbestos	2	2
Crafts	3	15
Director	1	

Source: Organizational chart, General Services Division General Services Division, 2005

GSD's core mission is routine maintenance and minor construction projects on state-owned buildings.[2] However, a backlog on work orders requested by agencies has highlighted the fact that the GSD lacks sufficient trained employees to do its work. The agency often undertakes major construction projects that interfere with its ability to meet demand for routine maintenance and minor repairs.

Other states outsource major construction on state buildings to private contractors and then assign state employees, generally engineers or architects, to oversee the work. This frees state employees to focus on more of their core competencies such as routine building maintenance.[3]

As of March 6, 2006, the agency had logged 85 backorders in the crafts division and 204 backorders in the maintenance division. Examples include:

- Repair east wing condensation pump – Building 1. Work requested 10/7/05.
- Leaking window unit – Building 5. Work requested 12/12/05.
- Repair leaking water fountain – Building 1. Work requested 1/9/06.
- Repair wall water leak causing plaster to come off – Building 1. Work requested 1/31/06.

This doesn't include routine maintenance jobs. Our research found that GSD performed less than 60 percent of the routine maintenance needed to keep the state's buildings in good repair.[4]

Findings

West Virginia's GSD is not organized in accordance with its core functions, resulting in a lack of effectiveness and efficiency.[5] For example, the number of divisions and managers and supervisors within GSD can delay approval for equipment and materials needed for performing maintenance or repair work. According to some GSD employees, it can take weeks, sometimes even months, to get materials because of the layers of bureaucracy and management needed to approve purchases.[6]

In contrast, Virginia's Bureau of Facilities Management (BFM) BFM has just four managers and two divisions. Located within the state's General Services Division (equivalent to the West Virginia's Department of Administration), Virginia's BFM is responsible for state facility maintenance, operations, repairs, and technical services. Its four managers include a director, deputy director, chief of Maintenance and Operations, and chief of Administration.[7]

Virginia's BFM divides its maintenance crews into five teams, with each being responsible for a specific number of buildings instead of all the employees in the division being responsible for all buildings. Each team consists of electricians, HVAC workers, plumbers, and general maintenance workers, overseen by a team leader or supervisor. BFM also has a team of general workers: tradesmen, such as drywall workers, carpentry workers, painters, and other general maintenance workers.[8]

West Virginia University, which maintains its own buildings, divides campuses into six zones, with approximately eight workers in each. The university has general tradesmen in each zone capable of performing routine maintenance work and repairs.[9]

In New Mexico, that state's Building Services Division has three crews, each responsible for the maintenance and repair on specific buildings. There is a central maintenance complex management team, south maintenance complex management team, and west maintenance complex management team, each with a manager and full maintenance staff.[10]

In addition to having too many managers and supervisors, West Virginia's GSD lacks employees with the necessary expertise or professional management experience to effectively oversee the operation.[11] The skill levels of the managers don't match the needs of the organization. There's a need to attract the appropriate expertise to its management team to better carry out its core functions.[12]

In contrast to West Virginia's organization and management, Wyoming's General Services Division has only two main departments: Trades Management and Facilities Operations. Trades Management is responsible for:

- construction and maintenance projects, such as small office renovations, cubicle design and installation
- carpentry work

- painting locksmith work
- special project management oversight
- electrical
- plumbing
- HVAC

Wyoming's Facilities Operation is responsible for:

- grounds services
- custodial services[13]

North Dakota's Facility Management Division is divided into four main divisions:

- Physical Plant, which responsible for maintenance such as carpentry, electrical, HVAC, painting, plumbing, and general maintenance
- Custodial Services
- Grounds
- Project Management, which includes a state facilities planner[14]

South Dakota's Bureau and Grounds Division of the Department of Administration is responsible for the maintenance of the buildings and grounds as well as the remodeling and renovation of state-owned buildings. Buildings and grounds consists of four separate sections:

- Administration/Building Engineer
- Custodial
- Grounds
- Trade, including carpentry, HVAC, plumbing and heating, and electrical.[15]

Iowa's Department of Administration's General Services Enterprise division consists of four divisions:

- Maintenance, including custodial, locksmith, mechanical, electrical/HVAC, grounds maintenance, and painting/carpentry/masonry
- Service Delivery, including e-procurement, statewide purchasing, and budget/cost control/revenue
- Design and Construction, including project management, painting, utilities, lease and move management, and capitol planning
- Fleet & Mail, including fleet management services, state garage fueling station, state motor pool, vehicle self-insurance administration, mail receiving, and distribution services [16]

Recommendations

West Virginia should reorganize its General Services Division to make it more effective and cost-efficient.

a. GSD should reduce its current seven divisions to five. Based on the organizational structure of other states and the vision of the West Virginia General Services Director, the different divisions of GSD should include operations/maintenance, custodial, grounds, project management, and business management. A breakdown of the divisions should be as follows:

- *Operations and Maintenance*, including general trades and crafts
- *Custodial*, including the capitol, outlying areas, West Virginia Association of Rehabilitation Facilities (WVARF), set-up/removal of equipment for special events, and office relocation
- *Grounds*, including outside cleanup/maintenance/beautification
- *Project Management*, which should include an architect with project oversight of major construction and to review bid specifications; two project estimators; an environmental specialist; a health and safety specialist and a mechanical engineer with a strong HVAC background
- *Business Management*, which should include p-card use, the storeroom, budget and service desk

GSD should also divide the Operations and Maintenance Division into specific teams responsible for maintenance and repairs on specific buildings, instead of the current practice of the entire unit being responsible for all buildings. This system will allow employees to react to maintenance or repair issues more quickly by reducing the number of buildings each team has under its control. These teams should consist of electricians, HVAC workers, plumbers, and general maintenance workers. There should also be a team of general trade workers, or journeymen consisting of painters, carpenters, electricians and plumbers. This team would not be assigned to any specific buildings but used throughout the campus as needed.

New employees should be paid out of a fund administered by the agency which is dedicated to maintenance, repairs and oversight of state-owned buildings. This fund is entitled "Capitol Dome and Capitol Improvements Fund", or fund 2257 within the General Services budget. This fund is created in Chapter 5A, Article 4, Section 2(3)(c) of the West Virginia Code. The authority for the fund originates in Chapter 29, Article 22A, Section 10, and the revenue is derived from a portion of the video lottery proceeds from the states' four racetracks. As of June 30, 2006 this fund had an available cash balance of $12,969,280. The projected revenue for this fund during fiscal year 2007 is $5,216,000.

There are currently several projects encumbered by this fund that are in progress. These projects have a remaining unpaid balance of $2,522,000. There are also several planned projects to be paid out of this fund, yet to be encumbered, with an estimated cost of $6,830,000.

Another fund which is administered by General Services and could be used for personal services is entitled the "Capitol Renovation and Improvement Fund", or fund 2462 within the General Services budget. This fund is created in Chapter 5A, Article 4, Section 6(b) of the West Virginia Code. The funding authority for this account comes from Chapter 29, Article 22A, Section 10, and the source is lottery revenue. According to the code, moneys from this fund are to be used for renovations and improvements to the existing state capitol complex. As of June 30, 2006 this account had an available cash balance of $8,292,285. The projected revenue for this fund during fiscal year 2007 is $4,961,000.

There are currently several projects encumbered by this fund that are in progress. These projects have a total remaining unpaid balance of $757,000. There are also several planned projects to be paid out of this fund with an estimated cost of $7,795,000.

Another dedicated fund is entitled the “Parking Garage Fund”. This fund is to be used for the construction and maintenance of a parking garage on the capitol grounds. Chapter 29, Article 22A, Section 10 of the West Virginia Code creates the account for the fund. The garage was constructed in the late 1990’s and receives $500,000 a year from the lottery, which is to be used for debt service and maintenance. $450,000 a year is paid out from this fund for debt service. There is a $322,000 available cash balance in this fund as of June 8, 2006. This money should be used immediately to pay for the upkeep and maintenance on the parking garage which has fallen into disrepair because of neglect over the years.

b. **The number of unit managers should be reduced to five to match the divisions in the agency. Lead workers or working supervisors can be added as teams are developed.**

c. **GSD should create specific job descriptions for its management positions and seek qualified candidates to fill those jobs.**

d. **GSD should add additional employees as necessary to effectively carry out its core mission. These employees should have skills in the following areas: Electrical, HVAC, architecture, operations/maintenance management, environmental/asbestos management, health and safety, and project management.**

e. **GSD should partner with West Virginia Prison Industries to use the services of inmate labor whenever possible and appropriate to reduce its costs. Prison Industries owns a work release center in Charleston, which would be convenient for GSD to take advantage of additional workers on routine maintenance or minor construction jobs. This is also a benefit to the work release prisoners, allowing them to earn experience and money towards their release dates.**

Fiscal Impact

Our research identified twenty professional positions GSD must fill to effectively meet its mandate. These positions include electricians (6), HVAC (2), architect, CADD technician, office assistant (2), operations/maintenance supervisor, environmental engineer (asbestos coordinator), health/safety manager, project administrator, project manager (2) and mechanical engineer.

According to information received from General Services, a total of sixteen people employed in the agency were dismissed, resigned, transferred or retired between 1/20/05 and 2/02/06. The salaries and benefits for those employees totaled over $800,000. However, three of those employees worked as parking attendants paid through a separate fund, which have been re-staffed; a new director for General Services has been hired to replace the former director; the leasing coordinator resigned but that position will eventually be filled; and two employees were dismissed who were employed through the asbestos fund, which is a dedicated fund.

There is a need for approximately twenty new positions within the General Services Division. Several of these positions should be filled with existing staff. Taking into account the salaries and benefits of the current vacant positions within the General Services Division, the total revenue needed to adequately staff the agency would be approximately $1,298,700, beginning in fiscal year 2007. Since this money can be used through existing funding, no increases in additional revenue will be needed.

Fiscal Year	**Savings to the General Revenue Fund**	**Expenditures**	**Change in FTEs**
2006	$0	$0	
2007	$0	$1,298,700	
2008	$0	$1,298,700	
2009	$0	$1,298,700	
2010	$0	$1,298,700	

Additional employees needed in General Services with estimated salaries and benefits:

Position		**Salary**	**Benefits** (35%)	**Total**
Electricians (6)		$45,000	$15,750	$60,750 x 6 = $364,500
HVAC		$44,000	$15,400	$59,400 x 2 = $118,800
Architect		$65,000	$22,750	$87,750
Office Assistant (2)		$25,000	$8,750	$33,750 x 2 = $67,500
Op./Maint. Manager		$54,000	$18,900	$72,900
Op./Maint. Supervisor		$45,000	$15,750	$60,750
Environmental Engineer		$64,000	$22,400	$86,400
Health/Safety Manager		$60,000	$21,000	$81,000
Project Managers (2)		$50,000	$17,500	$67,500 x 2 = $135,000
Mechanical Engineer		$66,000	$23,100	$89,100
Project Administrator		$70,000	$24,500	$94,500
CADD Technician		$30,000	$10,500	$40,500
20 Total Positions				**$1,298,700**

Implementation

Task	**Responsible Party**	**Start Date [month/year]**	**Anticipated Completion**
Work with Division of Personnel to finalize specifications for new positions	General Services, Division of Personnel	July, 2006	August, 2006
Begin advertising for new positions	General Services, Division of Personnel	July, 2006	December, 2006

Footnotes

[1] Report provided by General Services 2-14-06
[2] Interview with David Oliverio, Director of General Services 2-24-06
[3] Interview with David Oliverio 2-24-06
[4] Interview with Tim Lee, General Services Division 2-28-06
[5] West Virginia Code 5A-4-2
[6] Interview with David Oliverio 4-03-06
[7] State of Virginia website http://firstservice.dgs.virginia.gov/Pages_Misc/BFM_About_Us.asp
[8] Interview with David Oliverio 4-03-06
[9] Telephone Interview with Bob Campione, Associate Director of Facilities Management, WVU 3-29-06
[10] New Mexico Building Services Division website http://www.state.nm.us/gsd/bsd/buildings.html
[11] Interview with David Oliverio **4-03-06**
[12] Interview with Robert Ferguson, Secretary, Department of Administration 2-02-06
[13] State of Wyoming website http://ai.state.wy.us/GeneralServices/TradesMgt/index.asp
[14] State of North Dakota website **http://www.nd.gov/Fac/officeinfo/facmgtorgchart.pdf**
[15] State of South Dakota website http://www.state.sd.us/boa/b&g.htm
[16] State of Iowa website http://das.gse.iowa.gov/org_info/GSEchart.pdf

FLEET MANAGEMENT

P2-36

REVAMP FLEET MANAGEMENT

The Fleet Management Department should be revamped to make sure the state's vehicle fleet is operated effectively and efficiently to cut costs, increase safety, and improve service.

Background

The Governor's Office of Fiscal Risk Analysis and Management in 2002 conducted a comprehensive review of the state's vehicle fleet procedures and practices. The report identified several problems in how the Fleet Management Department purchases and managed the state's fleet. The process was a "cash cow" for the Purchasing Division, the report concluded, because of the fees and other revenues the agency collects and the lack of equitable and customer-focused work practices and procedures.

A number of areas were specifically cited as examples of the way the department creates unnecessary financial hardships for state agencies:

- *Fleet Management received high revenues from the process with no evidence that any excess was used to help reduce lease payments for participating agencies*.[1] The study found that revenues were collected from a variety of sources including: vehicle resale, administrative fees, insurance money from cars that are totaled, and some federal excise tax refunds. However, none of these excess funds collected were applied to help offset the cost of monies borrowed to pay for these vehicles.

- *Proceeds from vehicles sold flow back into Fleet Management*. The report noted that when vehicles are retired from service, 80 percent of the proceeds were given back to Fleet Management. The remaining 20 percent was claimed by Surplus Properties to support its operations. Even though the agencies paid for the life of the 48-month lease, Fleet Management retained the title to the cars and received the majority of the money from the sale. Another negative result from this practice was that there was no incentive for the agencies to take care of the cars to increase the value of the car when it was resold.

- *Fleet management participants are charged a high aviation fee.* State agencies that leased vehicles from Fleet Management were required to pay two administrative fees — one to fund fleet administration and another to cover the state airplane, regardless of whether the agency even used it. With several state agencies exempted from the Fleet Management program, this system spread the cost of the plane over fewer agencies and, thus, significantly increased the cost of the vehicle leases for those participating in the Fleet Management program.

- *Fleet revenues used to pay other non-fleet salaried employees.* A financial analysis of the department revealed that revenues collected from Fleet Management were used to help pay for 20 individuals' salaries, all within the Department of Administration, even though the Fleet Department only had two employees. This again added to the escalation of the costs to the agencies participating in this program**.**

- *Fleet Management practices "rounding up" for fleet charges*. The report found that all charges assessed to agencies for the fleet program had been rounded up to the next dollar, rather than rounding up the total dollar amount after all charges were added together. This occurred even if the charge was only one cent over the dollar amount.

- *Agencies were often charged excess lease fees for vehicles paid in full.* At the time, the Fleet Management Department set aside one day a year — June 30 — to review vehicle leases. As a result, many agencies were charged a monthly lease fee beyond their 48-month agreement, even if the vehicle had been paid in full. These excess fees were collected from the agencies and retained by the Department of Administration.

Findings

There are currently two full-time staffers in the Fleet Management Department — the manager of Fleet Management and an administrative assistant. In addition, an assistant director has been placed in a supervisory role over both Fleet Management and Surplus Properties and reports directly to the Director of Purchasing.

2002 Fleet Report Findings Compared to the 2006 Current Findings:

2002 Fleet Report Finding	**As of May 1, 2006 Current Finding**
Fleet Management receiving high revenues with no evidence of excess income applied to help reduce agency lease payments	No change.
Proceeds from vehicles sold flow back into Fleet Management or Surplus Properties, rather than the agencies which paid for the vehicles	No change.
Fleet management participants are charged a high aviation fee	No change.
Fleet revenues used to pay other non-fleet salaried employees	No change.
Agencies are often charged greater than 48 months for the vehicle lease	No change.
Agencies are encouraged to lease vehicles rather than purchase them outright	Minimal change.
Retroactive Federal Excise Tax credit recovery, cited in 2002, not recaptured as permitted by federal law	No change.

There were additional problems cited in the current Fiscal Management process:

- *Fleet Management not reimbursing agencies for federal excise taxes paid.* According to reports provided by the DOA finance department, thousands of dollars were incorrectly charged to the various agencies and then collected by the DOA and never returned to the agencies. From January 2002 through September 2005, this amount represented $98,058 that should have been returned to agencies that paid this federal tax.

- *Use e-bay to sell surplus vehicles*. Using e-bay to sell surplus vehicles was a recommendation made in the 2002 Fleet Management report due to the significantly higher potential returns. The state of Oregon realized a 20 percent increase over their average bid price for their surplus vehicles. Today, multiple states use e-bay as a means to sell retired vehicles, including North Carolina, Ohio, Oregon, and Washington. California's Department of General Services (DGS) started selling surplus property, including automobiles, to the public, using e-bay in April 2000 under a program called CaliforniaGold2000[2]. Since its inception, the program has sold more than 3,654 items generating $668,000 for the state. DGS reports that it will typically sell an item on e-bay for up to three to five times more than it had sold at previous in-house auctions.

- *Multi-state vehicle contract*. According to an Oregon state procurement analyst,[3] a multi-state initiative among California, Oregon, and Washington for the purpose of bulk purchasing state vehicles (specifically the Toyota Prius) will kick off in 2009. Oregon and Washington must meet the emissions standards for California prior to the contract's execution.

  Other states, however, have not been successful. When New Mexico[4] tried to enter into a multi-state contract for vehicle purchases, the manufacturers refused to deal directly with the states. In another initiative, New Mexico's fleet department tried to purchase tool carriers, or front-end loaders, through a multi-state agreement. Although they identified a manufacturer and a single dealership to purchase this equipment, competing dealerships complained to New Mexico's governor and got the initiative stopped.

Another challenge is the significant number of state entities that have been exempted from participating in the Fleet Management program. These include:

- Higher Education Policy Commission
- Higher Education Governing Boards and their Institutions
- Division of Highways
- State Police
- Division of Natural Resources
- Division of Forestry
- Department of Agriculture

This has resulted in an inequitable process in which participating agencies in Fleet Management are charged higher fleet fees than non-participating agencies. As noted above, this creates an undue cost burden on the participating agencies in paying for the aviation program making it difficult for smaller agencies to afford participating in the fleet program.

Lastly, allowing independence of certain agencies to be exempt from Fleet Management has led to a lack of quality asset management. This is easily shown in the lack of a statewide and current up-to-date inventory of the number and value of all state vehicles.

Based upon a survey of all state passenger vehicles for all agencies, the state has approximately 6040 vehicles statewide[5]. If an equitable and customer-driven fleet management process was implemented and consolidated all agencies, this could provide better asset management for the state as well as spread high overhead cost over a much larger number of vehicles.

Recommendations

a. **The Department of Administration, Finance Division, should cease charging agencies lease interest payments on vehicles which are purchased and not leased**.

   Any interest saved should be equitably passed on to the participating agencies. As part of the vehicle resale process, the Department of Administration should provide an auditable report to every agency participating in the Fleet Management Program of vehicles sold. The report should include the sale date, the vehicle sold (including VIN number), the agency to which the vehicle was assigned, the dates the vehicle was assigned to the agency, the amount paid by the agency for the vehicle, the amount for which the vehicle was sold, and a breakout of how the sales revenue was distributed (auction fees, towing/relocation fees, etc.).

   Any net revenue, excluding the appropriate fees paid to third parties, should be credited to the agency which paid for the vehicle. A processing fee, not to exceed 5% of the gross sales revenue, can be paid to Surplus Property for processing the sale.

b. **The legislature should pass a law to mandate that any agency that owns or leases a vehicle will be subject to the aviation fee.**

   This will expand the fee base permitting the fee charged per vehicle to be reduced while keeping the aviation revenue at the same level as it was prior to the expansion of the fee base.

c. **Fleet management fees should be reduced so that they cover direct fleet management operations costs plus not more than a 10% indirect administrative allowance.**

   This recommendation makes fleet appropriations fully transparent and more realistically reflect actual management costs. Direct fleet management operations would be limited to 100% of the salary and benefits for the Fleet Manager, 1/3rd salary for the Fleet Buyer, and 1/3rd salary for the DOA's Director of Finance and all expenses budgeted to operate Fleet Management (The Fleet Manager's Administrative Assistant position is eliminated as per the recommendation in P2-

37). In addition, the operations costs for the Aviation program are added and include all salaries and benefits as well as their budgeted operating expenses. This places total related management costs at $2,031,691.25[6]. The total income generated by Fleet Management and Aviation is $875,000 and thus the amount needed to cover the above costs is the difference at $1,156,691.25 annually. Expenses charged to the participating fleet agencies, in future years, should not exceed 10% of the previous year's expenditures.

Revenue collections in excess of direct fleet operations costs should be set aside in a separate fund that requires direct legislative appropriations for operations other than fleet management.

Alternatively fleet management fees should be recalibrated so that the revenue resulting from the fees does not exceed the amount cited above. At the current level of expenditures, this should result in the fees being reduced to <u>$60.24 per vehicle per month (based on 1600 vehicles).</u> If all state vehicles were consolidated and these administrative charges were spread over an estimated 6000 vehicles, the fee should drop to <u>$16.06 per vehicle per month.</u>

d. Fleet Management should convert to a flexible leasing and purchasing schedule that fully conforms to the 48-month lease terms.

In addition, Fleet Management should provide the requesting agency a full amortization schedule for the vehicle lease, and notify the agency 60 days prior to the expiration of the lease. Failure to provide this information to the agency is grounds for the agency to withhold lease payments. Fleet management should be prohibited from issuing invoices for lease payments beyond the lease terms and agencies are authorized to refuse payment of invoices issued beyond the lease terms.

e. The Department of Administration should adopt rules prohibiting vehicles leases unless an agency requests the lease/purchase option and provides suitable justification for incurring the increased lease finance costs and limit vehicle purchases to clearly specified, nationally-established classes that are acceptable to all state agencies.

The Department should initiate negotiations with the state agencies to obtain full stakeholder input regarding appropriate and necessary specifications for the standard vehicle classes. The final rules and specifications should track national standards for vehicles purchases. The Department should reconvene the agencies every three years to revisit their vehicle needs.

In addition a DOA should establish a process allow for purchases of vehicles outside the established classes when "extraordinary" vehicle options not available within the established vehicle classes are required. The rules allowing an agency to go outside the existing vehicles classes to obtain "extraordinary" vehicle options should include a written request from the agency head verifying the need for extraordinary options and signifying their approval of the request for the vehicle options.

f. **The Department of Administration should establish procedures for using e-bay as a primary channel for selling surplus vehicles.**

The Department should establish benchmarks and goals for the percent of surplus vehicles sold through national on-line auctions and the revenue the state realizes from these sales compared to non-online auction sales.

g. **Through the budget process, agencies should be appropriated the fuel reimbursements received by Fleet management for fiscal years 2004 through 2006.**

h. **Fleet purchases should be included in West Virginia's recently adopted multi-state purchasing authority**

This could reduce the cost of vehicles purchased for the state.

i. **The Department of Administration should direct Fleet management to change its purchasing practices as it relates to vehicle nameplates so that vehicles being assembled in West Virginia are included in the eligible list of vehicles, whether or not those vehicles are considered American nameplates.**

Fiscal Impact

Fiscal Year	Increased Cost to the General Revenue Fund	Savings/Revenues	Change in FTEs
2006	$0	$314,709	1
2007	$0	$314,709	1
2008	$0	$314,709	1
2009	$0	$314,709	1
2010	$0	$314,709	1

Increased revenues result from an estimated 20% increase in surplus vehicles sells using e-bay for 50% of the value of vehicles sold ($742,141) by State Surplus for FY 2005 to equal $74,214 per year.

The second amount represents savings results from reduced interest payments by requiring more agencies to purchase rather than lease. According to vehicle information from a spreadsheet collected in April, 2006, there were 1492 vehicles leased. Our estimate assumes half or about 746 vehicles would be purchased. On average the state pays $1204 in interest per vehicle for 4 years per vehicle. We further assume vehicles turnover every 5 years (746 x .80% = 597 vehicles purchased), the total savings over four years is $718,788, or <u>$179,697 per year in interest</u>.

The third savings amount comes from eliminating the Fleet Manager Administrative Assistant's position (as recommended in P2-37). The salary and benefits for this position equals $60,798 per year.

Interagency transfers redirected from Fleet to Agencies:

(This will not result in additional overall monies saved for the state, but represents a minimum savings to the agencies who participate in the DOA's fleet management program)

Item	2006	2007	2008	2009	2010
Loan Interest Paid by Agencies for Vehicles Purchased by the DOA	$15,044	$15,044	$15,044	$15,044	$15,044
Surplus revenue*	$705,034	$705,034	$705,034	$705,034	$705,034
Administrative Fee based on Aviation and Fleet Salaries and operating expenses only (based on 1600 cars)**	$47,616	$47,616	$47,616	$47,616	$47,616
Excess Lease Fees	$243,330	$243,330	$243,330	$243,330	$243,330
Federal Excise Taxes rebated to agencies	$98,058 (one-time payment)				
TOTAL	$1,109,082	$1,011,024	$1,011,024	$1,011,024	$1,011,024

*For FY 05, total value of vehicles sold (State Surplus only) was $742,141. Allowing a 5 percent processing fee ($37,107) for selling the vehicles would leave a total of $705,034.

**Currently, participants in the DOA fleet management program are paying administration fees of $92 per vehicle per month. Changing the administrative fee to pay only for aviation and fleet-related salaries and operating expenses would reduce the administrative fee to $60.24 per vehicle per — a net savings difference of $29.76 per vehicle (calculation based on 1600 cars).

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
DOA to stop charging leasing agencies interest payments on vehicles purchased and not leased	DOA Secretary, Finance Director	August/2006	Ongoing
DOA to develop and provide auditable report for agencies	DOA Fleet Manager	August/2006	October/2006 (Ongoing)
DOA to begin reimbursing leasing agencies for any excess revenues received	DOA Secretary, Finance Director	August/2006	Ongoing
DOA to issue memo and begin charging processing fee for Surplus Department, not to exceed 5% of gross sales revenue of vehicle, for processing sale	DOA Secretary, Finance Director, Surplus Director	October/2006	October/2006 (Ongoing)
DOA to develop legislation to mandate all agencies owning/leasing vehicles will pay aviation fee	DOA Secretary, DOA Legal Director	August/2006	September/2006
DOA to present legislation to Governor’s Office for review and approval	DOA Secretary, DOA Legal Director, Governor’s Office	September/2006	November/2006
Governor’s Office to submit bill to Legislature	Governor’s Office	February/2006	April/2006
DOA should restructure budget to begin charging leasing agencies based on direct fleet operation costs and a maximum 10% administrative allowance	DOA Secretary, Finance Director	August/2006	Undetermined
DOA Fleet Management to begin using a flexible leasing/purchasing schedule, including terms for rights of leasing agencies not to pay beyond 48-month lease agreement	DOA Fleet Manager	August/2006	September/2006 (Ongoing)
DOA to develop and adopt rules prohibiting leasing, with exception provision described above	DOA Fleet Manager, Fleet Buyer, Legal Director, Leasing Agency’s	August/2006	October/2006

	Representatives		
DOA to create policy and adopt practice to require Surplus Properties to begin using e-bay as the primary channel for selling surplus vehicles	DOA Secretary, Surplus Director, Legal Director	August/2006	October/2006
DOA to develop committee with leasing agencies to develop national vehicle standards and specifications	DOA Fleet Manager, Leasing Agency's Representatives	August/2006	October/2006 (Ongoing)
DOA to adopt rules and implement policy to limit vehicle purchases to nationally-established classes, including provision for instances of extraordinary options	DOA Fleet Manager, Legal Director	November/2006	Ongoing
DOA to reimburse leasing agencies the appropriate fuel reimbursements	DOA Secretary, Finance Director	August/2006	October/2006
DOA should investigate multi-state contracts for purchasing vehicles	DOA Secretary, Fleet Manager, Fleet Buyer	September/2006	December/2006
DOA should adopt rules and change policy to include vehicle nameplates assembled in WV to be included in eligible list of state vehicles	DOA Secretary, Fleet Manager, Fleet Buyer, Legal Director	September/2006	December/2006

Footnotes

[1] "Fleet Management Report: This is a New Age" (released 2002) submitted by Todd Hudnall, Governor's Performance Review Team – This report referenced for all past findings cited in this paper.
[2] Internet article "Using Innovative Techniques to Enhance Sale of State Surplus Property", http://cpr.ca.gov/report/cprrpt/issrec/stops/proc/so80.pdf, issues and recommendations from the California Performance Review
[3] Phone interview with Tim Taylor, State Procurement Analyst, state of Oregon, 6/5/06
[4] Phone interview with Cathy Sanchez, Purchasing Department, state of New Mexico
[5] State vehicle inventory spreadsheet of all state-owned/leased vehicles, collected by the Governor's Performance Review Team, 4/06
[6] Breakdown of Fleet Management and Aviation Expenses provided by Ross Taylor, Director of Finance Division, Department of Administration

ENHANCE FLEET SAFETY TO CUT COSTS

West Virginia should develop a comprehensive vehicle-safety management plan to reduce the number of accidents and save taxpayers money reduce.

Background

There are clear benefits to having a comprehensive vehicle safety program — fewer vehicle accidents and fatalities, and lower insurance liability costs. According to a 2002 study of Fiscal Risk Analysis and Management[1] by the Governor's Office, state government lacks safety accountability in its fleet management practices and procedures.

According to the study, no agency had systematic check of driving records prior to or after employees had been hired, only two state agencies had safety education programs, and reporting vehicle accidents to the Board of Risk Insurance Management (BRIM) varied by agency, . The study also found a lack of incentives for employees who maintained good driving records. Additionally, many agencies did not have a designated safety trainer or coordinator.

The report estimated that losses due to vehicle accidents totaled more than $30 million for the previous five years, including costs related to indemnity, property, medical for the other drivers in automobile accidents. These costs did not include employee claim expenses for Workers' Compensation.

Findings

According to the National Highway Traffic Safety Administration (NHTSA), the average crash costs an employer $16,500. When workers have on-the-job crashes that result in injuries, the cost to their employer averages $74,000. Costs can exceed $500,000 when accidents result in death[2]. According to the National Safety Council (NSC), each work-related fatality in a motor vehicle accident cost an average of $1,150,000 in 2004. In addition, the National Safety Council (NSC) reports that studies show 77 percent of accidents are due to driver error.

A representative from Brookstreet Insurance, the state's Workers' Compensation insurance carrier, reports that many companies have cut their workplace accident claims in half two years after implementing comprehensive safety training programs and increased safety awareness[3]. According to Liberty Mutual Insurance Company, 61 percent of surveyed business executives in 2001 believed their companies received a return on investment of $3 or more for every $1 they spent on improving workplace safety[4].

The total cost to West Virginia taxpayers for vehicle-related claims from incidents involving state employees is still staggering, according to the Director of BRIM.[5] From fiscal years 2002 through 2006, the total comes to $16,165,347 — an average of $3.23 million per year.

In an effort to help reduce this cost, in September 2004 the state began implementing an online driver safety education course. Over the past year, the state has provided a third-party online driver safety training to some 18,290 state employees who participate on a voluntary basis. The cost for this course is passed on to agencies as part of their overall vehicle insurance premiums. A year ago, Board of Risk and Insurance Management (BRIM) staff sent out questionnaires to all state agencies to determine how many employees regularly drive a state car or their own car on state business. For agencies with a combined sum of 90 percent or more of drivers who participate in the online safety training program, BRIM reduces their premiums. Although not all claims for FY06 have been paid, it appears the online safety course is having an impact. In FY05, vehicle claims paid by the state were $4.5 million. Thus far for FY06, the cost has dropped to $1.4 million.

This program is offered on a volunteer-only basis. BRIM estimates approximately 10,000 employees failed to take the course over the past year. And there remains little in the way of positive reinforcement for drivers practicing good safety habits.

As part of a comprehensive safety plan, many companies are using the DriverCheck program, a recommended safety program promoted by the National Safety Council that identifies each vehicle through a decal with unique number assigned to the car and a 1-800 number to report any emergencies or complaints. The program promises to reduce accident rates by at least 10 percent the first year or clients are refunded 100 percent of the cost.

The National Institute for Occupational Safety and Health[6] offers other suggestions for a good vehicle-safety awareness program. Among these are assigning a key member of the management team responsibility and authority to set and enforce comprehensive driver safety policy; not requiring workers to conduct business on a cell phone while driving; and providing vehicles that offer the highest possible levels of occupant protection. Other safety programs can include teaching workers strategies for recognizing and managing driver fatigue and in-vehicle distractions as well as training for employees who operate specialized motor vehicles or equipment.

Recommendations

West Virginia should develop a comprehensive vehicle-safety management plan to reduce the number of accidents and save taxpayers money.

In addition to the initial training, every permanent employee should be required to attend updated safety training (including driver safety awareness training) every other year. State government should adopt a train-the-trainer approach in each agency so that this training can be easily facilitated statewide.

All new permanent employees should be required to participate in defensive driving, safety, and fleet training orientation. Training should emphasize state leaders' expectations for safety in the workplace and on the road and an overview of the disciplinary policy and the consequences of poor employee safety practices. In addition, all existing employees should be required to participate in a safety refresher course every other year to lessen safety risks and reduce the state's overall costs.

The West Virginia Board of Risk and Insurance Management (BRIM) and the Department of Administration's Fleet Management department should coordinate and track all mandated vehicle safety training for new and existing employees. BRIM should share information about employees who have attended the course and received their certification with DOA Fleet Management for tracking and follow-up purposes.

Employees who don't participate in the Driver Safety Training program shouldn't be allowed to use state vehicles.

The state should implement a safety incentive program. This would create enthusiasm for safety initiatives, reward outstanding employees practicing good safety habits, and recognize agencies that have demonstrated safety initiatives in the workplace with measurable outcomes.

A safety coordinator should be appointed in every agency. For agencies with state vehicles, this role should be combined with the fleet coordinator. This would be absorbed as a part of the employee's additional duties and would provide no additional cost to the state. The designated employee should be responsible for coordinating all aspects of comprehensive safety program (including training and policy development) for each agency. In addition, this person should document and track all measurable safety gains and savings.

The state should appoint a high level position, preferably from the Governor's Office, as the state's Safety Chief. This person would PR the importance in all matters of workplace safety and provide high-level accountability to the agencies for providing safety in the workplace.

The state should institute a stricter disciplinary policy for poor safety habits. This would help bring accountability to employees who wantonly disregard sound safety practices in the workplace and on the road. At a minimum, managers should be required to provide counseling for every incident involving poor safety and exercise the disciplinary policy when warranted. The State Division of Personnel should develop a new disciplinary policy tied to workplace safety practices and submit recommended guidelines for poor performance.

The state should also implement the DriverCheck Program to cut the overall number of vehicle accidents and lower the state's insurance liabilities. According to the DriverCheck program, about 10 percent of employees create the most costs. This is the population the state should identify and focus on.

Fiscal Impact

Fiscal Year	Increased Cost to the Special Revenue Fund	Savings to Special Revenues	Change in FTEs
2006	$25,000	$1,125,000	0
2007	$25,000	$1,125,000	0
2008	$25,000	$1,125,000	0
2009	$25,000	$1,125,000	0
2010	$25,000	$1,125,000	0

Savings above are calculated by implementing a comprehensive safety awareness program and assuming a 25 percent reduction of FY05 vehicle claims ($4.5 million x .25 percent = $1,125,000 per year). We used FY05, rather than FY06, as a basis for these calculations because a significant number of claims haven't yet been paid for FY06.

This is a conservative estimate. It doesn't account for the 10 percent reduction of vehicle claims through DriverCheck for the first year, some $450,000.

Increased cost to the special revenue fund generated by BRIM should be used to fund a statewide safety awareness recognition program.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Implement Vehicle Rule (Title 143, Series 3) change requiring Mandatory Driver Safety Training for new and existing employees	DOA Secretary, Legal Director	August/2006	October/2006
Implement Vehicle Rule (Title 143, Series 3) change that permits employees from using a state vehicle if they have not participated in the state driver safety awareness and training program	DOA Secretary, Legal Director	August/2006	October/2006
DOA Fleet Management and BRIM Coordinate and Track Mandated	DMV IT Manager, Regional Office Operations Director	November/2006	January/2007

Vehicle Safety Training			
State Division of Personnel to develop and adopt stricter disciplinary policies for poor vehicle driving	DOA Secretary, Personnel Director	August/2006	October/2006
Appoint Safety Coordinators	All Cabinet Secretaries/Commissioners	August/2006	October/2006
Develop agency-specific policies and procedures, and agency-wide safety plan that includes: safety goals and performance measures	All Statewide Safety Coordinators	October/2006	March/2007
Issue RFP for DriverCheck program	DOA Secretary, Purchasing Division	August/2006	December/2006
Implement statewide DriverCheck program	DOA Secretary and designated staff	January/2007	Ongoing
Develop and implement statewide safety recognition program	BRIM Director and designated staff	August/2006	January/2007
PR all statewide safety efforts to promote awareness and communicate changes	Governor's Office, Agency Secretaries, PR and Safety Coordinators	January/2007	March/2007
Implement safety as a factor in the vehicle bid process	DOA Secretary, Fleet Manager and Fleet Buyer	August/2006	Ongoing

Footnotes

[1] Report provided by Todd Hudnall, Governor's Performance Team Member
[2] NHTSA (2003) The economic burden of traffic crashed on employers: costs by state and industry and by alcohol and restraint use.
[3] Phone interview with Paul Piggott, Safety Specialist, Brookstreet Insurance, March, 2006
[4] Liberty Mutual Insurance Company (2001). Liberty Mutual Executive Survey of Workplace Safety.
[5] Phone interview with Chuck Jones, Director of Board of Risk and Insurance Management, April 2006
[6] National Institute for Occupational Safety and Health (NIOSH) 2004 article "Work-related Roadway Crashes Prevention Strategies for Employers". NIOSH Publication No. 2004-136

MERGE SPECIAL HIGHWAY FUNDS

Two dozen special funds controlled by the Division of Highways should be merged into one to streamline the agency's accounting load and free up the excess balances in some of the accounts to be used by the state's road fund.

Background

The Division of Highway's Motor Vehicles operation has some two dozen special fund accounts that increase the agency's workload and often have excess balances that go untapped.

Some of the special funds include:

- 8202-Hearing Fee Fund
- 8207-International Registration Program
- 8208 Special Registration Plates
- 8209-Commerical Driver's License
- 8210-Inspection of Reconstructed Vehicles
- 8212-Motorcycle Safety Fund
- 8213-Driver's License Reinstatement Fund
- 8214-Driver's Rehabilitation Fund
- 8215-Insurance Certifications
- 8216-Motorboat Licenses
- 8217-Returned Checks
- 8219-Motorcycle Licensing Fund
- 8220-Dealer Recovery Fund.

These funds were once appropriate but could now be consolidated to improve efficiency. In addition, the excess cash can provide the Division of Highways (DOH) additional cash for the road fund. The cash balances of these funds exceed $9 million.

The DOH has 11 different funds, eight of which are directly related to disasters within the state. These funds require the agency to constantly move expenses from the road fund to cover the disaster reimbursement. The cash balances within all these DOH funds also exceed $9 million.

Findings

A case can be made for consolidating funds related to the functions of the Motor Vehicles Division (DMV). It's inefficient and poor accounting practice to have a Hearing Fund, a Special Registration Plates Fund, an Inspection of Reconstructed Vehicles Fund, a Driver's License Reinstatement Fund, a Returned Check Fund, and separate funds for Motorboats and Motorcycles, all with large balances carried over from year to year.

Reviewing the cash balances and the budgeted expenditures for 2006, it appears that the DMV has $3.5 million in excess cash in the current year alone. The DOH has similar balances building up in its Coal Resource Fund and Industrial Access Funds.

The DOH is also required by the State Auditor's Office to track new funds created for disasters. This leads to numerous funds with small balances that are left untapped and unused.

Recommendation

The DOH and DMV both should be reviewed for opportunities to consolidate fund accounts, and future funding should be done through a regular appropriation. Wherever necessary, code changes should be enacted for this purpose.

Old disaster funds and other outdated funds should be eliminated.

Excess funds that have accumulated over one year should be swept from the fund accounts, and excess funds that accrue in the course of each year thereafter should transfer to the road fund.

Fiscal Impact

A review of the special funds within DOH and DMV shows that as much as $5 million in excess funds may be available for use by the road fund.

Fiscal Year	Savings to the Road Fund	Savings to Federal (Other) Funds	Change in FTEs
2006	$4,000,000		
2007	$1,000,000		
2008	$1,000,000		
2009	$1,000,000		
2010	$1,000,000		

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Meet with legal counsel about opinion on legislation	Fred Thomas	12-15-05	
Legal Counsel Reviewing Legislation	DOH Legal Division	12-15-05	1-20-06
Legal Counsel presents draft of bills	DOH Legal Division	1-20-06	
DOH and others work on legislation is passed that enables fund consolidation	DOH	2-1-06	

Footnotes

Update: It was decided by DMV and DOH representatives that this document was probably going to meet legislative resistance in its current format. The joint feeling was to attempt to collapse the Industrial Access Fund into the State Road Fund. To also collapse some DMV funds into their regular appropriations that are funded by the State Road Fund. And to also attempt to combine some of the special revenue funds of DMV into one non-appropriated special revenue fund. The net impact of this proposal will create savings in budgeting and managing funds. This would also allow the cash balance in the road fund to increase by creating more money to be leveraged during construction season.

CENTRALIZE INFORMATION ON STATE'S VEHICLE FLEET

The Department of Administration should be responsible for retaining and reporting information on all state vehicles to ensure cost-effective policies and procedures are applied consistently while allowing agencies flexibility in the purchasing of state vehicles and payment methods.

Background

There are eight separate fleet operations in state government with information on the fleet scattered and decentralized. All agencies are required to participate in the Department of Administration's Fleet Management Office (FMO) leasing program except those that are exempt under state law (WV Code 5A-3-48). Exempt agencies include the Division of Highways, State Police, Division of Forestry, Department of Agriculture, Division of Natural Resources, Higher Education Policy Commission, and the higher education governing boards and their institutions.[1]

However, nine entities choose to participate in the fleet program even though they're exempt (Agriculture, Concord College, Glenville College, Marshall College, Potomac College, Shepherd College, Legislative Commission on Special Investigations, Supreme Court. and West Virginia University Tech).[2] Agencies that haven't been exempted must have vehicles titled to the Department of Administration, even if the state agency has paid in the full for the vehicle. Only agencies that are required to participate in the fleet leasing program pay the administrative or aviation fees, which are currently $92 per month.

The State's FMO consists of two full time employees responsible for coordinating the replacement requests of vehicles by participating state agencies and ensuring that increases in numbers and types of vehicles are justified and appropriate approvals have been obtained. They also place the order for vehicles, assure delivery, facilitate pickup of new vehicles, train drivers during new vehicle pickup, assure contracts are available for fuel and maintenance, provide reporting capabilities to state agencies, and coordinate recall notices to agencies. They also provide occasional articles for the Purchasing Division's newsletter and maintain a web page with additional information.

There are approximately 1,607 vehicles in the leasing program, which account for about 27 percent of the state's fleet.[3] The vehicles provided to agencies by FMO leases are entered into the Financial Information Management System (FIMS) Fixed Asset module for inventory purposes. The FMO also has a database in Paradox that includes information such as vehicle identification number, license number, and start and end date of lease, status, and an indicator of whether the vehicle is owned by Department of Administration or another agency.

The FMO contracts for gasoline and maintenance cards that are placed with each leased vehicle. The administrative costs of the cards are included in the lease rate.

There are numerous reports available through the vendor's website such as fuel analysis, maintenance analysis, savings analysis, vehicle cycle analysis, and vendor analysis. The current vendor for credit card services for gas and maintenance removes the federal excise tax on gasoline purchases prior to sending agencies an invoice. The agency is responsible for all maintenance, gasoline, and insurance on vehicles. Other agencies that do not participate in the leasing program can choose to use the gasoline and maintenance card. Some agencies use other gasoline cards such as Exxon and Chevron and do not have a maintenance card provider. It is the agency's responsibility to seek reimbursement for the federal excise tax on gasoline when using one of these other cards.

Each year, a statewide contract is awarded to automotive dealers who supply vehicles for the state at the lowest cost. There are currently about 34 different classes of vehicles with multiple awards for certain classes using eight different vendors. This includes cars, trucks, and vans, of which some offer hybrid and bi-fuel options as well as gasoline.

Vehicle orders are placed once a year. Agencies receive requests for their orders in the fall. Vehicles being replaced must meet the requirement of 125,000 miles and be at least five years old before they're approved to surplus. If an agency needs to change the class of vehicle it is ordering, a justification must accompany the order. Before an increase to an agency's fleet or an exemption to the mileage or year criteria is approved, the agency must obtain written approval from the Governor's Office.

Agencies' orders are generally placed in January of the following year, and the new vehicles begin arriving in the spring. It takes an average of 76 days to receive the new vehicles from the time the order is placed by Fleet Management. If the agency has a vehicle that's deemed totaled by the insurance agency, officials may request a replacement through Surplus or if the time hasn't exceeded the build-out dates of the vehicle, a purchase may be made through the contract. If neither of these options is viable, then the Purchasing Division may choose to bid out a vehicle for that agency.

Each agency has a fleet coordinator responsible for managing the daily activities of its fleet. Agency coordinators are responsible for assigning vehicles to drivers in their agency. Information regarding changes to the program is disseminated through email or by phone through the FMO. The FMO has offered conferences for the fleet coordinators in the past to provide information and discuss issues with the fleet. The FMO used to provide a newsletter to fleet coordinators, but the newsletter was discontinued in 2004. Newsletter articles are now placed in the Purchasing Division newsletter.

Agencies that participate in the leasing program are required to lease a vehicle from the Fleet Management Program at a lease cost determined by the Department of Administration, which includes the lease payment, administrative fee, and an aviation fee, which support the Governor's travel. The lease rates are posted on their website each year normally after vehicles arrive to be picked up by the agency. Each agency is held to a certain number of allotted vehicles and must turn a vehicle in to Surplus Property before receiving a new one. All vehicles turned into Surplus must be in good shape.

Findings

Authority for the state's vehicles is spread among eight agencies and their institutions, which own or control the vehicles. Each agency tends to run its own vehicle operations, independent and essentially isolated from the others. With authority so diffused, vehicles are operated without the benefit of central fleet management or oversight. The purpose of professional fleet management is to afford safe, reliable transportation, at the lowest cost, for employees conducting official business. Fleet managers are responsible for producing these results.

The inventory of state-owned vehicles is not in a centralized database. Each agency has its own database. The number of license plates the Division of Motor Vehicles has assigned for state vehicles — 9,845 — doesn't match the total number of vehicles for the state, which is approximately 6,040. There's no standard format for the entry of information in the DMV database for license plate assignments. Without accurate information from the DMV and the state agencies, the total number of vehicles the state owns is only an approximate number.

There are at least 10 systems used by state agencies for tracking vehicle inventory. FIMS is used to inventory all property with an original cost of $1,000. Out of 43 agencies surveyed, 17 currently use FIMS to track their inventory of vehicles. Other agencies use Excel, Paradox, Lotus, Access, Quattro Pro, Team-Up, FISNET, TMA, Microsoft Outlook, and ARI. The Department of Administration uses Paradox for record keeping with a limited number of fields of information and also uses FIMS Fixed Asset for inventory record. Information such as driver assignment, driver's license number, GVWR (gross vehicle weight rating), fuel, miles per gallon, color of vehicle, and parking location of vehicle isn't included in the database information. Maintenance records and gasoline usage are retrieved from the current vendor that provides those services.

The purchase of hybrid vehicles is an option on the statewide contract but left up to each participating agency. In cases where a hybrid is available for a compact or mid-size car and would be well suited for the purpose of that vehicle, agencies should have that option. Hybrid vehicle gas mileage is better than gasoline-powered sedans, and emissions are cleaner. In comparing the current Ford Focus with a Honda Hybrid Civic, the gasoline costs for the hybrid would save the state $518 a year for each vehicle based upon an average of 15,000 miles per year. Comparing the Dodge Stratus with a Honda Hybrid Accord, the gasoline costs for the hybrid could save the state $198 annually for each vehicle.[4]

The Procedural Rule that governs vehicles was updated in July 2005 but the procedural rule posted on the FMO website is dated December 1992. Other information regarding vehicles is unavailable on the FMO website.

Receiving a new vehicle from Fleet Management takes an average of 76 days. This process includes completing forms and submitting information on paper to the Fleet Manager by the agencies. This information is then compiled by the Fleet Manager to provide an order for each dealership based upon the class of vehicle ordered by the agency. This information is also used to determine the amount of money that is requested from the statewide contract vendor for a loan. The Finance and

Administration Office prepares the loan request. This occurs once each year and doesn't allow agencies to place more than one annual order for vehicles.

The FMO does not have a strategic plan or a fleet management plan. When asked about the FMO strategic plan during an interview, the Fleet Manager replied that they simply "act on impulse." Customer surveys are not performed to ensure they are meeting the customer's needs. However, during the delivery of vehicles each year, they ask drivers if they have any comments or problems they would like to discuss to get feedback. Often the driver of the vehicle is not the person that picks up the vehicle, therefore, input is not obtained from every driver. No benchmarking of other states to determine best practices in fleet management occurs.

Fleet Coordinators aren't provided training on a regular basis through conferences or training seminars. Proper training for the agency fleet coordinators could save taxpayers money, as the fleet coordinators could be made aware of the type of analysis to perform on their fleet to implement cost savings measures. The last Fleet Coordinator's Conference occurred in June 2003.

The state's fuel and maintenance credit card vendor is Automotive Resources Int. They have several reports available via the Internet. However, there are no exception reports to provide information for underused or multiple fuel purchases listed on their website as standard reports. These exception reports could be used to control vehicle maintenance costs, fuel costs, and monitor fraud or abuse.

According to a mileage report requested from ARI, there are 402 vehicles driven less than 1,050 miles each month — approximately 25 percent of the vehicles in the FMO program.[5] There are cases where a vehicle may be used for special circumstances that would appear to be underutilized but these vehicles should be identified in the database to ensure vehicles aren't just sitting in parking lots of agencies not being utilized.

The Division of Highways maintains their own vehicles and uses their fueling stations for gasoline. They have an internal system for tracking purposes to control vehicle maintenance and fuel costs.

Vehicle ownership is decentralized in Ohio and Pennsylvania, but the information on each vehicle is centralized. Kentucky operates a leasing program like West Virginia's, except that only one Kentucky agency declines to participate, and all vehicle information is maintained centrally. Texas has a Fleet Management Plan that allows for agencies to purchase their own vehicles but provides rules to follow such as one fuel card for all agencies, limited number of vehicles per agency, and centralized reporting of fleet. Utah has a detailed fleet policy and agencies must provide information to their central fleet office. Vermont has a centralized fleet office, which is responsible for the management of passenger vehicles and light trucks, and makes all reservations for rental vehicles to ensure the most efficient method of travel is provided. The Commonwealth of Virginia has a centralized fleet management office that establishes policies and procedures for all state government vehicles.

One thing is evident in all these findings: best practices dictate that information regarding a state's fleet should be centralized. It's the only way to run an efficient fleet program and provide cost savings to the state.

Recommendation

The Department of Administration should be responsible for retaining and reporting information on all state vehicles to ensure cost-effective policies and procedures are applied consistently while allowing agencies flexibility in the purchasing of state vehicles and payment methods.

All agencies should be required to follow the state's policies and procedures regarding vehicles. The current disjointed effort doesn't allow the state to take advantage of any cost savings that could be realized nor does it provide information centrally that could be used to implement cost savings measures on maintenance and fuel.

Agencies currently have inventory or fleet coordinators that could enter information in the new system. Software is currently available to pull information from the mainframe system and create reports in any order required. With the use of Crystal Software (currently used by most state agencies), information can be retrieved from this system and exported into an Excel spreadsheet. The information from the ARI vendor from the Internet may also be converted to an Excel spreadsheet to provide user-friendly reports.

All state agencies, with the exception of Division of Highways, should be required to use the statewide contract for credit card services for gas/maintenance of state vehicles. This will guarantee that information is available through one database and can be used to determine cost savings and prevent fraud and abuse.

The Division of Highways has its own maintenance facilities and gasoline pumps and shouldn't be required to participate in this program. However, a cost study to evaluate the efficiency of this practice should be performed to ensure the agency is able to perform these services cheaper than using a statewide contract vendor.

All state agencies should be required to purchase vehicles from the current statewide contract, and agencies should be allowed to purchase vehicles when they meet replacement criteria by purchasing the vehicle outright. Agencies that can't afford to pay cash for vehicles should use the loan contract, which Department of Administration currently uses to finance the vehicles.

The state's current leasing program should be eliminated and state agencies should be allowed to choose whether they want to purchase or finance their own vehicles.

Fiscal Impact

Savings are based on all state vehicles with the exception of the Division of Highways, participating in the current maintenance and gas program. Currently, the FMO pays the vendor $7.50 for the maintenance program and a $.75 fee for a gas card for each vehicle monthly, which is an annual cost of $159,093 for 1,607 vehicles. The vendor has agreed that if we placed all the state's vehicles into their program, they would reduce that rate to $6.75. At the reduced rate, FMO would only pay $130,167 annually. If the state were to add the additional vehicles of 2,509 at $6.75 per vehicle, the annual costs would be $248,391. The total costs for ARI would be $333,396 annually.

ARI has saved FMO approximately $70,994.85 in the 10 months that they've had the contract for the 1,607 vehicles, which equals $4.42 per vehicle for maintenance by negotiating savings with vendors and ensuring warranty work is completed without costs. If that savings were applied to the 4,116 (approximate number of state vehicles, except DOH), the total would be $218,206. The total cost for the state to participate in the ARI program would be $333,396. With the current $159,093 the state is paying, the increased cost to the state would be $174,303 each year.

Approximately 3.9 percent of gasoline purchases are for premium or plus gasoline for the FMO vehicles, which increases the cost of operation. If all agencies were required to purchase regular unleaded gasoline, this could save taxpayers $14,700, the difference between the price of the unleaded regular gasoline and the premium price.

Without a description for the use of the vehicle, it's difficult to determine what percentage of the fleet is truly being underused. But based on a report from ARI, about 25 percent of the FMO fleet is being underutilized. The American Automobile Association has concluded that it costs an average of 52.2 cents per mile for driving costs for an average of 15,000 miles per year.[6] The Internal Revenue Service has determined that it costs 44.5 cents per mile. The average of the two is 48.35 cents per mile, which equates to $7,253 annually for the operation of each vehicle. By eliminating just 10 percent of the vehicles due to underuse, the state could save $4,380,510 annually.

When agencies don't take advantage of a gasoline and maintenance card program, they process invoices for maintenance costs. Processing an average of 4 invoices per year at a transaction cost of $101, the savings would be $506,818 annually.

There is no additional cost for adding the screen in FIMS for recording vehicle information of all agencies. Because this information would benefit the state, the Information Services and Communication office would recover the programming cost from the FIMS rates paid by agencies.[7]

Fiscal Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings (Federal)	FTEs
2007			$5,120,234	$174,303			
2008			$5,120,234	$174,303			
2009			$5,120,234	$174,303			
2010			$5,120,234	$174,303			
2011			$5,120,234	$174,303			

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Recommend code changes to Chapter 5A-48	Dept of Administration	07/06	02/07
Add additional screen to FIMS Fixed Assets for vehicle information	IS&C	07/06	09/06

Require agencies to enter vehicle information in FIMS	Dept. of Administration	09/06	11/06
Rebid gas/maintenance contract to include all agencies (except DOH)	Dept of Administration	07/06	10/06
Require agencies to use statewide contract for all passenger vehicle/light truck orders	Dept. of Administration	0906	11/06
Change Procedural Rule 148 Series 3 regarding titles and leasing of vehicles	Dept of Administration	07/06	02/07
Eliminate the leasing program and continue fleet program while implementing cost savings measures	Dept of Administration	07/06	09/06
Write a state fleet policy for all state agencies to follow	Dept. of Administration	07/06	10/06
Utilize the gas/maintenance reporting information to provide cost savings	Dept of Administration	10/06	12/06
Provide a cost calculator on Department of Administration's website to determine the most cost effective method of travel	Dept. of Administration	07/06	08/06
Work with BRIM to require all drivers to take on-line driver training	Dept. of Administration	07/06	10/06

Footnotes

[1] http://www.legis.state.wv.us/WVCODE/05a/masterfrmFrm.htm WV Code Chapter 5A-3-48
[2] Janice Boggs, Fleet Manager, Department of Administration, Purchasing Division, Email, 5/3/06
[3] Janice Boggs, Fleet Manager, Department of Administration, Purchasing Division, Email, 5/22/06
[4] http://www.fueleconomy.gov/feg/FEG2006_GasolineVehicles.pdf - Website for U.S Department of Energy, May 24, 2006
[5] Phil Fitzgerald, ARI Account Manager, Email report, 5/30/06
[6] http://www.aaapublicaffairs.com/Main/Default.asp?CategoryID=3&SubCategoryID=9&ContentID=23 - Website for AAA – 5/31/06
[7] Rick Pickens, Program Manager, OOT Project Manager, IS&C, 6/15/06, phone call & letter of 6/14/06

P2-22

CREATE A STATE TRAVEL AND TRANSPORTATION SERVICES OFFICE

Agencies with overlapping missions should be combined into a single new office of Travel & Transportation Services in the Department of Administration.

Background

A number of state agencies and departments dealing with travel and transportation operate under separate managers with separate staffing and little coordination. These include the Department of Administration's Aviation Office with seven fulltime equivalent (FTE) positions; the Travel Management Unit now within the Purchasing Division (one FTE); and the Fleet Management Office (two FTEs) now within the Purchasing Division.

Findings

These three organizational units operate as distinctive, rather than cooperative organizations.[1] However, the Fleet Office and the Travel Management Units share some resources since they are located in the same building.

The three organizational units share a common primary revenue source: the monthly lease rate revenue derived from leasing state-owned vehicles to state agencies.[(2)] This revenue directly supports salaries and benefits for 21.35 FTEs[(3)] which includes 1 fulltime state employee working in the Travel Management Unit, 2 fulltime state employees working in the Fleet Office, and 11 fulltime state employees working in the Aviation Office.[2] The other 7.35 FTE positions represent a variety of Office of the Cabinet Secretary and Purchasing Division FTEs in-whole or in-part for 17 individuals. This revenue also covers the operating costs of the Travel Management Unit and the Fleet Office as well as the difference between the revenue generated by and the expenses incurred by the Aviation Office.

A secondary revenue source is the per-hour rate charge derived from aircraft flight hours. This revenue, about $400,000 per year, doesn't fully support the aviation operation costs of $1,100,000 annually.[3] The funding required to balance the Aviation Office comes from the leased-vehicles revenue.

A third revenue source is rebate revenue from the state government Travel Card.[(3)] However, this isn't a true revenue stream as the state has consistently failed to meet the contract requirements to receive any significant ongoing rebate revenue[(1)(3)] [see P2-25].

State agencies could save money by having a reduced monthly lease rate for state-owned vehicles with a greater number of billable hours for state aircraft and state employees could count on improved services if these three entities were to take advantage of the potential for coordination among the services represented.

Recommendation

a. Agencies with responsibility for the state's travel should be combined into a single new office of Travel and Transportation Services in the Department of Administration.

The functions of the Aviation Office, the Fleet Office, and the Travel Management Unit should be merged into the new agency called the *Travel and Transportation Services Office.* The newly consolidated office would be reconstituted within the well-defined administrative structure of the Aviation Office and the entire organizational placed within the Finance Division of the Department of Administration.

This would provide an opportunity to coordinate the services offered to increase operational efficiencies, eliminate overlapping expenses, and save taxpayers money by cutting costs to state agencies through a coordinated travel and transportation services approach for business travelers.

b. Revenue resources for the new travel office should be limited to those required to meet direct expenses.

Fiscal Impact

The greatest fiscal advantage is to state agencies through the ability to maximize their purchasing power through a coordinated services approach conducted by the Travel and Transportation Services Office. An exact estimate of the possible savings and the efficiencies isn't possible because of the lack of consolidated information by and between the functional units.

Operating budgets for the new Travel and Transportation Services Office would no longer be primarily dependent on the revenue from leased vehicles. The state can expand revenue by collecting available rebates from the State Auditor's Office related to the conversion of travel card purchases to the P-Card, as recommended elsewhere in this performance review.

Those agencies participating in the Consolidated Fleet Program would see a reduction in the monthly rate charged to lease vehicles through the steep reduction in the aviation support component of the lease rate.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Combine Travel Management Unit, Fleet Management Office, and Aviation Offices	Cabinet Secretary	OCT06	NOV06

Footnotes

[1] Interviews with state government staff related to the applicable programs.
[2] Executive Budget Fiscal Year 2006 Volume II Operating Detail
[3] Information provided by the Department of Administration Finance Division

INCREASE TRAVEL NEGOTIATIO FLEXIBILITY

The state travel manager needs more flexibility to negotiate with outside travel vendors to take advantage of direct discounts or service enhancements offered to private-sector counterparts.

Background

The Travel Management Unit is housed in the Purchasing Division, an organizational arrangement that limits the ability of a capable travel manager from negotiating with air carriers, car rental companies, lodging facilities, and even the state's contracted travel services provider. This arrangement acts as an unintentional restraint on the ability to get the state the best deal on travel. While no administrative specific prohibition against negotiating exists in rule, proactive encouragement for the Travel Management Unit or the state contractor for travel services to vigorously pursue vendor discounts .is also missing,

Findings

The core mission of the Purchasing Division is procurement of public goods and services. Statute limits communications between vendors or potential vendors and Purchasing Division staff.[1] This prohibition constrains state government's ability to react to changes in the travel and transportation industry. Without the freedom to communicate regularly with travel and transportation industry vendors, the state's ability to negotiate favorable purchasing arrangements and take advantage of options in a timely manner is limited.[2]

When the state has had an opportunity to negotiate, the state wins. For example, the Travel Manager negotiated a new statewide contract for rental cars calls with an average daily rate of $39.99. In contrast the average daily rate for agencies that do not participate in the new travel management rental car program pay about $64.80 or almost twice as much as those taking advantage of the new rental car rate.

The private sector can quickly react to and engage in negotiations with travel vendors when necessary, producing lower business travel expenses while state government is often inflexible, making it slow to react and take advantage of changing realities.[3] For instance, recent advance in meeting planning, which are $10 million a year in state government, and greater service opportunities, especially when it comes to air carrier schedules and business travel amenities.

State government has not taken advantage of travel industry changes like the private sector has. The private sector is able to quickly react and engage in negotiations producing lower business travel expenses. We can see this clearly when we look costs related to meeting planning. West Virginia spends about $10MM per in year for meeting planning. Being able to negotiate in a timely manner can bring greater service opportunities, in particular related to air carrier schedules and scheduling and business traveler lodging amenities.

Recommendation

The state travel manager needs more flexibility to negotiate with outside travel vendors to take advantage of direct discounts or service enhancements offered to private-sector counterparts.

Elsewhere in this performance review (P2-40), we recommend creating a new Travel and Transportation Office to properly coordinate state travel services and provide more oversight and accountability. By giving the state's Travel Manager greater flexibility and more clear directions to actively pursue "the best deal" for the state, the state should see significant savings. At the same time regulations and administrative rules to govern and ensure accountability in any negotiations that take place should be established

Fiscal Impact

General travel expenses are no longer specifically tracked, so estimated savings are impossible to determine. However, major corporations have used effective travel management program techniques, including ongoing negotiations with travel vendors, to save anywhere from five percent to 20 percent in direct travel costs.[3]

Travel- and education and training-related costs come to ~$48 million per year for all executive state agencies. If the state were to only save 5 percent of this total, increased and more consistent negotiations would yield at least $2.4 million dollars annually. Clearly, the potential for taxpayer savings from directly cutting travel-related costs are significant.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Place the current Travel Management Unit in the newly formed Travel & Transportation Services Office in the Finance Division of the Department of Administration	Cabinet Secretary Ferguson	APR06	APR06

Footnotes

[1] Interviews with state government staff related to the applicable program
[2] Interviews with National Travel Service the state government travel services contractor
[3] Interviews with the Ohio Valley Business Travel Association, an affiliation of the National Business Travel Association, membership.

P2-24

Reduce Air Carrier Ticket Transaction Fees

Air carrier ticket reservations/ticketing transaction fee charged by the contracted travel services provider can be reduced by the use of online reservations.

Background

The contracted travel services provider charges the State of West Virginia $27 per domestic or $34 per international transaction for face-to-face reservations (, i.e., telephone or walk-up). The government travelers make most travel reservations in “face-to-face” transactions generating about $200,000 in transaction fee expenses for state agencies.[1]

The contractor can process government travelers’ reservations online, however, this option remains largely unused.[2] The use of the contractor’s online reservation system, with all of the in-depth, multiple airfare and space availability checking methodologies employed, would reduce the transaction fee to a charge of $14.50 for domestic or $15 for international reservations. This price includes online contractor assistance with reservations, as necessary.

Findings

The charge levied by the contractor for face-to-face transactions is comparable to fee charged by other corporate and government travel service providers. They typically charge between $18 to $30 per transaction.[3]

Transaction fee methodologies employed by travel contractors are either “all inclusive” or “incremental”.[(3)] The fee charged by West Virginia’s contracted services provider is “all inclusive” – a single fee charged a single time no matter how many times the traveler contacts the provider with questions or revisions related to that particular traveler’s itinerary.

The fee is found to be substantially higher than Internet online travel services providers; however, most all internet online providers use the “incremental” transaction fee methodology. Some services start the transaction fee at $5 for the initial, primary online transaction and then charge for any additional contact, revisions, or additions/deletions to the initial itinerary.

Related to an overall business travel management program goal of having information about what travel vendors are used by what travelers over what periods of time at what costs, those travelers using commercial online reservation services, rather than a contracted travel services provider, do not provide an opportunity for any captured data component from those Internet providers. Without that captured data, there are far fewer paths leading to leveraging the economy-of-scale of the Executive Branch agencies’ travel-related purchases to reduce vendor rates charged to state business travelers and provide enhanced services through negotiation.

Recommendation(s)

a. The State Office of Travel and Transportation Services should Immediately require all Executive Branch agencies use the contractor's online reservations services for any travel arrangements whether for airline travel, car rental, or hotel reservations.

The Travel Management Unit should design a fast-track implementation schedule to ensure all Executive Branch agencies use the online reservations system for their travel needs.

b. The Department of Administration should authorize the Travel Management Unit Manager to negotiate with the contractor to lower the established online transaction fee.

He should fully utilize the incentives provided by travel suppliers, e.g., air carriers, hotels, consortiums, reservation systems, to the travel services contractor to affect the best price.

Fiscal Impact

While all travel reservation services charge a customer, individual or corporate, a transaction fee of some kind, changing state travelers' or travel arrangers' method of making reservations from using the telephone or in-person transactions to online transactions will produce the significant savings.

This illustration is based on converting the average number of face-to-face domestic transactions for calendar years 2004 and 2005 to online domestic transactions for the illustrated years (international transactions are negligible for this illustration).

Additionally, the anticipated successful negotiation to lower the online fee will reduce the total transaction fee amount each year in years 2009 through 2011 (estimating a fee reduction each year, i.e., $14.50 to $10 to $8.50).

The anticipated total savings resulting from implementing the recommendation in this issue paper are $475,560 over the next five years.

Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings(Federal)	FTEs
2007	$0						
2008	$100,320						
2009	$116,720						
2010	$129,260						
2011	$129,260						

NOTE: All savings are noted as General Revenue due to uncertainty in the total travel expense division between General Revenue and all other forms of revenue.

Implementation

Implementation for this paper is embedded within the Travel Management Unit (or the successor organization: the Travel & Transportation Services Office) by the Unit manager with the authorization and support of the Cabinet Secretary of the Department of Administration.

P2-29 Reduce Air Carrier Ticket Transaction Fees By Using Online Reservations

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Design face-to-face to online reservations conversion schedule for Executive Branch agencies	Catherine DeMarco	OCT06	OCT06
Revise Travel Regulations to reflect online reservations requirement & face-to-face reservations exception for Executive Branch agencies	Catherine DeMarco	OCT06	OCT06
Implement conversion schedule	Catherine DeMarco; National Travel Service	NOV06	JAN06
Monitor online reservations policy compliance	Catherine DeMarco	JAN06	ONGOING
Analyze transaction fee structure components and discount opportunities with travel services contractor	Catherine DeMarco	MAR06	ONGOING

Footnotes

[1] National Travel Service, travel services contractor to West Virginia state government
[2] Interviews with Catherine DeMarco, State Travel Management Unit, and the management team of National Travel Service, travel services contractor
[3] Society of Government Travel Professionals

REQUIRE USE OF P-CARD FOR ALL STATE TRAVEL

Multiple payment cards are currently used for different purposes across West Virginia state government, including the card currently used for travel expenses, and should be consolidated into a single P-Card.

Background

For the past decade, state government has used a special payment card for travel expenses. This card predates the state's more general purchasing card, known as the P-Card. Use of the P-Card has increased and subsequent contract awards have offered a significant rebate revenue stream for state government — and this performance review recommends even more P-Card use across state government.

Findings

The benefits of the current Travel Card, including a rebate opportunity, have been surpassed by the benefits of the newer P-Card. Subsequent contracts for the Travel Card have included rebate opportunities, but the conditions have yet to be met for state government to actually receive a meaningful, continued rebate.[1]

Higher Education institutions now have the authority[2] to migrate to a single-use payment card — further eroding the cardholder base for the travel expenses payment card and creating a division of travel payment methods within the executive branch. This division effectively creates two "small fish" pursuing rebates and service concessions rather than fully exercising the substantial purchasing power of the entire Executive Branch.

The P-Card provides a means of payment with an established reconciliation path within state government, has established legal precedent for prosecution of fraudulent use, has the ability to capture actual expense data, removes the personal liability for primary travel expenses from the employee, and returns a significant rebate on applicable expenses to state government — about $32 million per year.[3]

Recommendation

West Virginia state government should consolidate all purchasing cards, including the card currently used for travel expenses, into a single P-Card.

Officials should immediately develop a conversion schedule for the migration of travel cost payment card cardholders to the P-Card.

The Travel Management Unit should be directed to begin an agency-by-agency conversion of cardholders with training based on the Higher Education model for travel expenses P-Card payment and traveler reimbursement for miscellaneous and non-primary travel expenses.

An acceptable rebate level should be established in conjunction with the State Auditor in exchange for the increased P-Card use and subsequent increase in the rebate received.
The Auditor has indicated a willingness to share the rebate received with agencies beyond the State Auditor's Office. [4]

Fiscal Impact

With state government incurring $32 million annually in travel expenses, moving a substantial amount of that amount to the P-Card could generate an additional rebate of up to $450,000 per year.

Year	New Revenue	Savings (Other)	Costs	Net Savings (State)	Net Savings(Federal)	FTEs
2007	$0					
2008	$224,000					
2009	$224,000					
2010	$448,000					

NOTE: All savings are noted as General Revenue due to uncertainty in the total travel expense division between General Revenue and all other forms of revenue. In addition, with the lack of an agreement regarding the sharing of the anticipated rebate revenue, the newly generated rebate revenue is to be considered Special Revenue to support the newly constituted Travel & Transportation Services Office which combines the Travel Management Unit, Fleet Services Unit, and the Aviation Division. The projected revenue is based on the travel expenses for executive branches less Higher Education travel expense until 2010. Additional benefits would be realized by all Executive Branch agencies and greater rebates produced through the "greater purchasing power" concept if, beginning in 2011, all of Higher Education participates in the travel management program.

Implementation

The Cabinet Secretary of Administration should direct the State Travel Manager to immediately develop and oversee an implementation schedule to close out the use of the Travel Card and transition users to the P-Card for travel-related expenses.

The Travel Manager should adopt the rules, regulations, and practices of Higher Education for limited personal liability for travel-related expenses by working with the State Auditor's Office to fully develop the P-Card "zero liability" option for the traveling cardholders. This zero liability option affords the cardholder the ability to travel with approval as needed, to incur little or no personal expense or debt during travel, and for state government to have financial liability for the card only during approved travel for the cardholder and within the dollars limits established by the individual approving the travel for the cardholder.

The Cabinet Secretary of Administration should also direct the Purchasing Division to issue any necessary change orders to the Travel Card contract to reduce the cards-in-force and notify the vendor-of-record of the plan to eliminate all cards-in-force and, subsequently, the contract in its entirety.

The Cabinet Secretary of Administration and the State Travel Manager should agree with the State Auditor on an equitable division of the P-Card rebate associated with state business travel in an amount sufficient to fund the operation of the travel management function for the Executive Branch. This should fund, in part, the reconciliation of travel-related expenses and compliance with business travel rules and regulations in the agencies of the executive branch.

An account for the operation of the Travel Management Program is to be established within the Office of the Cabinet Secretary and funded with the revenue derived from the rebate shared by the State Auditor's Office.

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Direction to the Travel Manager to migrate Travel Card users to the P-Card	Cabinet Secretary Ferguson	March 2006	March 2006
Travel Manager to change Travel Regulations to adapt Higher Education rules/regulations/practices related to P-Card liability	Travel Manager Catherine DeMarco	April 2006	April 2006
Travel Manager to develop an agency-by-agency implementation plan	Travel Manager Catherine DeMarco	April 2006	April 2006
Develop rebate sharing plan with the State Auditor	Cabinet Secretary Ferguson & Travel Manager Catherine DeMarco	April 2006	April 2006
Establish Travel Management Program account w/in the Office of the Cabinet Secretary	Cabinet Secretary Ferguson	May 2006	May 2006
Notification to Travel Card vendor-of-record of cessation of card use and contract planned phase-out	Purchasing Director David Tincher	May 2006	May 2006
Announcement of migration plan to Executive Branch agencies	Travel Manager Catherine DeMarco	June 2006	June 2006
Implementation of migration schedule	Travel Manager Catherine DeMarco	July 2006	September 2006

Footnotes

[1] Interviews with state government staff related to the applicable program
[2] Senate Bill 603; effective July 2005
[3] Interviews with the State Budget Office representatives
[4] Interviews with the State Auditor and representatives of the State Auditor's Office

VIDEOCONFERENCE USE INSTEAD OF INDIVIDUAL TRAVEL

In-state travel constitutes a major travel expense; meetings represent a significant portion of that in-state travel. The use of videoconferencing can reduce travel expenses.

Background

There exists within state government teleconference and videoconference facilities and systems.

Findings

The facilities and systems are mostly unknown to state government agencies and, therefore, under utilized.

The Office of Technology is conducting an inventory of teleconferencing and videoconferencing facilities within all of state government.

The number of employees traveling for meeting within the state is unknown; in-state and meeting travel is no longer tracked for consolidation or expense monitoring purposes.

Recommendation(s)

a. **Following the full inventory by the Office of Technology, the use of the systems should have instructions-for-use designed by the Office for state agencies.**

b. **Following the fully inventory by the Office of Technology, the use of the identified facilities should be fully utilized as an alternative to physical travel.**

c. **Alternatively, non-state government facilities should be maximized when state facilities cannot be available by using the travel services contractor statewide contract.**

Fiscal Impact

The “education and training” expense for state government is ~$10 million per year. All travel expenses are ~$38 million per year (in- and out-of-state expenses are not tracked separately).

Increasing travel-related costs continue to drive up the expense for physical travel. Alternatively, the use of –conferencing facilities can be used to contain.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Complete facilities and systems inventory	Technology Office	Currently underway	MAY06
Develop use guidelines	Technology Office	MAY06	JUN06
Incorporate –conferencing requirements within the Travel Regulations	Office of the Cabinet Secretary	JUN06	JUL06
Monitor and track physical travel versus –conferencing use/expenses	Travel Management Program	JUL06	ongoing

Footnotes

P2-7

CREATE A REAL ESTATE DIVISION TO MANAGE THE STATE'S LEASED AND OWNED PROPERTY

West Virginia should create a Real Estate Division to manage state-owned and state-leased buildings, set standards of accountability, and save taxpayers money.

Background

The state leasing office is responsible for managing 700 leases of 3,897,364 square feet of office space, warehouses, storage, monitoring sites, and land with three full-time employees. This space includes state-owned buildings that are leased to agencies throughout the state. The annual cost of this leased space is $29,456,221.

The leasing office works with agencies to determine space needs and look at existing facilities to increase space, if possible. If space cannot be found in existing facilities, the agency contacts landlords in the area requested for space availability.

If the space request is for more than 7,000 square feet, it must be advertised and bids accepted. After review of the bids and property, the agency will determine which space meets the requested needs at the lowest costs and then the state leasing office prepares the final lease agreement.

No procedures are currently in place to help ensure that agencies are being consistent in their selection of property.

The leasing office also maintains leasing information in a database for reporting purposes. This database lacks information on number of employees, space allocation, parking spaces, and other facts that could help in decisions to co-locate offices and save taxpayers money.

A standard lease is approximately five to seven pages long and must be signed by both the lessor and the Department of Administration's Cabinet Secretary. It also has to be approved by the Attorney General's office. After the lease is approved and signed, a copy is sent to the landlord and a copy to the leasing agency. The leases are often vague in explaining the landlord's and the lessee's responsibilities during the term of the lease.

A seven-page guideline booklet is published on the Internet for state agencies to follow when requesting leased property. There are no set rules for space allocation per person or any timelines laid out for processing a lease request. The guideline booklet is merely an overview of the process and doesn't give enough detail nor clearly explain the roles of the Department of Administration or other agencies.

West Virginia Code Chapter 5A-3-38-42 governs the leasing program for the state. It allows the Secretary to promulgate rules and regulations to carry out the provision of the code. The Secretary has filed leasing rules (Title 143-02) to provide for the selection, negotiation and acquisition by contract or lease of all grounds, buildings, office space or other facilities required by any spending unit of the executive branch of state government. Exceptions to this include the Division of Highways, Higher Education Policy Commission, Lottery Commission, or a spending unit of the state with independent leasing authority pursuant to the code of West Virginia.

The leasing office also manages the Capitol Complex parking program. This involves supervising the parking guards, making sure fees are collected, and tracking parking spaces assigned to agencies.

Findings

West Virginia leases 3,374,676 square feet of office space at an annual cost of $28,026,540. The space allocation for each employee in these locations ranges widely between 55 square feet and 588 square feet. The cost per square foot begins at $.47 and ends at $35.61. The variations of cost per square foot are due in some instances to different costs included in the rental agreement. The following cities have 10 or more state offices within the city with varying rental amounts per square foot:

City	Range per square foot
Martinsburg	$4.88 — $12.60
Moorefield	$3.33 — $14.00
Clarksburg	$3.50 — $12.54
Charleston	$4.00 — $16.01
Logan	$ .47 — $11.69
Fairmont	$2.29 — $12.00
Welch	$1.39 — $12.50
Morgantown	$7.32 — $35.61
Beckley	$4.39 — $14.75

Plans exist to consolidate the state offices in Logan into a single state facility. Similar plans are in place for Clarksburg. There is also a plan to consolidate the Lottery Commission at the Capitol Complex by erecting a new facility. In June 2002, the Secretary of the Department of Administration received a report from N Visions Architect, which proposed three different schemes to add an additional 700,000 square feet of office space to the Capitol Complex. This would require purchasing property, site development, and construction of office space and parking garages. The proposed schemes range in cost between $151 million and $227 million.

The state has not set any standards for space allocation. There's an unwritten rule of 250 square feet per employee, which would include the office space and any common area (restroom, conference rooms) used by each employee.[1]

The leasing office reports to the Secretary of Administration and is authorized by the West Virginia Code in the Purchasing Division. Salaries are paid from General Services Division's budget.

The federal General Services Administration, as well as the states of Ohio, California, Oregon, Washington, Nevada, Idaho, Connecticut, Indiana, Iowa, and Virginia have established standards for space allocations that must be followed by state agencies. These states also have leasing manuals that outline the process used in obtaining a lease or building a state office building in detail along with any appropriate forms. Space allocation forms are part of the process to determine the space needs prior to advertising for space. According to the General Services Administration's Real Property Performance Results report in December 2002, their recommended space allocation is 230 of rentable square footage per person. Rentable square footage is the usable square footage plus your proportionate share of the common areas of the building, if any. The primary common areas within an office building are lobbies, corridors, and restrooms.[2]

In Michigan, the state Real Estate Division staff reduced lease costs by $10.3 million in FY 03 by negotiating cuts in rent and janitorial services. They have continued this process and saved an additional $5.7 million as of December 2005. Their portfolio of lease costs has decreased from $134 million to $118 million. Their staff consists of 12 employees, including the division director, and they manage 594 leases. They partnered with a private-sector company in FY 04 to continue negotiating reduced lease rates and lower costs for leased property. In FY 05, they enhanced their Internet presence by posting all bid solicitations and providing on-line bidders registration, which has resulted in more than 300 registrations since inception.[3]

The Commonwealth of Virginia created a new division, which consists of 12 staff members to manage the state's real estate portfolio. They manage 1,500 leases, which include approximately eight million square feet of leased office space. Prior to the development of the new real estate office a little over a year ago, each agency negotiated its own leases and drafted contracts that were sent to the Administration for approval. There were no standards for office space allocations. Now, they have contracted with a real estate broker to solicit space, negotiate leases, and submit the recommendations to the real estate office for approval. The broker is compensated via commissions paid to them by landlords. Virginia has saved $17 million to date, half of which is accounted for by cost avoidance on leases by renegotiating and co-location.[4]

Virginia also has cities with multiple state offices, which pay varying lease rates. They are researching the option of building state offices in those cities for consolidation of state offices. Their broker has identified potential savings of $68 million over the next 10 years. Commonwealth officials realized that by applying economies of scale and market leverage, they could eliminate redundant spaces and better coordinate functions, improving operations and saving money.

With state-owned buildings in the capitol area completely full, Arizona spent more than $10.5 million annually on outside leases in the Phoenix area alone. It has moved to privatized lease-to-own financing. Private companies build necessary space on state-owned land, and the state then rents it for a designated period, usually 20 years or longer. At the end of that time, the state owns the facility. [5]

Arizona officials estimate that they have saved $14.7 million by expanding the privatized lease-to-own program, redesigning office layouts to reduce square footage, co-locating agencies, and eliminating unnecessary space needs. They are also centralizing their space planning and coordination efforts to ensure that agencies get the best terms and conditions and to more easily identify opportunities for co-locating offices or configuring space more efficiently.[6]

Colorado's Governor has directed state agency heads to evaluate their business operations and implement procedures to promote environmentally sustainable and economically efficient practices. These include the adoption of the U.S. Green Buildings Council's LEED (Leadership in Energy and Environmental Design) Green Building Rating System for existing building and new construction, and initiating an energy management program to monitor and manage utility usage and costs, as resources become available. In addition, the plan calls for creating a Colorado Greening Government Coordinating Council including representatives from each agency and department.[7]

West Virginia places little emphasis on purchasing Energy Star systems or constructing "green" buildings to reduce energy costs. However, officials are working to obtain LEED certification for the new Department of Environmental Protection building in Charleston.

Recommendation(s)

a. West Virginia should create a Real Estate Division to manage state-owned and state-leased buildings, set standards of accountability, and save taxpayers money.

The new division would be responsible for the management of all leases and state-owned property. The current leasing office would be consolidated with the Real Estate Division.

The Real Estate Division should report directly to the DOA Cabinet Secretary. The funding for this office should continue to come from the rent revenue, which should be transferred to the DOA Cabinet Secretary's budget to cover these positions. The Real Estate Division should also manage the parking fund, as parking will continue to be managed by them.

West Virginia Code Chapter 5A-3-38 through 42 should be changed to eliminate the leasing language from the Purchasing Division. That language should be moved to Chapter 5A-1-2(d) to reflect the Real Estate Division in the Department of Administration's Secretary's Office. Also, language should be deleted from West Virginia Code 5A-4-5 & 5A and moved to 5A-1 in the Cabinet Secretary's office.

b. Staff in the Real Estate Division should be increased by two employees to implement the cost-savings measures, prepare solicitations of interest for space, renegotiate leases, develop a plan for co-location of state facilities, and conduct market surveys.

Officials should create unique titles for employees hired in the Real Estate Division that clearly describe duties specializing in real estate, property management, lease negotiations, and other related services. Michigan uses

Property Analyst, Property Manager, and Property Specialist. Ohio uses Real Estate Specialist titles. Virginia uses Assistant State Real Property Managers. These titles require experience in professional real estate and a college degree or equivalent experience. The employees in the West Virginia Real Estate Division must have specialized training and skills to manage the leases for the State of West Virginia.

c. The Real Estate Division should develop a space allocation per employee for the agencies to follow.

The General Services Administration uses 230 rentable square foot per person, which would be a good model to follow.

The DOA's Real Estate Division should develop a detailed manual with the leasing procedures clearly documented and appropriate forms for agencies to use when requesting space. An analysis should be completed to determine if it's more cost effective to build or lease before any approvals are given.

If a new facility is approved, all agencies in that city should be required to co-locate to provide one-stop shopping for the public and to reduce overhead costs to the state.

The Real Estate Division should develop a five-year plan that identifies all state agencies that could be co-located to reduce multiple locations and provide cost savings. A cost analysis should be provided along with the plan that clearly identifies funding needed for each project.

The Real Estate Division should expand the current real estate database to include the number of employees in the facility and the number of parking spaces. This information would be valuable when co-locating agencies or when reconfiguring space was being considered. The database information along with the leasing manual and forms should be placed on the Internet for easy access by the public and state agencies. A vendor database should be developed to elicit on-line responses from the largest number of qualified bidders.

The Real Estate Division should implement cost-savings measures such as renegotiating lease rates, reducing the number of leased facilities, redesigning office layouts for more efficient use of space, co-locating agencies within the same cities to provide one-stop shopping for our customers, thereby creating cost savings by sharing resources.

Fiscal Impact

After reviewing other states' efforts in leasing management, it's clear that the number of employees per lease varies. Virginia has approximately one employee for every 125 leases managed. Michigan has one employee for every 56 leases. Texas has one employee for every 167 leases. If West Virginia added two additional employees to their current leasing office staff, the ratio would be 140 leases per employee. The two salaries of the additional employees with benefits will cost approximately $105,600 based on an estimate of an annual salary of $40,000.

Michigan reduced its leasing costs by $1.86 per square foot when the state renegotiated lease rates. Virginia reduced its rate by $2.13 per square foot. By taking the average of these two savings of $1.99 per square foot and calculating the cost of living differences between the states, the savings per square foot would come to $1.77 in West Virginia. Applying the savings of $1.77 per square foot to state government's total leased space finds estimated savings of $5,984.547.

By co-locating agencies in the same city, the state could achieve additional savings in operating costs, telephones, copiers, travel between offices, personnel, and other expenses. It's impossible to derive further savings figures without detailed information for each co-location project. However, when the Department of Environmental Protection consolidated six locations into one facility in Charleston, they reduced their costs by $2,045,602 annually.[8]

Fiscal Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings (Federal)	FTEs
2007				$105,600			
2008			$5,984,547				
2009			$5,984,547				
2010			$5,984,547				
2011			$5,984,547				

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Create job specifications for the Real Estate Division to better reflect duties expected in real estate management.	Division of Personnel in conjunction with Department of Administration	07/06	08/06
Advertise for two positions needed in the Real Estate Division and hire employees.	Department of Administration	09/06	01/07
Submit changes to legislation for approval to create Real Estate Division and move it to DOA Cabinet Secretary and move the parking management to DOA	Dept. of Administration	01/07	4/07
Set space standards and develop Leasing Manual for agencies to follow	Department of Administration	01/07	03/07
Develop a five year co-location plan	Department of Administration	03/07	07/07

Update database for leases and develop vendor database for better solicitation of space	Department of Administration	03/07	05/07
Place manual and leasing information on the Internet for easy access	Department of Administration	04/07	05/07
Renegotiate lease rates and identify better use of current space to reduce space costs	Department of Administration	02/07	02/08

Footnotes

[1] Tammy King, former State Leasing Manager, 1/26/06, Interview
[2] 2002 Space Use Study http://www.gsa.gov/Portal/gsa/ep/programView.do?pageTypeId=8203&ooid=14179&programPage=%2Fep%2Fprogram%2FgsaDocument.jsp&programId=9213&channelId=-14861
[3] Newsletter for the Michigan Department of Management and Budget and Joe Chin Jr., Michigan Director of Real Estate Management email of 2/22/06
[4] Bob Gluck, Virginia Division of Real Estate Services, Department of Administration, Phone Interview, 3/10/06
[5] http://www.governing.com/gpp/2001/gp1az.htm
[6] www.governor.state.az.us/er/documents/Efficiency_Review_Report.pdf - State of Arizona's website
[7] http://www.ase.org/content/article/detail/2547 - Colorado's Alliance to Save Energy Website
[8] B.F. Smith, DEP Chief of Administration, Email, 3/7/06

IMPROVE LEASING PRACTICES IN DEPARTMENT OF ADMINISTRATION

The Department of Administration should combine invoices to increase efficiency and charge rental fees on leased property to cover costs.

Background

The Department of Administration (DOA) processes invoices for payment to the State Auditor's Office for all costs associated with state-owned facilities. In FY 05, some $2,302,300 was spent on utilities at the Capitol Complex.[1]

Multiple invoices are used for each building around the state from the same vendor for utilities. For example, American Electric Power sends about 15 separate invoices each month for each Capitol Complex building. These invoices must be coded for payment and processed through the Auditor's Office, which costs $101 per transaction.[2] Approximately 12 invoices per month come in from Allegheny Power, 22 per month from the city of Charleston, and 20 invoices from the West Virginia American Water Company.

The agency also process invoices from an entity within DOA for phone service, which generates invoices separately for local and long distance service. Up to 80 percent of a staff member's time is devoted to processing these invoices for payment.

Findings

According to the Director of Finance and Administration, if these invoices were combined for payment each month, an insufficient cash balance in the General Services budget would make it impossible to pay them. Part of the problem is that only two agencies, the Tax Department and the West Virginia Board of Social Work Examiners, pay any rent for using Building 1 at the Capitol Complex. The Legislature and other elected officials don't pay rent, but General Services is required to maintain the building and grounds and pay the utilities. Due to the increase in utility costs and maintenance, the General Services budget for the Capitol Complex has had a negative balance at the end of the past two fiscal years. In FY 04, the deficit was $61,610; in FY 05, it was $77,708.

For the past two fiscal years, the Secretary of Administration has transferred funds from another account to prevent a negative balance. Each month, the Finance and Administration office has to hold invoices until cash is available before payment can be made.[3]

The Legislature appropriates DOA funds to maintain the Capitol Complex each year. In 2004, DOA received $1.44 million. This year, the appropriation is $1.41 million, a decrease of $35,770. The rent for the buildings at the Capitol Complex is adjusted each year to meet the rising cost of upkeep, but the formula used to determine the amount is unknown at the State's Leasing Office.[4]

With 49 leases due to be renewed with the Department of Administration during the 2006 calendar year, this is an opportunity to increase the rent to consolidate payments for recurring expenses and allow General Services to operate within its budget.

The Department of Administration processes approximately 774 additional invoices each year at an annual cost of $65,790.

Recommendation

The Department of Administration should combine invoices to increase efficiency and charge rental fees on leased property to cover costs.

DOA should determine the amount of rent needed to provide appropriate funding for maintenance and operations of the Capitol Complex over the term of the next lease to eliminate deficits in the General Services budget.

DOA should also contact vendors to make arrangements for invoice consolidation to eliminate the additional processing costs. The purchasing card should be used whenever possible to eliminate processing costs.

Fiscal Impact

The number of additional invoices processed each year is 774, which costs $101 per invoice for transaction costs. This recommendation would save $78,174 for the State of West Virginia in processing costs.

Fiscal Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings (Federal)	FTEs
2007	$78,174						
2008	$78,174						
2009	$78,174						
2010	$78,174						
2011	$78,174						

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Prepare calculations of rent that will provide appropriate funding for the operation of all state-owned buildings	Department of Administration	07/06	08/06
Contact vendors to consolidate billings	Department of Administration	08/06	09/06

Footnotes

[1] Ross Taylor, Director of Finance and Administration, Report, 2/6/06
[2] Jack MacDonald, Director of Purchasing Card Program, State Auditor's Office, Telephone, 3/9/06
[3] Ross Taylor, Director of Finance and Administration, Interview, 2/21/06
[4] Sheila Gray, Leasing Coordinator, Phone, 3/9/06

CREATE FIVE-YEAR PLAN FOR MAINTAINING STATE BUILDINGS AND OTHER PROPERTY

West Virginia's General Services Division should develop a five-year capital plan to ensure that state-owned property and structures are maintained and costly repairs are avoided.

Background

Capital projects are defined in the Executive Budget as construction, renovations, and acquisition projects that exceed $100,000 in total cost or equipment purchases of more than $50,000. Each agency is responsible for preparing its own Capital Project listing. The Executive Budget lists the individual Capital Projects by agency with project length, timelines, and estimated costs. There is also a financial plan that covers a six-year period in the Executive Budget.[1]

The Executive Budget lists the projects for General Services that are in progress and their proposed completion dates. In 1995, a five-year capital improvement plan was developed for General Services. It listed projects for the state-owned buildings that needed major repairs or equipment replaced. This five-year plan covered the years from 1995 to 1999, and the majority of the items were completed. However, General Services has not developed another five-year plan and now presents a plan only for the upcoming fiscal year as their Capital Project Plan.[2]

State law (West Virginia Code Chapter 5A-4-2) gives the Director of General Services the responsibility for the care, control, and custody of buildings in the Capitol Complex. He is responsible for all minor repairs and alterations to the capitol buildings, the governor's mansion, and the grounds. Major repairs and alterations also fall under the supervision of the Director, subject to the direction of the Department of Administration Secretary. The State Building Commission must approve all Capitol Complex alterations.

Although deferring maintenance is generally one of the first ways that states cut costs during tough budget times, over the long term doing so is costly. Most staff and managers in General Services are well aware of the maintenance problems they face, and would like nothing more than to commit to an adequate level of maintenance. However, the financial resources are often simply inadequate to make this possible.

Deferring maintenance is not a cost-effective method of managing state government's resources. The useful life span of buildings and other infrastructure systems is shortened when they aren't maintained. Neglected infrastructure eventually deteriorates to a point when it's cheaper to rebuild than to do costly maintenance.

Deferring maintenance, therefore, creates additional major capital projects that the state must finance using bonds or other debt. By deferring maintenance to reduce expenses in the short term, taxpayers end up spending more money over the long run to rebuild its infrastructure. Although it is difficult to accurately quantify the amount of money the state wastes by deferring maintenance, some research indicates that maintenance efforts can reduce the lifecycle costs of some infrastructure systems by as much as 90 percent. [3]

Deferred maintenance has other effects on government's ability to deliver to the public the maximum amount of services per dollar it spends. Sufficiently maintained facilities such as government office buildings can improve the productivity and job satisfaction of public employees. Periodic investments in facilities lead to other improvements, such as increased accessibility and more modern amenities that facilitate the use of cost-saving technology.

In addition, a number of economic studies have linked public infrastructure investment with economic growth as a result of higher productivity and quality of life. In a 1993 study by the Iowa Legislative Fiscal Bureau, analysts determined for every $1 spent on preventative maintenance, $5 was saved on future maintenance.[4] With the price of inflation, that would equate to $1.41 spent and $7.06 saved in today's market.

Findings

According to the Government Performance Project 2005 State Report Card, West Virginia received a "C" grade in infrastructure. The state has a five-year statewide capital plan, which is updated every two years and is based largely on agency-level capital plans. The state lacks a consolidated statewide capital budget. Agencies use funds for maintenance, and larger projects go through a process to gain approval by the State Budget Office, the Governor, the Secretary of Revenue, and the Legislature. Maintenance is not based on an identifiable life-cycle approach to asset management. The state has no comprehensive or systematic condition assessment of maintenance needs; it is left up to each agency to arrive at its own cost figures.

In contrast, Kentucky received a "B" grade on its infrastructure. Maintenance there is based on the life-cycle approach to asset management. They have a six-year capital project plan, and the state has a centralized database to track the condition of state-owned buildings. The database feeds directly into Kentucky's capital planning process.

Virginia received an "A" grade and has a six-year statewide capital plan, which is prioritized and based on a set of criteria, the first of which is maintaining existing infrastructure. The state takes a life-cycle approach to maintenance, and its Department of General Services centrally maintains maintenance records on all major assets. The maintenance reserve is well-funded.

Utah received an "A" grade and has a statewide, comprehensive capital plan for five years. The plan is linked with the state's capital budget. They use the life-cycle approach to maintenance. They have a state law requiring that before money can be spent on new facilities or renovation work, maintenance funding must be provided at a level equal to at least .9 percent of the replacement cost of existing facilities. Utah's facility condition assessment program identifies the maintenance and renewal needs of each asset for the upcoming ten-year period.[5] The state hired a company at a cost of about 16 cents per square foot to assess state-owned facilities and provide a capital plan.[6]

Cities are also learning that long-term maintenance needs must be met before they approve a new public project in the first place. Seattle, for example, established one of the nation's most complete fiscal note processes for capital projects. Approval of any project costing more than $500,000 must be accompanied by an estimate of the facility's life span, ongoing operating and maintenance costs, expected revenue, increased or decreased private investment, and the financial cost of non-implementation. A less formal fiscal-note process is used for capital projects between $100,000 and $500,000.[7]

In West Virginia, public buildings are among the state's most valuable assets and represent significant taxpayer investments. Planned maintenance and renewal should play a central strategic role in the management of these assets. Yet, required maintenance is often deferred. In the short run, deferring maintenance will diminish the quality of building services. In the long run, deferred maintenance can lead to shortened building life and reduced asset value.

In Building 3 of the Capitol Complex, for example, a HVAC system does not exist due to deferred maintenance. The existing form of heat for that building is a temporary boiler, which is being rented by General Services. When occupants complain about being cold, they turn the boiler on; when they complain about the heat, the boiler is turned off. The cost to replace the HVAC system in Building 3 would be $2.4 million.

Deferring maintenance on equipment is costly for the state. If Building 3 needed to be replaced, the cost would exceed $20 million — and then only for a pre-cast concrete panel/steel frame building, not to the existing architectural structure. This cost estimate does not include any HVAC or other operational equipment for the building.[8]

According to the acting assistant director of General Services, deferred maintenance has caused several major capital projects to occur. Surrounding the Capitol dome is a parapet wall that required routine maintenance such as caulking and limestone restoration, which had not been performed. Cracks allowed water to seep into the structure, and because of the annual freeze/thaw cycle, caused serious damage to the wall. The state could have spent approximately $50,000 for upkeep and avoided the cost of approximately $1.3 million for restoration. In the House and Senate chambers, roof and skylight leaks had previously damaged the walls and carpet. If proper maintenance had been performed at a cost of $10,000 or less, more than $594,000 in restoration fees could have been avoided.[9]

Recommendation

West Virginia's General Services Division should develop a five-year capital plan to ensure that state-owned property and structures are maintained and costly repairs are avoided.

The state should contract with professionals to do an inventory of state-owned buildings and assets and evaluate the condition and performance of the asset to develop a listing of all major capital projects exceeding $100,000. The capitol project listing should be prioritized based on condition of the asset and using life cycle costing.

The cost of each project should be determined by obtaining professional estimates.

A five-year plan for maintaining, repairing, and replacing assets should be created, including a funding plan for each project. Such a plan should prioritize all the state's major capital projects, including new construction, and be updated annually. The state should obtain approval of the five-year plan by the Building Commission for buildings within the Capitol Complex.

The General Services Division should budget appropriately for the annual cost of the five-year plan.

Fiscal Impact

By developing a five-year plan and performing preventative maintenance, General Services can reduce the costs of some of the capital projects. For this review, General Services was unable to determine the amount of money spent on preventative maintenance each year.

To determine the savings of this recommendation, the amount of money budgeted for materials/supplies and maintenance/repairs (line items commonly used for preventative maintenance) in General Services was $364,640. The Idaho study cited above found that for every $1 spent, $5 could be saved. Multiplying $364,640 by $5 suggests total savings of $1,823,200. In order to maintain conservative estimates, half of the $1,823,200 was used to determine the savings for preventative maintenance, which is $911,600. If General Services were to fully implement preventative maintenance measures immediately, the savings would be realized in construction costs after the second year.

The Department of Administration owns 1,264,527 square feet of office space. Since the Department of Environmental Protection's building is new, the 180,663 square foot was subtracted from the total office space as the building is under warranty for this calculation. The total square footage assessed was be 1,083,864. Utah spent 16 cents per square foot to perform an assessment of their state facilities. Using this same standard of 16 cents per square foot, the Department of Administration's cost would be $173,418 to hire a company to assess its facilities.

Fiscal Year	**Savings (State GR)**	**Saving (Federal)**	**Savings (Other)**	**Costs**	**Net Savings (State)**	**Net Savings (Federal)**	**FTEs**
2007				$173,418			
2008							
2009	$911,600						
2010	$911,600						
2011	$911,600						

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Contract with vendor to perform inventory of state-owned buildings and evaluate the condition of each asset.	General Services/Purchasing Division	08/06	12/06
Ensure all assets are entered in the General Services maintenance system to provide preventative maintenance	General Services	12/06	01/07
Prepare a list of capital projects with costs and prioritize	General Services	12/06	01/07
Develop a five-year capital plan	General Services	01/07	02/07
Develop procedures that will ensure the oversight of the capital plan and completion of projects	General Services	01/07	02/07

Footnotes

[1] http://www.wv.gov/Offsite.aspx?u=http://www.wvbudget.gov/
[2] Tim Lee, Assistant Director of General Services, 1/30/06, Email
[3] http://www.spur.org/documents/050101_report_02.shtm
[4] http://staffweb.legis.state.ia.us/lfb/docs/IssReview/1993/is0621a.PDF
[5] http://results.gpponline.org/StateCategoryCriteria.aspx?id=140&relatedid=4
[6] Kent Beers, State of Utah, Department of Administrative Services, Facility Construction Manager, Email, 4/14/06
[7] http://www.governing.com/gpp/2000/gp0cm.htm
[8] http://www.rsmeans.com/calculator/index.asp Website to calculate construction cost
[9] Tim Lee, Assistant Director of General Services, 3/13/06, Interview

INVENTORY ALL STATE-OWNED BUILDINGS AND PROPERTY

West Virginia should develop and maintain a comprehensive inventory of all state-owned buildings and property and update the database annually to improve asset management.

Background

State laws holds that the director of Purchasing is responsible for maintaining an up-to-date inventory of agencies in the fixed asset module of the Financial Information Management System (FIMS). WV Code 5A-3-35 requires the head of every spending unit of state government to file an inventory of all real and personal property annually with the Purchasing agency at the close of the previous fiscal year.

The Department of General Services collects and tracks all state-owned properties for the non-audited entities. (Non-audited entities are any state agency or entity required to submit an annual inventory, as noted above, in WV Code 5A.) As of 2005, the state's 25 audited agencies were responsible for maintaining their own internal inventory and weren't required to report their property inventory to the DOA.

Some audited agencies have a systematic approach to monitoring the property they own. The Department of Health and Human Resources (DHHR) proactively maintains and updates its land and building property. The DHHR sold six buildings for a total of $119,032 in fiscal year 2005[1].

Last year, the Governor's Office[2] attempted to determine the size, location, and acquisition cost of the mineral rights on all state properties. However, the "Land Book Report" stopped short of creating a centralized system of asset management.

Findings

In 1991, the Department of Administration (DOA) undertook a major project to identify and record all land information for the state. The purpose was to determine beginning balances for fixed assets for the state's first Comprehensive Annual Financial Report (CAFR). The database wasn't maintained beyond the collection of the initial information, and only incidental changes were recorded thereafter.

For both audited and non-audited agencies, little information is known about the current value of land and building assets. Unless a property is improved or identified for sale, no current appraisal value to determine its dollar value is kept.

As part of the Governor's performance review, the governor's office issued a memorandum and spreadsheet to all Cabinet Secretaries and agency heads to provide data on all state-owned building and land properties:

Other states, such as Minnesota, have recently passed legislation to provide an inventory of all state-owned land, including land with improvements, and all acreage of land properties.

Once a current inventory of all state owned land and building properties is collected, it will be critical for the state to clarify the process for maintaining the property inventory and require that regular annual updates occur.

Recommendations

a. The state should develop and maintain a comprehensive inventory of all state-owned buildings and property and update the database annually to improve asset management.

Officials should collect all information from the March 2006 land and building property inventory and record this into Financial Information Management System (FIMS) as the starting point to maintain meaningful and timely information for the management of all land and building assets.

The state should issue a request for proposals to identify all state-owned property and determine the appropriate criteria that should be collected in a comprehensive inventory. Criteria to collect includes, at a minimum, the street, address or plot, city, acreage, building square footage and most recent appraisal value[3]. Other criteria to consider are the property's current use, estimated annual lease value, public access and restrictions, whether or not it sits in a flood plain, whether or not it's within a local taxing municipality, parking capacity, handicap access for offices and mineral rights on the property[4].

The state should also develop an inventory system and process that allows for updates to include additions, disposals, and other changes to identifying information. The system should provide an appropriate audit trail and useful reports to management on a systematic basis. An audit process should be designed to confirm the reliability of the real property inventory, and the audit process should be executed by the various agencies[5].

b. The state should determine other states' rules and regulations for land managed by the Department of Highways and identify any barriers that could pose a problem for selling properties that could be better used.

Fiscal Impact

Fiscal Year	Increased Cost to the General Revenue Fund	Savings to Federal (Other) Funds	Change in FTEs
2006	$60,000	$0	0
2007	$0	$0	0
2008	$0	$0	0
2009	$0	$0	0
2010	$0	$0	0

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
DOA to meet with IS&C to amend FIMS' fields to include additional property information already collected	DOA Finance Director, IT Manager, IS&C Director	August/2006	October/2006
DOA to key in collected property inventory information into FIMS	DOA Finance Director and staff	August/2006	October/2006
DOA to issue RFP for statewide inventory	DOA Secretary, DOA Purchasing Director, DOA Finance Director	October/2006	March/2007
DOA to oversee execution of statewide inventory by external vendor	DOA Secretary, Finance Director	March/2007	Septmeber/2007
DOA to present report findings to key stakeholders	DOA Secretary, Finance Director	October/2007	December/2007
DOA/Highways to benchmark other states rules/regulations to selling unused lands	DOA Finance Director, DOH Representative	September/2007	November/2007
DOA to prepare benchmark summary report to affected stakeholders	DOA Finance Director	January/2007	February/2007

Footnotes

[1] Email of building properties sold from Dave Hildreth, Director of Facility Operations, Department of Health and Human Resources, 6/28/06
[2] Report led by Ed Hamrick, Department of Environmental Protection and Joe Martin, Deputy Chief of Staff, Governor's Office
[3] Summary Proposal Letter submitted by Lane Harless, P.I.L.C. Member, Arnett & Foster, 6/27/06
[4] Summary Proposal Letter submitted by Matt Burchett, Manager of the Audit Department, Chambers, Paterno and Associates, 6/27/06
[5] Summary Proposal Letter submitted by Lane Harless, P.I.L.C. Member, Arnett & Foster, 6/27/06

GOVERNOR'S OFFICE

P2-29

IMPROVE PAYROLL TAX COLLECTION

West Virginia should aggressively pursue non-compliant employers to recover potential lost payroll tax owed to the state.

Background

In 2003 the Governor's Office of Fiscal Risk Analysis and Risk Management completed a study [1] to determine the extent of employers, specifically in the construction industry, who failed to report part or all of their required state business taxes. The study also sought to meet the following strategic goals:

- Determine the revenue due the state from the under-reporting or misreporting of employees and set strategies for collecting these potential revenues. This is especially important in the construction industry.
- Define the roles of the state Division of Labor (DOL), its partnering agencies (Unemployment Compensation, Tax and Revenue and Workers Compensation – which is now privatized) and law enforcement personnel as it relates to the Undocumented Workers Project.
- Develop an action plan detailing how these entities will coordinate and increase their efforts and police the hiring of undocumented workers in the state.
- Implement an effective education and communication plan among agencies, law enforcement personnel, employers, and the public about illegal hiring practices.
- Improve coordination and communication among the vested agencies.
- Facilitate effective cross-agency strategic planning in developing and implementing preventative, proactive and effective policies and procedures that address undocumented workers.
- Create a continuous improvement plan that systematically monitors and measures feedback and performance of implantation plans and uses data to improve coordination and communication among partnering agencies.
- Clearly define responsibility and accountability for results and goals achieved. (DOL determined that the number of inspectors it had to conduct annual employer inspections was inadequate given the 203 total wage bond infractions it documented in its study.)

The Governor's study concluded that DOL was understaffed and ill equipped to identify under-reporting practices. At the time of the study, DOL had 19 labor inspectors and three supervisors to monitor nearly 58,000 employers[2] across the state. Today, the DOL has even fewer inspectors — 17 in all, with three supervisors — to monitor employers. This at a time of increasing numbers of undocumented workers in the state — at least 52,000, according to the U.S. Immigration and Naturalization Service in 2001.

Chapter 21-1-3 of the West Virginia Code authorizes the Commissioner to visit the principal work places and factories in the state at least once per year to ensure that all employers are in compliance with state labor laws.

In addition to the challenge of too few inspectors, the Governor's report also found no systematic process in place to ensure that employers who fail to pay required state business taxes are reported to the appropriate state taxing entities.

Routine audits can determine if employers care in violation of any of 12 separate state wage and hour statutes. Labor inspectors review the requirements of employers to ensure compliance with all 12 of these statutes, where applicable[3]. If an employer is found to be in violation of any of the wage and hour laws and disputes the findings of the audit, an administrative hearing is held. The administrative law judge then issues an order to pay or dismiss.

With undocumented workers, if a record keeping violation is found, the employer is given 72 hours to produce the necessary files for every employee. For these violations, the labor inspector files a complaint with the prosecuting attorney's office for follow up. In addition, the labor inspector sends a copy of the inspection report to the taxing entities (Tax and Revenue, Workers' Comp, and Unemployment Comp) for follow up, enforcement, and collection of state taxes or premiums.

Since publication of the Governor's report, little has been done to improve the number of inspectors, and the process to identify employers engaged in these types of unlawful practices remains unchanged. State Officials[4] believe the problem has worsened, and the state continues to lose significant tax revenues from these noncompliant employers.

Findings

DOL inspectors are required under state law to visit every employer in the state. The agency has too few labor inspectors to comply with the mandate. As of May 25, 2006, 20 inspector and three supervisory positions were funded, but only 17 inspectors are actually filled[5]. With some 58,000 employers (defined as employers who have employees as reporting taxes to the state tax department), the average workload per state inspector is 3625 employers — allowing each inspector to spend at most half-an-hour with each through the year. This calculation doesn't take into account travel distances or the follow up work required by the inspectors in making repeat visits and calls to individuals and employers or work sites as required from routine inspections.

Highlighting another aspect of this staffing shortage is the fact that there are currently three inspector vacancies in the northern and eastern part of the state. With the low number of inspectors, in addition to the four vacant positions, the current staffing plan has only three inspectors covering 27 counties in the north and eastern parts of the state. When fully staffed, inspectors are assigned an equitable distribution of counties based on the size of the geographical area to cover in addition to the concentration of employers/construction sites.

Despite the staffing shortfall and the current vacancies, DOL inspectors still complete a significant amount of work. In FY 05, the DOL labor inspectors completed a total of 1,082 contractor license inspections[6]. With each of these inspections, the inspectors conducted other applicable inspections (up to 10 types), including 588 undocumented worker inspections, as required by state law. Separately, 3,046 wage payment collection inspections were conducted and 459 violations were found and addressed.

In FY2005, there were 588 undocumented workers inspections, with 736 individual employee violations found. Some 210 contractors couldn't meet the employee compliance requirements within 72 hours, and the DOL issued a request for records from these employers.

Hiring undocumented workers can be a profitable venture for employers. Those who are aware that there are too few inspectors to effectively investigate and enforce collections may be tempted to continue to disregard the law.

It's important that the state take action to reduce these unlawful practices and ensure that employers aren't cheating the state out of payroll taxes by under-reporting or misreporting employee or wage information. Sanctions won't deter employers from engaging in this practice unless more resources are dedicated to enforcing the sanctions. By increasing the probability of detection through increasing inspectors who then can conduct more inspections, and making sure that agencies work together, West Virginia should see a decrease in under-reporting and misreporting and a significant increase in payroll taxes that are collected.

Recommendations

a. **West Virginia should aggressively pursue non-compliant employers to recover potential lost payroll tax owed to the state by filling all inspector vacancies, adding more inspector positions, and realigning inspection strategies based on employer risk.**

   At a minimum, DOL should fill all 20 budgeted inspector positions. Focusing efforts toward hiring and training the unfilled positions would substantially increase their inspection efforts.

   DOL should hire 25 new labor inspectors and four supervisors to meet inspection needs. These positions should be phased in incrementally over a five-year period and a cost-benefit analysis should be conducted each year prior to increasing staffing levels. For the first year, the newly added positions should be funded through the General Revenue. After that, tax revenues generated as a result of the additional inspectors should be used to fund these positions.

b. **As an alternative, a dedicated number of Inspectors could be used to focus on non-compliant employers who hire undocumented workers. This would target a greater number of high-risk industries at less cost and provide increased revenue to the state.**

   DOL should prioritize inspections, based on employer risk, to yield greater compliance and to increase state revenues. This would provide a layered approach to inspections to concentrate on high-risk employers and contractors and thus spend less time on lower-risk employers. Specifically, DOL should prioritize their monitoring practices as follows:

- All RFA's and Contractor Licensing Board requests
- Previous offenders
- All contracting jobs
- Random sample of remaining industries with a history of participating in unlawful hiring practices
- Small random sample of all other industries
- Visit all remaining employers on an "as needed" basis.

In addition, DOL should hire inspectors from the geographical areas of greatest risk, as identified from the layered approach to investigation, as outlined above.

c. Lawmakers should change state law to require labor inspectors to visit employers based on history and risk and to do away with the requirement to visit every employer once a year.

The Governor's Office should mandate interagency cooperation among DOL, Unemployment Division, Tax and Revenue, the Insurance Commission and Law Enforcement. This includes dedicated resources to share information across agencies in a systematic manner.

As part of an active effort to encourage compliance, DOL should establish an on-going committee and partner with the Legislature, unions, the Chamber, and county and city government leadership to vigorously market the campaign. These stakeholders each have a vested interest in ensuring that all employers are playing by the same rules across the state. Data-driven performance metrics should be established and data collected from the various taxing entities to monitor the performance of the process. Reports on the progress should be reviewed, and strategies adjusted, based upon changing needs.

d. To encourage support from federal authorities, DOL should partner with the federal Homeland Security office to coordinate efforts to monitor and penalize undocumented worker activity.

The state should ensure that the various taxing entities verify that all taxes owed have been collected from violators. When the state receives checks or lump sum amounts from employers, they should be systematically logged, with the appropriate employer information and notice of payment received, and then communicated to the various taxing entities.

In the short-term, the Department of Motor Vehicles should use the manager of the agency's Fraud Unit to provide counterfeit documentation training to DOL inspectors. This manager regularly attends a national conference and other trainings throughout the year to keep current on the various means that undocumented workers are using to falsify identity and work eligibility documents. Having this training would allow DOL inspectors to know the most current means that undocumented workers and non-compliant employers use in harboring these employees. In the long-term, the provisions for compliance with the Real ID Act will require this type of training in the long-term.

Finally, the state should recoup and aggressively pursue all penalties for guilty employers/contractors. The state should benchmark and increase penalties, assessed to unlawful employers, to the level of the surrounding states to increase state revenues and discourage employers from using undocumented workers.

Fiscal Impact

Fiscal Year	Increased Cost to the General Revenue Fund	Increased General Revenues	Increased Special Revenues	Change in FTEs (Including Budgeted and Newly Added Positions)
2006	($253,515)	**$ $223,654.45**	**$103,756.55**	8
2007	($444,198)	**$383,407.64**	**$177,868.36**	6
2008	($642,348)	**$536,327.77**	**$248,810.23**	6
2009	($843,966)	**$691,200.20**	**$320,657.80**	6
2010	($1,034,382)	**$846,072.63**	**$392,505.37**	6

All calculations for the above revenues/costs are constructed on 4 separate spreadsheets including: Revenue Projections, Staff Allocation Projections, Staff Allocations Plan and DOL Inspector Yield. Increases to General Revenue are State Withholding Tax only. Increases to Special Revenue include: the deficit-reduction surcharge, Insurance Commissioner regulatory surcharge, and Employment Security revenues.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Review and improve recruitment plan for existing labor inspectors and dedicate resources toward hiring unfilled vacancies	DOL Commissioner, Director of Wage and Hour, DOP Personnel Director	August/2006	October/2006
Determine new placement for additional vacancies, based on geography and risk, in year 1 and post positions.	DOL Commissioner, Director of Wage and Hour	August/2006	October/2006
Develop and implement	Director of	August/2006	October/2006

inspection plan, based on risk, This should include a plan to identify high-risk employers and emphasis in high-risk industries	Wage and Hour, Inspector Supervisors		
Draft proposed legislation to eliminate requirement to visit every employer once/year by labor inspectors	DOL Commissioner, DOL Legal Director	August/2006	September/2006
Present legislation to Governor's Office for review and approval	DOL Commissioner, DOL Legal Director, Governor's Office	September/2006	November/2006
Present legislation to Legislature	Governor's Office	February/2006	April/2006
Issue governor's executive order to mandate interagency cooperation with DOL and sharing of resources	Governor's Office	August/2006	September/2006
DOL should establish a stakeholder's meeting with key constituents to PR and market the state's new plan.	DOL Commissioner, Wage and Hour Director	September/2006	Ongoing
DOL should partner with federal authorities, including Homeland Security, to coordinate efforts	DOL Commissioner, Wage and Hour Director	September/2006	Ongoing
Collecting agencies should ensure they have a plan in place to verify delinquent employer payments are correct (including back taxes and penalties)	(Tax, Unemployment Compensation, Insurance Commission) Agency Heads and designated staff	September/2006	October/2006
DOL should partner with the DMV's Fraud Unit to provide counterfeit documentation training to all DOL inspectors	DOL Commissioner, DMV Commissioner	September/2006	October/2006
Collecting agencies should benchmark and recommend plan to raise their penalties to the level of the surrounding states to increase revenues	(Tax, Unemployment Compensation, Insurance Commission) Agency Heads and designated staff	September/2006	October/2006

Footnotes

[1] "*Protecting West Virginia Workers…Protecting West Virginia's Future*…" The Governor's Division of Labor, Governing Alien Workers Report submitted by Todd Hudnall, Governor's Performance Review Team Member
[2] Emailed response submitted by Mark Muchow, State Director of Fiscal Policy, Tax Department, Fall 2005
[3] Report submitted by Barbara Gandy, DOL Office Supervisor and Larry Walker, state DOL Wage and Hour Director, 3/12/06
[4] Interviews with Jim Lewis, state DOL Commissioner and Larry Walker, state DOL Wage and Hour Director, 3/06
[5] Email submitted by Barbara McClure, Administrative Assistant to the Commissioner, state Division of Labor, 5/25/06
[6] Information derived from the "Wage Hour Section Fiscal Year 2004-2005 Report" submitted by Barbara Gandy, DOL Office Supervisor, 2/21/06

DEPARTMENT OF ENVIRONMENTAL PROTECTION

DEPARTMENT OF ENVIRONMENTAL PROTECTION

P2-1

STREAMLINE WATER QUALITY PROGRAMS

West Virginia should combine the Clean Water Act Program with the Safe Drinking Water Act Program to eliminate duplication of services in water quality management and loan programs.

Background

Growing public awareness and concern over controlling water pollution led to enactment of the Federal Water Pollution Control Act Amendments of 1972. As amended five years later, this law became commonly known as the Clean Water Act (CWA) and established the basic structure for regulating discharges of pollutants into waters through the U.S. It gave the Environmental Protection Agency (EPA) the authority to implement pollution control programs and continued requirements to set water quality standards for all surface waters. In addition, the act made it unlawful to discharge any pollutant from a point source into navigable waters, authorized funding for construction of municipal sewage treatment plants under a construction grants program, and began to address the critical problems posed by nonpoint source pollution.

Revisions in 1981 and 1987 streamlined the municipal construction grants process, improving the capacity of treatment plants built under the program. These revisions also created the Clean Water State Revolving Fund (SRF), designed to address water quality needs by building on partnerships between the EPA and state governments.[1] The SRF program funds wastewater facility construction, upgrades, or expansions.

The Department of Environmental Protection (DEP) has been charged with administering the Clean Water Act. Within DEP, the Division of Water and Waste Management is responsible for the SRF. This division handles general oversight, fiscal management, and administrative compliance review of local governmental entities that receive funds. The division also provides information and guidance on what administrative actions are needed to process a loan through the program.

The CWA State Revolving Fund provides funding for 23 positions. In FY 05, the state issued 10 loans totaling $51 million. In addition to the loan program activities, DEP provides program management, develops intended use plans, annual reports, grant applications, state budgets, construction inspections, engineering report reviews, and review plans/specs.[2]

Congress passed the Safe Drinking Water Act (SDWA) in 1974 to protect public health by regulating the nation's public drinking water supply. The law was amended in 1986 and 1996 and sets out steps for protecting drinking water and its sources: rivers, lakes, reservoirs, springs, and ground water wells serving more than 25 individuals.

The SDWA originally focused on treatment as the means of providing safe drinking water at the tap. Amendments established a strong new emphasis on preventing contamination problems through source water protection and enhanced water system management. That emphasis transforms the previous law, which had an after-the-fact, regulatory focus, into an environmental statute that can better provide for the sustainable use of water by our nation's public water systems and their customers.
Millions of U.S. citizens enjoy drinking water every day from their public and privately-owned water systems. But there are threats to safe drinking water: improperly disposed of chemicals; animal wastes; pesticides; human wastes; wastes injected deep underground; and naturally occurring substances can all contaminate drinking water. Drinking water that isn't properly treated or disinfected, or that travels through an improperly maintained distribution system, may also pose a health risk.

The Department of Health and Human Resources Office of Environmental Health Services administers the SDWA. The agency has 73 positions in its Engineering Division, which carries out the tasks associated with the SDWA.[3] Another responsibility is to review sewage plans and issue permits for construction. This function is also performed by the DEP as it pertains to sewage treatment plants — a duplication of effort that costs taxpayers.

The DHHR also manage the State's Drinking Water Treatment Revolving Fund. The fund, capitalized by the federal EPA, provides loans for the funding of drinking water infrastructure projects needed to achieve and maintain compliance with the federal SDWA and the states Public Water Systems Regulations. The program is coordinated with other funding under the auspices of the West Virginia Infrastructure and Jobs Development Council. To manage this program, the DHHR gets funding for 33 positions. In FY 05, the state issued five loans worth $5,334,000. In addition to the loan program activities, the staff implements source water protection, conduct public water system inspections, develop compliance enforcement activities, provide technical assistance to water systems, train/certify water operators and provide clerical support.[4]

Findings

West Virginia manages federal loan programs for drinking water and clean water infrastructure in two different departments. By combining the administration of these two programs in a single agency, the state could process additional loan applications at the same cost.

According to federal regulations (Federal Register 40 CFR Parts 9 and 35 Section III of the Drinking Water State Revolving Funds; Interim Final Rule published in August 2000) states may combine the financial administration of the Drinking Water State Revolving Fund with the Clean Water State Revolving Fund. States may also transfer 33 percent of a fiscal year's Drinking Water State Revolving Fund program capitalization grant to the Clean Water State Revolving Fund or visa-versa. This provision linking the national DWSRF and the CWSRF programs signals congressional intent for EPA and the states to implement and manage the two programs in a similar manner.[5]

The federal EPA provided a Program Evaluation Report on West Virginia's Drinking Water Treatment Revolving Fund Program in mid-2004. EPA expressed concerns about high priority projects not moving forward expeditiously and many projects being bypassed because they were not ready to proceed. These bypasses slowed the pace of construction. The EPA recommended that the state examine ways to reduce the number of project bypasses and move projects to loan closing in a timelier manner.[6]

The EPA distributed new software for the State Revolving Fund recently that combined the Clean Water Revolving Fund and the Safe Drinking Water Revolving Fund information.[7]

Thirty-one states administer the SDW SRF loan program through their environmental agency or natural resources agency. Another 13 states administer the program through their health agencies. There are seven states that use a combination of environmental and health agencies to administer the program.[8]

The DEP processed $51 million in loan applications in FY 05 for the Clean Water State Revolving Fund, while DHHR's Safe Drinking Water Program processed $5.3 million in loan applications during the same fiscal year.

DEP's Division of Water and Waste Management is responsible for implementing programs controlling surface and groundwater pollution caused by industrial and municipal discharges as well as oversight of construction, operation, and closure of hazardous and solid waste and underground storage tank sites. In addition, the DEP works to protect, restore, and enhance West Virginia's watersheds through comprehensive watershed assessments, groundwater monitoring, wetlands preservation, inspection and enforcement of hazardous and solid waste disposal and proper operation of underground storage tanks.

There are 30 states that administer the Safe Drinking Water Act through their environmental agencies. A few states, (Pennsylvania. Illinois, Massachusetts) have entered into inter-agency agreements with their health agencies to cover health-related issues.[9]

The DEP Secretary has the sole and exclusive authority to promulgate standards of purity and quality for groundwater of the state (under WV Code Chapter 22-12-4). The Secretary may set standards that are more restrictive than the maximum content levels adopted by the federal government when it's necessary to protect drinking water. The Secretary is also empowered (WV Code Chapter 22C-2-2) to enter into capitalization agreements with the federal EPA to accept capitalization grant awards made under the federal CWA, the federal SDWA, and other federal laws.

Recommendation

a. **The state should streamline water quality management by combining the Clean Water Act Program with the Safe Drinking Water Act Program, to eliminate duplication of services.**

   Administration of the Clean Water Act and the Safe Drinking Water Act programs should be consolidated along with their State Revolving Fund Loan programs. Associated funding should be integrated into the DEP to eliminate duplication in water quality efforts.

State law (West Virginia Code Chapter 16-1-4, 16-1-9a, 16-13C-1-3, and 64CSR49) should be changed to reflect the elimination of the Safe Drinking Water language from DHHR.

West Virginia Code Chapter 22 should add the appropriate language for DEP to administer the Safe Drinking Water Act and the administration of the State Revolving Loan Fund.

b. After programs are consolidated, specific jobs should be reviewed to determine their continuing need. Job vacancies in the Safe Drinking Water State Revolving Fund and the Clean Water State Revolving Fund program should be eliminated. Other positions may be eliminated through attrition.

Fiscal Impact

By consolidating the two programs, the funding that DHHR and DEP currently provide to the Water Development Authority to administer the funds of $162,000 could be renegotiated and reduced. Current DEP and DHHR staff can handle the processing of payments to communities, and that duty would be eliminated from the Water Development Authority. If the amount were reduced by 10 percent that used to be paid to the Water Develop Authority, savings could total $16,200. This savings figure isn't included in the fiscal table below. Thirteen vacant positions have been identified for elimination, for total savings of $592,235, which includes salaries and benefits.

Fiscal Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings (Federal)	FTEs
2007		$473,788	$118,447				13
2008		$473,788	$118,447				
2009		$473,788	$118,447				
2010		$473,788	$118,447				
2011		$473,788	$118,447				

Implementation

Task	**Responsible Party**	**Start Date [month/year]**	**Anticipated Completion**
Both agencies meet to work out a detailed plan of the consolidation	Cabinet Secretary and appropriate staff of DEP and DHHR	08/06	10/06
Draft changes for WV Code Chapter 16 and 22 to reflect consolidation	DEP/DHHR	09/06	12/06
Draft rule changes for 64CSR49 to reflect consolidation	DEP/DHHR	09/06	12/06
Submit changes for code and rules to Legislature for approval	DEP/DHHR	01/07	04/07
Eliminate all vacant positions	DEP/DHHR	04/07	04/07
Renegotiate Water Development Authority funding for administering the funds	DEP	04/07	04/07

Footnotes

[1] http://www.epa.gov/region5/water/cwa.htm - US Environmental Protection Agency website
[2] Mike Johnson, Assistant Director, DEP Division of Water & Waste Management, Email,10/17/05 & 3/21/06
[3] Walt Ivey, Director of Environmental Engineering, DHHR Office of Environmental Health Services, 2/17/06, Email
[4] Chris Curtis, Acting Commission of DHHR Bureau of Public Health, 3/9/06, Email
[5] http://www.epa.gov/fedrgstr/EPA-WATER/2000/August/Day-07/w19783.htm
[6] U.S. EPA Program Evaluation Report – 7/20/2005
[7] Ramona Dickson, DEP Controller, Interview, 2/24/06
[8] Ron Forren, DHHR, 10/29/04 – Listing of drinking water SRF agencies
[9] Roger Selburg, Illinois Environmental Protection Agency; Jeffrey Gordon, Pennsylvania Department of Environmental Protection Agency, Email, 3/9/06

MERGE SOLID WASTE MANAGEMENT BOARD INTO ENVIRONMENTAL PROTECTION AGENCY

The Solid Waste Management Board should be merged with the Department of Environmental Protection to eliminate duplication and save tax dollars.

Background

In 1977, state lawmakers created the Resource Recovery-Solid Waste Disposal Authority, now known as the Solid Waste Management Board (SWMB), in response to the 1976 Federal Resource Conservation and Recovery Act (RCRA) and accompanying regulations. The creation of this agency represented West Virginia's first attempt to establish a statewide solid waste management planning entity.

The Solid Waste Management Board is the primary state authority for the funding, acquisition, construction, and operation of solid waste disposal projects in the state. The board awards grants to local Solid Waste Authorities (SWAs) for solid waste management programs, provides funding to county and regional SWAs through assessment fees from landfills, prepares the state solid waste management plan, and is responsible for the division of the state into solid waste disposal sheds. The SWMB's jurisdiction does not, however, extend to solid waste collectors and haulers who are common carriers governed by the Public Service Commission (PSC).

The Solid Waste Management Board must also conduct a biennial performance review of each county and regional solid waste authority that operates a commercial solid waste facility.

The West Virginia Code 22C-3-6 (12) gives the SWMB the authority to employ managers, superintendents, engineers, accountants, auditors, and other employees, and to retain or contract with consulting engineers, financial consultants, accounting experts, architects, attorneys, and such other consultants and independent contractors as may be necessary. The board is also authorized to fix compensation or fees.

All expenses are payable solely from the proceeds of solid waste disposal revenue bonds or notes issued by the board, from revenues and from funds appropriated by the Legislature.

The SWMB currently has 13 full-time equivalent employees (FTEs) responsible for accounting/auditing, purchasing, accounts payable, recycling, and reviewing plans of solid waste authorities. It also includes an executive director, who reports to the board. The board consists of: the Secretary of the Department of Environmental Protection and Secretary of Department of Health and Human Resources as ex officio members; two appointees who have at least three years of professional experience in solid waste management, civil engineering, or regional planning; and three appointees representing the general public.

The Department of Environmental Protection also has employees who provide services in management, auditing, accounting, engineering, and contracting for the entire agency and could provide services to the SWMB.

Findings

In FY 2006, the SWMB awarded 21 grants totaling $320,000 to assist local Solid Waste Authorities (SWAs) in their waste management efforts across West Virginia. The SWMB Grant Program is designed to assist local SWAs in properly managing solid waste within their perspective counties or regions. The grants are awarded for things such as recycling operational expense, financial audits, purchase of equipment, and education expenses.

The SWMB provides technical assistance to its local solid waste authorities through training, recycling efforts, sharing of environmental data and information, and environmental education. In addition, the board is required to conduct performance audits. The SWMB also issues grants related to managing solid waste that include recycling promotion and dump cleanups.

The Department of Environmental Protection currently manages grant programs related to solid waste, recycling promotion, and dump cleanups. As a result, there are redundancies and duplications among the SWMB and other DEP divisions related to effective grant making and solid waste management. Inefficiencies are created when grants are issued for similar purposes by these two different organizations.

The SWMB's projected FY 07 budget is $2,534,334, including 13 FTEs. Operating expenses total $1,759,569 and go to support the administrative staff and to provide funding to local SWAs for their solid waste management efforts.

In July 2005, Senate Bill 428 transferred the Environmental Resources Section of the Division of Natural Resources (REAP) to the Department of Environmental Protection because its functions fall under the direction of the latter. The Environmental Resources Section issues grants for waste management-related projects as well as engages in environmental education projects and assistance.

The Commonwealth of Virginia has a Solid Waste Management Board, but the Department of Environmental Quality performs the administrative work.[1] Kentucky and Pennsylvania are two regional neighbors who don't have a Solid Waste Management Board.[2]

Recommendation(s)

The Solid Waste Management Board should be merged with the Department of Environmental Protection to eliminate duplication and save tax dollars.

It's clear that the Department of Environmental Protection and the SWMB perform similar functions that promote effective solid waste management in West Virginia. The Legislature should change WV Code Chapter 22C Article 3 to allow for consolidation of these efforts and eliminate duplication, take advantage of existing skills and positions in grant making and administration at the Department of Environmental Protection, and cut costs.

All current vacant positions within the SWMB should be eliminated. All other positions that become vacant should be carefully reviewed before filling them to determine if current Department of Environmental Protection staff can perform the duties. Current filled positions should be absorbed by the Department of Environmental Protection to continue the SWMB's function.

By eliminating the four currently vacant FTEs, taxpayers will save $174,339 annually, which includes salaries and benefits. Future savings would be realized as positions become vacant and remain unfilled.

Fiscal Impact

Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings(Federal)	FTEs
2007			$174,339				4.00
2008			$174,339				
2009			$174,339				
2010			$174,339				
2011			$174,339				

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Prepare code and rule changes for consolidation of SWMB into DEP	DEP	08/06	04/07
Eliminate vacant positions	DEP	04/07	04/07
Notify employees of transfer	DEP	04/07	05/07
Transfer employees into current organization	DEP	05/07	05/07

Footnotes

[1] Daniel Gwinner, Sr. Environmental Engineer, Virginia Department of Environmental Quality, 12/2/05, Email
[2] Terry Killian, Pennsylvania Department of Environmental Protection, Municipal-Residual Waste, 12/2/05, Email, Leslie King, Kentucky DEP, Email 12/5/05, Email; Chris Liebman, P.E., P.G. Solid Waste Unit Manager, Permit Section, Bureau of Land, Email 3/15/06

ABOLISH OIL AND GAS INSPECTORS' EXAMINING BOARD

The Oil and Gas Inspectors' Examining Board duplicates services provided by the Division of Personnel and should be eliminated.

Background

West Virginia Code 22C-7-3 created the Oil and Gas Inspectors' Examining Board (OGIEB), a five-member panel charged with developing and administering an examination for candidates wishing to become an inspector for the Office of Oil and Gas within the Department of Environmental Protection (DEP).

The five board members are:

- Chief of Office of Oil and Gas, who serves as the chair,
- Director of the Division of Water and Waste Management,
- Representative of the public who is knowledgeable about the subject of oil and gas production, and who has no financial interest other than the receipt of royalty payments which do not exceed 10 percent of his or her annual income,
- Member to represent the viewpoint of independent oil and gas operators, and
- Member to represent the major oil and gas operators.

After the examination is administered, the board provides a list of qualified and eligible candidates to the Secretary of DEP for appointment as oil and gas inspectors or as supervising inspectors.

Findings

In 1999, the Legislative Auditor proposed that OGIEB either be eliminated entirely or that the testing function of inspectors be transferred to the state Division of Personnel. The next year, the Legislative Auditor issued an executive summary, which again recommended terminating the board under West Virginia Code (Chapter 4-10-5 as amended).

The Division of Personnel performs testing of applicants and provides a list of certified eligible candidates for all other inspector positions in DEP. OGIEB provides the same function limited to potential oil and gas inspectors. The OGIEB provides a list of oil and gas inspectors and supervisors to the DEP. The Office of Oil and Gas (OO&G) pays $200 per full-time equivalent employee (FTE) to the Division of Personnel for this service, even though the Division of Personnel is not performing the testing service.

Kentucky and Ohio do without an examining board for this profession, instead guaranteeing that their state personnel office provide testing and lists of registered inspectors to the appropriate state agency.[1]

The OO&G is paying $3,000 in personnel fees to the Division of Personnel for services that the Examiners' Board is performing.

The annual cost of the board for FY 05 was $2,388. The six hours per year spent by DEP officials on this task could be better spent on environmental issues.

Abolishing the Oil and Gas Inspectors' Examining Board won't negatively affect the state's environment. The Division of Personnel will provide the same service — and the personnel fees paid to them will be justified at last.

Recommendation(s)

The Oil and Gas Inspectors' Examining Board duplicates services provided by the Division of Personnel and should be eliminated by changing West Virginia Code 22C-7-3.

The Division of Personnel should work with the Department of Environmental Protection to develop testing procedures for potential Oil and Gas Inspectors that are consistent with the testing procedures for other DEP employees and inspectors.

Procedural Rule Title 40 Series 1 should be eliminated as it pertains to the rules for the Oil and Gas Inspectors' Examining Board.

Fiscal Impact

Total taxpayer savings from the elimination of the board will come to $2,388 annually. The $3,000 for personnel fees will continue, and the Division of Personnel will provide the service of testing applicants and providing candidates for the oil and gas inspector/supervisor positions.

Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings (Federal)	FTEs
2007			$2,388				
2008			$2,388				
2009			$2,388				
2010			$2,388				
2011			$2,388				

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Prepare legislation and submit code changes and rule changes	DEP	08/06	04/07
Work with Division of Personnel to develop and administer the test	DEP/DOP	08/06	10/06

Footnotes

[1] Marvin Combs, Kentucky Environmental & Public Protection Cabinet, Email, 11/23/05 and Patti Nibert, Ohio Department of Natural Resources, Email, 11/30/05

MERGE OFFICES WITHIN DEPARTMENT OF ENVIRONMENTAL PROTECTION

The Department of Environmental Protection's Office of Innovation should be merged with that agency's Public Information Office to reduce overall costs.

Background

The Department of Environmental Protection's Office of Innovation has a mission to engage human, financial, technical, and natural resources to build a sustainable environment, economy, and society for West Virginia. Office personnel host Environmental Management System workshops to help businesses and organizations identify, control, and monitor their activities and products that could have potential environmental impacts. The office also assists other DEP offices with educational programs and environmental award programs. The main goal is to communicate with the general public about ways to sustain the environment for the future.[1]

There are currently three full time employees costing approximately $220,817 in the Office of Innovation. The DEP gets an annual grant for $80,000 from the U.S. Environmental Protection Agency (EPA), which provides matching funds to state and tribal programs to:

- support pollution prevention activities across all environmental media;
- develop state pollution prevention programs;
- provide training, outreach, education, and recognition programs.

This grant funds about half of the salary for the Director of Innovation. However, the grant could be used to fund another position of the Innovation Office. As long as Congress appropriates the money in the U.S. EPA's budget, it will be awarded to states to continue their pollution prevention efforts. The state's DEP must compete for grant funding each year. Should the grant money not be awarded to the DEP, that portion of the funding for this program would have to be provided by another means or the program would be downsized or eliminated.

The total annual budget for the Office of Innovation is $556,951. About 60 percent of that amount is spent on administrative operations, training, educational programs, and outreach to the communities.
Much like the Office of Innovation, the DEP's Public Information Office plays a role in disseminating information and educating the public. It offers a variety of services, all aimed at communication and promotion of the environment for our future.

In 2005, lawmakers transferred the Environmental Resources Section of the Division of Natural Resources to the DEP because its functions fall under the direction of the DEP. The West Virginia Youth Environmental Program was placed under the direction of the Public Information Office. The West Virginia Youth Environmental Program provides a statewide environmental education and outreach program for young people.

Findings

Both the Office of Innovation and the Public Information Office train and educate the general public on important environmental issues. By combining these offices, current staff will be used more efficiently to promote the environment to businesses, organizations, and the public at large.

A grant currently used to fund one-half of the Director's position can be used to fund another position within the Innovation Office, thereby eliminating the Director's position.

Merging these offices won't affect the level of services provided, and additional staff can be cross-trained to support the program within the Public Information Office. This recommendation will also guarantee that the important work of the Office of Innovation will continue even if federal grant funding is eliminated.

Recommendation

The Department of Environmental Protection Secretary should merge the Office of Innovation with the Public Information Office to reduce costs.

The DEP should eliminate one FTE by merging its Office of Innovation with its Public Information Office. The Director position will no longer be necessary, as the two FTEs will report to the Chief Communications Officer. The program will continue to provide the same services to the public and increase the information and services they provide by more efficient use of current staff.

Fiscal Impact

By combining the two offices and eliminating one FTE, taxpayers will save $80,767 per year.

Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings(Federal)	FTEs
2007		$80,767					1.00
2008		$80,767					
2009		$80,767					
2010		$80,767					
2011		$80,767					

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Provide notice to employees of consolidation	DEP	08/06	09/06
Provide notice to employee of termination	DEP Secretary	08/06	09/06

Footnotes

[1] http://www.wv.gov/Offsite.aspx?u=http://www.wvdep.org

ELIMINATE DUPLICATE IN SERVICES PROVIDED BY HEALTH, ENVIRONMENTAL AGENCIES

The state can deliver services more effectively by eliminating duplication of services between the Department of Health and Human Services and the Department of Environmental Protection.

Background

West Virginia Code Chapter 16-1-9 and 64CSR-9-4 requires companies, individuals, and institutions to obtain a permit from the Department of Health and Human Resources (DHHR) to install or establish any system for water supply or sewage. This includes public sewer systems that have a design flow of 1,000 gallons per day with a sub-surface discharge or systems that exceed 600 gallons per day with surface discharge serving one or more dwellings or establishments. It also includes municipal sewer systems.

DHHR's Office of Environmental Health Services receives the applications and reviews construction plans. A fee of $300 is charged for this review and a certificate is issued to the applicant. An interagency agreement was established in 1983, which outlines the process to be followed by the Department of Environmental Protection (DEP) and the DHHR regarding permit applications for proposed sewage collection and treatment systems.[1]

Permit to Construct Public Sewer Systems. Four copies of the application and specifications are sent to the DEP for review during the DHHR review process per the interagency agreement.

The engineering staff of DEP is also required by law to review the construction of facilities to make sure their operations comply with regulations to be environmentally safe. DEP prefers not to issue a permit until a copy of the DHHR permit to construct is received.[2] A fee is also charged by the DEP and is based on the volume, facility, and waste factors.[3]

Asbestos Programs. *The term "asbestos" describes six naturally occurring fibrous minerals found in certain types of rock formations. It is a mineral compound of silicon, oxygen, hydrogen, and various metal cations. Of the six types, the minerals chrysotile, amosite, and crocidolite have been most commonly used in building products.*

When mined and processed, asbestos is typically separated into very thin fibers invisible to the naked eye. Asbestos fibers are commonly mixed during processing with a material that binds them together so that they can be used in many different products. Because these fibers are so small and light, they may remain in the air for many hours if released from the asbestos containing material (ACM) in a building.

Asbestos was a popular commercial product in the early 1900's into the 1970's because it's durable, fire retardant, resists corrosion, and insulates well. It is estimated that 3,000 different types of commercial products contain some amount of asbestos. The use of asbestos ranges from paper products and brake linings to floor tiles and thermal insulation.

Intact and undisturbed, asbestos doesn't pose a health risk. But when damaged, disturbed, or deteriorated over time, the ACM can release deadly fibers into the air. These fibers can cause serious health problems. If inhaled, they can impair normal lung functions, and increase the risk of developing lung cancer, mesothelioma, or asbestosis, taking up to 30 years after first exposure for symptoms to occur. Workers who held jobs in industries such as shipbuilding, mining, milling, and fabricating have experienced severe health problems from exposure.[4]

West Virginia Code Chapter 16-32 requires individuals to obtain a license from the DHHR in the following areas related to asbestos: asbestos management planners, project designers, asbestos contractors, abatement supervisors, inspectors, workers, analytical laboratory, and clearance air monitor license. The code also requires notification from the owner or other responsible parties to DHHR at least 10 working days prior to when an asbestos abatement project is to occur.

The DHHR currently performs duties related to asbestos in the following areas: management of asbestos-containing materials in schools K-12; investigation of asbestos complaints; notifications for abatement projects; inspection of asbestos abatement projects; asbestos licensing inspections; technical assistance on asbestos issues; and public education and outreach on asbestos.

The DEP also requires notification from the owner or other responsible parties prior to asbestos abatement projects. DEP has one full time employee dedicated to the asbestos program. All air quality inspectors must be trained in the asbestos requirements prior to performing any inspections or investigations. They normally complete 100 inspections per year related to asbestos. Their top priorities are in other areas of air quality. If they are in the area of an asbestos project on a related inspection, they may visit the asbestos project site.[5] The DHHR takes the lead on the asbestos abatement projects.

Findings

There are duplicative services being performed by two separate state agencies in areas of sewage treatment facilities construction and asbestos.

DEP and DHHR staff reviews construction plans for public and private wastewater treatment facilities and applicants are charged fees by both agencies. Approximately 161 permits to construct were issued in FY 05 by DHHR.[6] There have been instances in which the DHHR has approved the wastewater system for construction and the DEP has had to deny it due to the construction not meeting effluent limits.[7]

DHHR is also responsible for ensuring that all sewer systems be designed and constructed, installed, and maintained according to strict regulations to protect the public health and follow all applicable federal, state, and local laws governing water pollution or sewage disposal. DEP is designated as the water pollution control agency for the state and has the duty to develop programs for controlling and reducing water pollution and improving sanitary conditions of the waters of the state.

Engineers from both agencies review construction plans for wastewater systems that could be performed by one agency.

Both the DEP and the DHHR administer an asbestos program. There is confusion among the general public regarding the notification process and which agency has jurisdiction regarding asbestos issues. By combining the programs, the state will eliminate duplicative paperwork and confusion.

The DHHR has 4.5 full time equivalent employees in its asbestos program and acts as the lead agency for asbestos abatement projects, inspections, investigations, public education, and outreach. The agency also provides the state's licensing program for asbestos workers.

Both agencies must provide training for their inspectors in asbestos. At times, both agencies have representatives at the job sites for similar purposes, which incurs travel expenses. The DEP asbestos supervisor agrees that both programs should be combined to provide better service to the public and to reduce overall costs.[8]

Recommendation

> **The state can save money and deliver services more effectively by eliminating duplication of services between the Department of Health and Human Services and the Department of Environmental Protection.**
>
> The asbestos program should remain in Department of Health and Human Resources, and the related position in the Department of Environmental Protection should be transferred to DHHR to consolidate the program under one agency.
>
> The approval of construction plans for wastewater facilities should be moved to the Department of Environmental Protection. Lawmakers will need to change West Virginia Code Chapter 16-1-9 to remove the permit requirement from DHHR for public sewage systems and change 64CSR-9-4 to remove the permit requirement from DHHR.

Fiscal Impact

By consolidating each of these services into a single agency, the state will provide better customer service and eliminate duplicative services.

The permit to construct a wastewater treatment facility should be reviewed by one agency and a permit issued for a single fee. This will eliminate a minimal amount of revenue from the DHHR office but will reduce the workload of the engineering staff.

The asbestos program will be enhanced by combining the efforts of both agencies into one entity and by transferring one DEP full time employee to DHHR. This will also eliminate the confusion by the public and the duplicate site visits by DEP and DHHR employees.

This recommendation provides minimal cost savings but will result in more efficient service to West Virginia taxpayers.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Recommend rule changes for DHHR to be the only contact in asbestos abatement projects	DEP/DHHR	08/06	04/07
Prepare code changes for construction plans of wastewater treatment plants to be reviewed by DEP only and no fee for DHHR	DEP/DHHR	08/06	04/07
Notify DEP employee of transfer to DHHR	DEP/DHHR	04/07	05/07
Transfer DEP employee to DHHR	DEP/DHHR	05/07	05/07

Footnotes

[1] Bob Coontz, DEP Engineering Section Manager, Meeting, 2/15/06
[2] Bob Coontz, DEP Engineering Section Manager, Email, 2/17/06
[3] Yogesh Patel, DEP Supervisor, Permit Team, Email 3/28/06
[4] U.S. Environmental Protection's website: http://www.epa.gov/earth1r6/6pd/asbestos/asbestos.htm
[5] John Benedict, DEP Director of Air Quality, Interview, 3/28/06
[6] Walt Ivey, Director of Environmental Engineering, DHHR Office of Environmental Health Services 2/17/06, Email
[7]Yogesh Patel, DEP Supervisor, Permit Team, Interview, 2/15/06
[8] Leonard Womble, DEP Asbestos Supervisor, Interview, 3/28/06

DEPARTMENT OF MOTOR VEHICLES

DEPARTMENT OF MOTOR VEHICLES

P2-30

IMPROVE CUSTOMER SERVICE FOR COMMERCIAL CARRIERS

The state should take steps to improve customer service for commercial carriers to eliminate the need to physically visit up to half-a-dozen different government offices for an apportioned commercial license.

Background

All commercial carriers who want to conduct inter-state commerce within or through West Virginia currently must have an apportioned license plate and decal obtained through the Division of Motor Vehicles (DMV) or Department of Highways (DOH). In-state carriers must physically visit as many as six government agencies (Internal Revenue Service, Secretary of State's Office, Tax and Revenue, Public Service Commission, DMV, and DOH), all located in Charleston. Carriers who travel only within West Virginia may obtain a base plate at one of 23 DMV regional offices, though they may still have to visit the other government offices for other services.

Some 3,400 commercial carriers are based in West Virginia, with 300 to 400 new accounts each year[1]. This creates an inconvenience for these customers and is inconsistent with the Governor's "Open For Business" message.

According to various sections in state law, the aforementioned state entities share various responsibilities in this process:

Secretary of State – Constitutional office that issues a business license, required to conduct commerce in West Virginia, for all new commercial carriers incorporated.
Internal Revenue Service – Federal agency that requires all commercial carriers to pay an annual federal highway use tax. The IRS issues Form 2290 reflecting payment of this tax.
Public Service Commission – State entity that issues the Single State Registration (SSR) for all intra-state (in-state) based carriers. This document that the West Virginia-based carrier has adequate insurance to operate a commercial vehicle within the state and has paid the Public Service Commission (PSC) an annual fee. In addition, the PSC issues overweight permits for haulers carrying coal more than 80,000 lbs.
Tax and Revenue – State agency that issues and collects fees for a Business Registration Certificate to potential carriers and collects the appropriate state fuel taxes[2]. Tax and Revenue deposits these fees into the Department of Transportation Road Fund.
Division of Motor Vehicles – State agency that issues the credentials of an apportioned license and plate decal for in-state commercial carriers under 80,000 lbs. The Division issues the license only after the carrier has met and validated the various

requirements as required by the four agencies listed above. The DMV also issues IFTA (interstate commerce) and Motor Carrier (intrastate commerce) fuel decals.
Department of Highways – State agency that issues permits for overweight, over-length commercial carriers exceeding 80,000 lbs.

In addition to these governing entities, carriers must also go through the Parkway Authority establish an account to obtain an E-Z Pass. This enables carriers to pre-pay all tolls and travel easily on the West Virginia Turnpike without having to physically pay a toll at each manned stations.

Carriers who wish to conduct business online are unable to do so.

Findings

At best, the current system is fragmented for carriers. Although some state agencies allow mail-in service, carriers are required to complete multiple forms and deal with several agencies independent of one another. Although there are multiple forms available online with multiple payment options (cash, check, money orders, credit cards, certified funds[3]), there's little online payment capability at the present time. This results in a disjointed process with unnecessary time and inconvenience for the thousands of carriers who conduct business in West Virginia.

Representatives of various entities for the commercial carrier process have indicated that there may be future federal funds available through the Commercial Vehicle Insurance System Network to virtually link these governing entities[4]. These discussions have been ongoing for years, and movement toward a unified effort among the governing entities has been slow.

Six states were benchmarked (four in the surrounding area — Virginia, Ohio, Pennsylvania, and Kentucky, and two western states: Montana and Nevada)[5]. In all six states, the commercial carrier process is under a single state authority. This not only provides one physical state location for the commercial carriers to visit, but it also provides one agency authority to make decisions and streamline the process. In four of the six states, the transportation agencies (DMV or DOT) are the agencies owning this process.

At least four of the six states allow carriers to renew part or all of their license renewals online (Virginia, Ohio, Kentucky, and Nevada). Montana has the capability to offer this service, but hasn't activated it yet. In West Virginia, the carriers may obtain only the DMV license and decal online, and there's still no online payment module available for these customers. As a result, they must make payment to the DMV through the mail or by walking in. Carriers may pay with a credit card over the phone.[6] There's no online capability to receive services through any of the other state entities involved in commercial carrier licensing.[7].

Another challenge to offering commercial carriers better service, even in the states mentioned above, is the lack of shared data and online coordination with IRS. The IRS doesn't share an online database of carriers who have paid their Federal Highway Use tax. Therefore, carriers must show physical proof of payment for this tax with special documentation (Form 2290).

Many of these commercial carriers participate in the E-Z Pass program. This is an electronic toll collection program that allows customers to open an account to pay their tolls in advance or be invoiced for toll fees accrued by using a system that automatically records the tolls as customers drive through any of the state's Turnpike toll lanes.

According to [8] the manager of the Customer Service Center for West Virginia's E-Z Pass program, there are a total of three full-time positions managing up to 17,000 passenger and commercial accounts. Of those, 2,045 accounts[9] are classified as commercial, which includes any E-Z Pass licensed to a business in West Virginia.

The E-Z Pass system is supported by the vendor TransCore, a transportation systems management company. According to the Senior Vice President for Business Development at TransCore[10], the majority of states with E-Z Pass systems have multiple geographical sites where customers can purchase and participate in the program. Many states, such as Pennsylvania, also have Kiosk stations set up around the state where customers can purchase an E-Z Pass and make payments online. Pennsylvania customers can visit one of six sites located throughout the state, five in travel plazas and one located at the state DMV. State employees at each of these sites are trained to help customers access and use the Kiosk system as well as process E-Z Pass transactions.

Recommendations

a. The state should take steps to improve customer service for commercial carriers to eliminate the need to physically visit up to half-a-dozen different government offices for an apportioned commercial license.

Officials should virtual network linking all state governing entities in the commercial carrier process. The state should also offer KIOSK access at the DMV in Charleston to provide a single location for all carrier services needed. Kiosks can complete the transaction by accepting cash, credit/debit cards and other forms for payment. Transaction fees per transaction charged to the carriers should pay for the lease rate to lease the Kiosks[11] as well as up front and maintenance costs to link the agencies virtually.

The DMV should be the final authority and process-owner, in matters other than the law or regulatory issues, for decisions about the commercial carrier process. This authority should be codified in state law.

b. The DMV should provide KIOSK access in several of its regional offices, located in the major areas throughout the state, to maximize service delivery. One staff member be cross-trained in the knowledge of all state agency requirements to assist in these transactions.

c. The DMV should use the IRP office and two or three other regional offices across the state as access sites for commercial carriers and the public to obtain E-Z Passes. A dedicated level of CSR staff should be cross-trained

to facilitate any commercial carrier business as well as how to use the KIOSK systems.

d. **Customers should be permitted to establish E-Z Pass accounts at the same time as they apply for or renew their apportioned licenses. This would further streamline all elements of the process. Members of the E-Z Pass Customer e. Service Center should train the designated DMV staff in how to collect payment for and issue E-Z Passes.**

The DMV should study the feasibility of installing E-Z Pass Kiosk terminals, after a trial period from cross-training CSRs, at the Charleston IRP office and the designated DMV Regional Offices as a means for customers to purchase E-Z Passes, make payments, and complete other related business activities.

Fiscal Impact

Fiscal Year	Increased Cost to the General Revenue Fund	Savings to Federal (Other) Funds	Change in FTEs
2006	$0	$0	0
2007	$0	$0	0
2008	$0	$0	0
2009	$0	$0	0
2010	$0	$0	0

Transaction fee charged to commercial carriers to cover cost of leasing KIOSK systems and for virtually linking vested agencies.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Contact the Governor's Office of Technology to initiate discussion of technology needs for linking vested agencies, equipment/software required, # of Kiosks needed	DMV IT Manager, IRP Manager	August/2006	September/2006
Initiate IT Committee of vested agencies (DMV, PSC, Tax, SOS, DOT, Parkway Authority) to determine IT issues, shared information, implementation plan, # OF Kiosks needed, etc. and communicate to IS&C	IRP Manager, Management of Vested Agencies	August/2006	November/2006

IS&C to complete programming/technology changes	IS&C Director and designated staff	November/2006	February/2007
Issue RFP for KIOSKS systems at Charleston and identified regional offices	DMV Commissioner, IRP Manager, IT Manager, Management Services Director	November/2006	February/2007
Identify regional office staff for cross-training in IRP transactions and KIOSK systems	Regional Office Operations Director	August/2006	October/2006
Coordinate cross-training plan with Senior Staff Development Specialist	Regional Office Operations Director, IRP Manager, Senior Staff Development Specialist, Partnering Agency's designated staff	August/2006	October/2006
Issue Executive Order making DMV process-owner for all IRP decisions not affecting law	Governor's Office	September/2006	November/2006
PR improvement changes to public and internal stakeholders	DMV Commissioner, PR Manager	March/2007	May/2007

Footnotes

[1] Email and follow up onsite interview with Todd Armstrong, Staff Member, International Registration Plan (IRP) Department, DMV, 3/13/06, 6/9/06
[2] Emailed response from Tonya Oakes, Special Assistant to the Commissioner, Tax Department, 6/14/06
[3] Emailed response from Tonya Oakes, Special Assistant to the Commissioner, Tax Department, 6/14/06
[4] Interview with Mark Holmes, Governor's Highway Safety Program, March 2006
[5] Benchmarks provided by Lori Burton, Administrative Secretary, Division of Motor Vehicles, 2/17/06
[6] Interview and email with Todd Armstrong, Staff Member, International Registration Plan (IRP) Department, DMV, 6/9/06
[7] Emailed response from Tonja Oakes, Special Assistant to the Commissioner, Tax Department, 6/15/06
[8] Phone interview with Betty Thomas, Customer Service Center Manager, 6/7/06
[9] Fax transmittal from Betty Thomas, Customer Service Center Manager, 6/7/06
[10] Phone interview with John Mike, Sr. V.P. Business Development, TransCore, 6/7/06
[11] KIOSK information and lease recommendations provided by Judy Karabin and John Jaggi, JCM American, and emailed submitted by John Parsons, WV DMV, 7/11/06

Consolidate 6 DMV Charleston Offices

The DMV owns or leases 6 offices located throughout Charleston, several of which are in poor condition, and limits effective management of the Division's administrative functions, including technology. The Division should consolidate these offices into one building to improve the Division's management, improve the employees' working conditions, and save money in the long-term.

Background

The Division of Motor Vehicles has 6 office locations located throughout Charleston. With the exception of the central office, which is owned by the State, the other five offices are leased. Several of these leased offices are in poor condition and in some cases, employees are tightly cramped into close quarters. Several of these offices are located several miles away from the DMV headquarters, causing excessive travel time in between locations for meetings and deliveries.

Findings

Of the 6 locations, the DMV has lease agreements for five of the buildings that are off-site from the central office. The Division is spending significantly on leasing agreements that could be applied toward acquiring a physical asset that the State owns. With the five leased offices and the rent the agency pays for the centrally owned office, the Division pays $691,020 annually[1].

The state leases a significant amount of property throughout Charleston for other state agencies. According to an analysis[2], excluding the properties leased for the DMV, the state pays $12,984,572 each year for all other leased property in Charleston. This results in the state paying a weighted average of $4.00 per square foot in these leases. In contrast, the state is paying over 2 times this amount for the DMV, with a weighted average of $9.34 per square foot.

Despite these high costs paid by the DMV, current space for the majority of employees is already inadequate. The federal General Services Administration (GSA) standard office space per employee is recommended at 230 per square foot[3]. In the 6 Charleston locations, employees weighted average was 384 per square foot. However, excluding the Division's Warehouse and the Kanawha City regional office, which have additional space to store inventory and to accommodate the public, the average square feet per employee drops to 268. For the Central Office, which houses the largest number of employees (151 employees), the average is significantly less than the GSA standard at 209 square feet per employee. For this majority of central office employees, it results in cramped working conditions and could have a negative impact on employee morale and productivity.

Therefore, based on the GSA standard office space per employee of 230 per square foot, with approximately 286 DMV employees[4] in Charleston, the DMV would need 65,780 square feet. According to a cost estimator generated through RSMeans, based on a 70,000 square foot building (additional space added for inventory and the regional office) to contain all Charleston DMV employees would cost between $7 and $9.8 million dollars. At the current rate the state is leasing property and based on the most conservative estimate ($9.8 million), adding on an additional $1 million to cover maintenance, contingency and parking costs, the total estimated cost would be $10.8 million. An amortization schedule, based on a flat 5% interest over 25 years, would mean the state would pay a total of $18,940,716 in interest and principal to build/purchase.

Multiple locations create inefficiencies and the need for more staff. For example, the DMV has a Warehouse with 10 full-time employees[5]. Two of the positions are mail runners who are responsible for distributing mail throughout the DMV's regional offices. However, the DMV already has a fully staffed mailroom that sorts and distributes mail to the DOT and to the regional offices, making these two positions already unnecessary. The Warehouse also has a Driver 1 and a Storekeeper 2, who deliver all mail and supplies to the Charleston locations as well as deliver and move furniture and equipment to regional offices throughout the state. There are two additional positions, another Storekeeper 1 and a Driver 1, who receive orders and disperse supplies for all DMV locations statewide. They also receive all fixed assets that are sent to Surplus Properties. Two additional employees, a Supervisor 2 and a Supervisor 1, are supposed to maintain and oversee the supply area. However, the Warehouse already has a Comptroller, who has a full-time assistant, and manages these supervisors and works with senior management to identify inventory needs and is responsible for the procurement, storing and disbursing of all inventory for the DMV. This position has implemented an inventory tracking code system that is used throughout the state. The Comptroller also designs new decals and assists in reissuing new license plates as requested. In this one area, there are 3 management positions supervising the remaining 7 employees. Through building and staff consolidation, many of these positions could be easily reduced to achieve significant savings to the State.

With the distance between buildings, other expenses, such as time and money for travel between buildings for meetings are also incurred. Currently, the DMV's practice for assigning copiers, printers, faxes and phones are made on an "as needed basis"[6]. The consolidation of campuses could create the potential to standardize and reduce the number of office equipment needed.

When the Department of Environmental Protection (DEP), an agency with 850 employees and 4 major divisions, consolidated 6 offices into one location, they identified several areas for savings. According to the DEP's Administrative

Chief[7], the agency realized a total annual savings of $669,702 in the following areas:

- Staff reduction of 29 positions, saving $427,013
- Mail processing cost reduction, saving $41,265
- Travel cost reduction, savings of $144,976
- Copier reduction, savings of $56,448

In addition, the agency reduced their car pool by 20 vehicles saving thousands of dollars.

Recommendations

a. **The DMV should consolidate the 6 DMV offices into one location to streamline expenses, reduce costs and increase productivity**.

   This would shift the State away from paying significant dollars toward leasing agreements and toward acquiring a building asset that the State owns. According to the analysis below, this would save the state a net difference of approximately $91,491 per year.

b. Strong consideration in the differences needed for the site's physical location should be given with regards to areas needed to serve the public versus space needed for employees providing indirect service.

   For the area needed for the regional office, the location should provide easy public access with ample and available parking for the citizens. Office space needed for the internal operations does not require citizen access and should be focused on the logistics that consolidate it as close as possible to the Capitol complex.

c. The DMV should eliminate 5 positions in the Warehouse to adjust for the consolidation.

   This would include eliminating the Supervisor 1 and Supervisor 2, the 2 Mail Runners, and the Storekeeper 1 position. The total combined savings from eliminating these positions would equal $158,099 per year. This would leave 3 positions (two Driver 1 positions and a Storekeeper 2) to receive and store all supplies and fixed assets as well as make delivers of heavy equipment to the regional offices statewide. The Comptroller, and her assistant, would continue to manage the remaining staff and be responsible for managing and maintaining all inventory control.

d. **The DMV should streamline and consolidate various IT equipment, such as computers, copiers, faxes and printers, using a standard**.

e. **A strategic plan for technology needs and equipment should be developed that supports the new building infrastructure and is applied consistently across all departments.**

f. **The DMV should conduct a staff analysis of other overhead positions (such as the mailroom) to determine if further personnel reductions could be made to save money**.

Fiscal Impact

Fiscal Year	Increased Cost to the General Revenue Fund	Savings to Special Revenue Funds	Change in FTEs
2008	$0	$91,491	5
2008	$0	$91,491	5
2010	$0	$91,491	5
2011	$0	$91,491	5
2012	$0	$91,491	5

Building price estimated from RSMeans for 70,000 sq ft on (on high end range) = $9.8 million. An additional $1 million was added to allow for parking, maintenance and contingency. Total cost estimated at $10.8 million.

Savings calculated from taking the amortization schedule, at flat 5% for 25 yrs, is cost of $757,629 per year (based on $10.8 million), minus $158,099 per year (eliminating 5 positions) = $599,530 cost per year. Current lease rate paid for 6 DMV locations = $691,021 cost per year. Cost of current leases minus gross cost of building ($691,021 - $599,530) = $91,491 savings per year.

Savings calculated from eliminating 5 Warehouse positions: Mail Runner-$20,364 + Mail Runner-$21,132 + Storekeeper 2-$19,860 + Supervisor 1-$25,368 + Supervisor 1-$31,260 = $117,984 x 1.34 (benefits) = $158,099/yr.

Implementation

Task	**Responsible Party**	**Start Date [month/year]**	**Anticipated Completion**
DMV and DOT to work with Governor's Office and DOA to determine appropriate building acquisition plan.	DOT Secretary, DMV Commissioner and designated staff	August/2006	October/2006
Oversight of Building Construction	DOT Secretary, DMV Commissioner, General Services Director	January/2007	December/2007

Inform appropriate Warehouse employees of position terminations	DMV Commissioner, Comptroller	September/2007	September/2007
Provide Job Reassignment Period for Warehouse staff	DMV Commissioner, Comptroller	October/2007	December/2007
Coordinate meeting with state DOP and Warehouse staff for position vacancies	DMV Commissioner, Comptroller	March/2007	Septmeber/2007
Reassign existing duties to other Warehouse staff	DMV Comptroller	December/2007	January/2008
Develop standard for IT equipment	DMV IT Manager	October/2007	January/2008
Conduct staff analysis of other potential overhead positions for reduction/reassignment	DMV Commissioner	October/2007	January/2008

Footnotes

[1] Emailed spreadsheet from June Casto, Administrative Manager for Administration, Department of Environmental Protection, May 2006
[2] Emailed spreadsheet from June Casto, Administrative Manager for Administration, Department of Environmental Protection, May 2006
[3] Federal GSA standard derived from a 2002 Space Study, Office of Real Property, Innovative Workplaces Division, 2002
[4] Emailed response submitted by Arlene Hanna, Department of Transportation's Personnel Office, 7/7/06
[5] On-site interview and email of Warehouse position job duties from Norma Peck, DMV Comptroller, 7/12/06
[6] Emailed response from Rick Johnston, Director of DMV Management Services, 3/20/06
[7] Emailed response of information provided by Cap Smith, DEP's Administrative Chief, 7/7/06

DECENTRALIZE DMV'S BUDGET AND PURCHASING PROCESS

The DMV should decentralize its budget and purchasing process to improve internal controls, operational efficiency, save money and come into alignment with other state agencies.

Background

The Division of Motor Vehicles (DMV) has a centralized and tightly controlled budgeting and purchasing process. DMV has approximately 549 employees[1], 8 sections and 13 appropriated and non-appropriated funds[2].

The Director of the Division's Management Services Department is solely responsible for the agency's budgeting process. He works with the DMV's Commissioner and Department of Transportation staff to determine the agency's operating budget as well as authorizes and oversees all purchases for the Division. Therefore, the Director of Management Services indirectly controls the agency's overall operational and financial goals and performance and creates a significant financial internal control problem for the DMV. As a result, the agency's various service-line directors have little information, input, approval or responsibility for achieving operational performance within their own departments.

Findings

<u>Annual Budget Preparation and Training</u>

Directors/Managers at the DMV have no dedicated budget for their departments and actual expenditures are not reconciled with prior year's budget requests so the directors have no way of knowing what their actual costs were for the prior year.

A major problem with the DMV's budget and purchasing structure is that only one person has an in-depth and daily knowledge of the budget, purchase requests and understanding of the various funds. Since there is no cross-training or knowledge imparted to the division directors, this creates a significant lack of financial internal controls for the agency.

Management Services offers no training to DMV's management staff on budget preparation or purchasing processes and procedures nor does he provide systematic financial or budgetary reports to the Division's leadership. The Director of Management Services does not provide regular updates to the senior management team on the financial status of the agency, the agency's strategic financial plan or the agency's expenditures relative to its budget. In addition, there are no specific monthly departmental budget reports that are given to the directors to show their year-to-date and current month's actual and encumbered expenditures, the year-to-date and current month's budget, and the amount and percentage over or under budget for the period.

This makes it difficult for department heads to plan strategically, develop priorities or make daily operational decisions.

In an interview with the Governor's Performance Review staff, the Management Services Director indicated that the current budget process was performance based. However, he was unable to provide an example of how performance measures were tied to the budget process.

Purchasing Process

Because the Directors have no dedicated budget, there is no clear way to determine what they can purchase or why their purchases are denied. They have no knowledge of the available funds and have no individual breakdown of the purchasing expenditures given to them by Management Services.

In an email sent by the DMV Commissioner[3], it was stated "when the (purchasing request) form comes into our section (Management Services) and has the signature of a Director, it is processed without question using the State Contracts and State Purchasing guidelines. Purchasing does not have the authority to deny any request." However, in practice, this email statement appears to have no basis. If a Director does not know their overall budget or allowable expenses, they could easily have their purchase denied if the funds were not available. If each DMV location was either extended in the Finance Information Management System (FIMS) or used the Remote Management Information System (REMIS) as a cost control basis, the Directors would be aware of their budgetary status before making the request and retain greater independence in spending state funds for their respective sections.

For day-to-day purchases, Management Services requires the directors to submit all purchasing requests to the Management Services Department because all expenditures are taken from a central budget rather individual department budgets. For example, the directors must submit their request on a designated form to Management Services for everything from a box of pencils to office furniture.

Management Services retains authority over all Purchasing Cards (P-Cards) the Division is assigned. Therefore, the directors cannot make even nominal purchases, on the statewide contract, without a purchasing clerk's authorization. In one instance, a director reported that they were required to send a purchasing clerk with their staff person to purchase cookies for a meeting.

Directors report the current purchasing process requires that they and their staff spend an inordinate amount of time on non value-added time on chasing down purchasing requests. The staff has been unable to fully quantify the time they spend on chasing down purchasing requests.

For technology-related purchases, the Management Services Director reports that he does not have the authority to request or deny any computer related purchases and does not purchase any computer related items[4]. While he may not actually purchase the specific technology equipment or state that he has the actual authority to deny computer related items, it is evident that Management Services does, in fact, withhold processing these requests if they determine the agency cannot afford to purchase the requested technology.

Again, if the DMV directors and supervisors had their own budgets, they could determine if they had the available funds to purchase these items and therefore eliminate the current approval level needed by Management Services.

DMV travel requests are separated into in-state and out-f-state travel. Department directors submit all travel requests to the Commissioner for approval. However, the Director of Management Services reviews these travel requests and forwards to the DOT for processing. It is reported that the Management Services Director does not deny any travel[5], unless in violation of the State Travel Regulations. However, it was also reported that the Director of Management Services may intervene and deny travel requests if he believes the agency cannot afford it. If the agency directors do not know their expenditures or have any knowledge of the budget allocated for travel, they could easily have their travel denied if there are no funds available for travel. In an emailed response[6], the Management Services Director stated that out of 24 DMV travel requests over this fiscal year, 5 of them were denied by the DOT[7]. If Management Services does not deny any travel and only verifies that travel requests do not violate State Travel Regulations, and since all travel requests are already reviewed and approved by the DOT, then Management Services adds no value to this process.

<u>Benchmarks</u>

In contrast to the DMV, the following state agencies (Department of Transportation, Department of Environmental Protection, the Tax Department and the Insurance Commission) are structured so that those providing direct services have maximum flexibility, with regards to procurement, budget and other operational processes, in meeting their customer's and department's needs. In all four of these agencies, the department directors have a vital role in determining their individual budgets, have a high degree of spending authority to procure needed goods and services and have easy access to or ownership of their own P-cards. The DOT, DEP and Tax Department all have individual budgets established for their department directors in FIMS or REMIS. The Insurance Commission plans to deploy individual department budgets late this summer or early fall.

<u>Department of Transportation (DOT)</u>

The Department of Transportation (DOT) uses the REMIS system that interfaces with the state's FIMS system. Their budgets are structured so that each individual unit's expenditures are identified through an organizational code. This gives managers the ability to review expenditures and plan for upcoming budget needs. In addition, the managers have the authority to approve expenditures from their budget. Even in the DOT district offices, which average approximately 350 employees per district[8], P-cards are issued at each of the districts and there are multiple managers who have spending authority. There is an average of 2 positions dedicated to processing procurement-related transactions (ie. Travel, invoices, utilities, etc.) and one Comptroller who oversees all Purchase Orders, invoices, audits of district offices, business related correspondence, payroll matters, and all inventories[9]. REMIS already has extended organizational codes set up in the system for the DMV, however, the DMV is not using them. At present, the DMV Management Services section is only using FIMS. FIMS has the capability to create extended organizational codes to structure individual budgets if the agency should decide to do so.

At the Department of Transportation, identified employees are assigned P-Cards throughout the organization. The division directors have the ability to authorize the payment for P-card purchases and the designated employees who have the P-cards simply process the purchase. Those that are assigned P-Cards do not report to the Highways Purchasing Department. In total, there are approximately 235 P-Cards assigned throughout the DOT to meet the regular purchasing needs.

Department of Environmental Protection (DEP)

The Department of Environmental Protection (DEP), an agency with 850 employees, 4 major divisions and 88 appropriated and non-appropriated funds compared to DMV's 544 employees, 8 sections and 13 appropriated and non-appropriated funds uses a democratic process to develop the agency's annual budgets that includes both the budget office and department heads, in budget decisions.

Each year, the DEP's division directors are given an appropriations request from the their Fiscal Office that reflects each Division's available funding, from federal monies, general revenue, special revenue or any other unappropriated funding, and the previous year's expenditures and they are asked to prepare a budget for the upcoming fiscal year. DEP division directors then submit a budget request based upon available funding and next year's operational needs and objectives and performance measures tied to the proposed budget request. After the Legislature approves the budget bill, agencies are then asked to submit expenditure schedules with line-item detail.

After the DEP Cabinet Secretary approves the budget (the fiscal manager is not allowed to deny budget requests, but can discuss any disagreements with the Assistant Secretary and the department director to discuss), each department head retains control over their own budget and internal spending. In addition, each department head issues P-cards to employees within their department, based upon need, in order to maximize purchasing flexibility. All spending levels above $1,000 are required to be reviewed by the agency's central Purchasing Department, but only to ensure that the necessary bids were obtained and the lowest priced bid was used. For technology-related purchasing requests, the department head may purchase whatever computers are needed, as long as their budget allows, and they are within the standard specifications for computer hardware and software, as determined by the agency's IT department. Requests for computer-related items that fall outside of the standard specifications must be approved by the agency's IT department. Once a technology item has been approved then the request is forwarded to the central purchasing department for processing only. For both routine and technology-related purchasing requests, the agency's division and department heads exercise approval authority while purchasing staff's primary role is to process the request. It was reported by DMV Management Services[10] that the DEP could not be compared to the DMV because the DEP is not customer based and has different responsibilities. However, this argument doesn't have much merit as all public agencies have multiple customers and procurement needs.

Tax Department

At the State Tax Department, an agency with 415 employees and 12 Divisions, each Division Director has an allocated budget with spending authority for their budget[11]. Division Directors are provided a monthly report by the Operations Division, generated on Crystal Reports, that shows purchases encumbered, expenses incurred and their available balance. If any of the Division Directors need more specialized reports, they can request those through the Operations Division and they will be provided. Object codes are developed in FIMS for every department based upon the state budget department and every division has its own procurement liaison that initiates purchasing requests. For purchases of a significant nature (items that exceed $10,000), an internal requisition must be approved by the Division Director and the Commissioner/Deputy Commissioner. However, for all P-card purchases, the Division's procurement personnel and liaisons are authorized to use the P-card to complete the purchase. All other routine purchases are initiated by the Operations Division procurement personnel, after approval from the Division director, and then forwarded to the Tax Department's operation's division for processing only.

Each year, the Tax Department Commissioner and Deputy Commissioner meet with the Division Directors in determining next year's budget request. The agency's Operations Division[12] prepares individual division allocations each fiscal year and communicates this to the Division Directors for review. The Operations Assistant Director is available to meet with individual Division Directors upon request. The Division Director meets with the Commissioner and Deputy Commissioner to formulate the next year's proposed budget that is sent to the Cabinet Secretary for approval.

Insurance Commission

The West Virginia State Insurance Commission is an agency of 336 full-time employees (budgeted for 400 full-time equivalent positions) with 10 divisions, 23 departments and a budget of approximately $41.7 million[13]. The Commission recently acquired approximately 300 additional employees, in January 2006, from the former state-run Workers' Compensation Division. Prior to this time, the Commission only had approximately 85 employees. As a result, the agency still has one consolidated budget for the majority of the Commission's departments. By statue, at least two of the agency's divisions (Consumer Advocate and AccessWV) and one of the agency's departments (Examiners Revolving Fund) has its own budget. For the remaining Divisions, the Commission has separated each of them into individual cost centers in FIMS, and the agency's leadership has committed to providing individual line-item budgets for each of the Divisions by July of 2006 or shortly thereafter. In addition, the agency generates monthly financial statements, on Crystal reports, and submits them to each of the agency directors each month for review of their department's expenditures. The annual budget preparation process involves the agency's division directors, the administrative department, the Commissioner and Deputy Commissioner. Agency directors are requested to submit all requested budget items each year to the agency's Deputy Commissioner and administrative office. After a review of the budget requests, historical costs, any required legislative changes or other requested increases, a proposed budget is submitted to the Insurance Commissioner for final approval. If there is a dispute about any proposed budget request, between the agency's division directors and the administrative office, the mutual parties may discuss this with the Commissioner for final approval.

The agency's purchasing process is decentralized. Division directors approve individual department purchases, within the state purchasing regulations, and have a procurement representative, as part of their job, who coordinates all departments' purchases. The majority of Divisions have their own P-cards for routine purchases of supplies and other items. Division directors approve all in and out of state travel for their departments. If there is any issue regarding the commission's budget for travel, the matter is discussed with the agency's division director, administrative manager, Deputy Commissioner or Commissioner for approval. If there is any disagreement, the Commissioner or Deputy Commissioner has the final approval. The Commissioner expressed they have very little out-of-state travel expenditures. Once the division directors are allocated an individual budget, they will be the final authority for all travel-related expenditures (as allowed under the state travel policy). For all technology related purchases, the division directors initiate the purchasing request to the commission's Information Technology Manager to ensure consistency of technology throughout the agency. Currently, Information Technology Manager validates that there is available funding with the Administrative Services department before making any purchase. After the directors are given an individual budget and know their available spending allowance, these requests will only be sent to Administrative Services for processing.

Recommendations

The DMV should decentralize its budget and purchasing process to improve internal controls, operational efficiency, save money and come into alignment with other state agencies.

a. **The DMV should decentralize its annual budget process, so that each department is provided its own organizational codes (in FIMS or REMIS) and each department head is given responsibility and held accountable for its own budget.**

The budget should be tied to agency-wide and department-specific strategic goals and performance criteria.

The DMV Management Services Director should work with the DOT and the department directors to structure organizational codes in FIMS or REMIS for each director's departments. The line-item budgets should be specific enough to meet each department's needs and accurately reflect all major expenditures, encumbered expenses and the available balance each month. Specific performance metrics and measurable goals for each of the departments should be developed by the department director. This should be based, in part, on receiving each year's expenditure information, and then taking ownership in developing realistic budgets to accomplish these stated goals.

b. **The DMV Management Services staff should develop and provide meaningful financial and budgetary reports, to the agency's senior management team, on a monthly basis**.

These reports would form the basis for strategic planning, developing agency priorities and daily operational decisions. Specific monthly departmental budget reports should be given to the Directors to show their year-to-date and current month's actual and encumbered expenditures, the year-to-date and current month's budget, the available balance and the amount and percentage over or under budget for the period.

c. **The DMV should decentralize the agency's internal purchasing process and give the department directors spending authority over their own budgets.**

After the agency's directors have been given greater authority over their budgets, the DMV should give department head's spending authority and control over all purchases. In order for the department directors to be accountable for their budgets they must have control of purchases and expenditures. This would also save a significant amount of non value-added time for those on the front-line in trying to track down purchasing requests or justifying operational expenses.

Once the department director has their own designated budget, they could determine and approve what expenditures they could afford and need, whether it be for supplies, travel, technology-related equipment or other purchases, and forward directly to the DOT for processing. This would eliminate the need for an additional step in sending a paper purchasing request form to the DMV's Management Services department. This also provides for a better allocation of the state's resources as those who are providing direct service are making the determination of what should be spent rather than a central bureaucratic office.

d. **As a compliment to decentralizing the agency's purchasing process, the Division Directors should be given the ability to assign P-Cards, to procure**

and process department needs, to designated staff members to provide the greatest level of purchasing flexibility.

Internal spending control mechanisms could be implemented in FIMS or REMIS, based on their budget allocation, which prevents a department director from overspending their allocated budget. In addition, directors could be designated a transactional limit and an amount of credit limit by P-Card maintenance in the DOT.

e. **The DMV should reduce 3 positions in Management Services to adjust for the decentralization of the functions and transfer the Administrative Assistant III to the DOT**.

The Director and the department secretary would remain at the agency to coordinate and train the directors in the budget process, oversee the purchasing card program and continue managing the Division's supervisor of the accounting department. The Administrative Assistant III should be transferred to the DOT to process all DMV travel, process all purchase requests between $2,500 and $25,000 and cross train to absorb other DOT purchasing needs as they arise. Since the Directors would be taking a more proactive role in approving their own expenditures (for travel, supplies, P-card purchases, technology), rather than Management Services, this would eliminate a significant amount of responsibility and processing for this department. The remaining 3 positions are primarily responsible for paying all invoices related to travel, supplies, P-card orders and paying the agency's utility bills. The remaining work could be absorbed by the Management Services Director or the DOT. The savings from eliminating these 3 positions, for salaries and benefits, would average $127,032 per year.

f. **The IT Manager should develop technology-related specifications for the DMV and communicate these throughout the agency's leadership.**

After these specifications have been developed, the Directors should have the authority to purchase any needed computer hardware or software, provided it is within their budget and meets the agency's specifications. For requested software and hardware that doesn't meet the specifications, a purchasing request should be sent to the IT manager for approval. Management Services only role would be to process any computer-related purchasing request. This new procedure should be documented and disseminated throughout the agency.

g. **The DMV Management Services Department should be subject to the agency's IT purchasing procedure as described in Recommendation f.**

h. **The DMV Management Services Department should disseminate documented budgeting and purchasing procedures to reflect the new processes and distribute to the agency's leadership. These policies should also be placed online for easy employee access.**

These procedures would clearly define positional roles with regards to budget creation, processing various purchasing requests and approval mechanisms. This would help ensure a standard practice is applied agency-wide for all departments. In addition, these policies should be placed online for employees to access. The DOT already has many of their administrative policies and procedures already on the DOT website for the employee's convenience.

i. **The DMV Management Services Department should provide budgeting and purchasing-request training to the DMV management and other designated employees.**

Training should be provided on a regular basis for new directors and as a refresher course for existing directors/managers and those who will be using the process.

Fiscal Impact

Fiscal Year	Increased Savings to the Special Revenue Fund	Savings to Federal (Other) Funds	Change in FTEs
2007	$127,032	$0	3
2008	$127,0320	$0	3
2009	$127,0320	$0	3
2010	$127,0320	$0	3
2011	$127,0320	$0	3

The savings above is a result of summing these 3 position's annual salaries ($33,276, $27,480, $34,044) = $94,800 + .34% ($32,232) for benefits, to equal $127,032.

Implementation Table

Task	**Responsible Party**	**Start Date [month/year]**	**Anticipated Completion**
Establish measurable performance goals to base budget for upcoming year	DMV Department Directors and Managers	January/2007	March/2007
Approve performance goals for budget preparation	DMV Commissioner	April/2007	April/2007
Determine appropriate individual budgets for major DMV Cost Centers	DMV Commissioner, Management Service Director, Department Directors, Department Managers	January/2007	February/2007
Complete organizational codes/establish budgets in REMIS or FIMS for DMV Cost Centers	DMV Management Services Director	February/2007	April/2007

Develop meaningful budget/financial monthly reports for department directors	DMV Management Services Director	April/2007	May/2007
Develop budget/training program for department directors	DMV Management Services Director	February/2007	April/2007
Give department directors spending authority over budgets and be assigned P-Cards	DMV Commissioner, Management Services Director	July/2007	Ongoing
Inform 3 Purchasing Staff of position reductions	DMV Commissioner, DMV Management Services Director	March/2007	April/2007
Provide Job Reassignment Period for 3 affected positions	DMV Commissioner	April/2007	June/2007
Coordinate meeting with state DOP and 3 affected positions to review open vacancies	DMV Commissioner, Management Services Director	March/2007	April/2007
Develop IT Equipment Specifications for consistency	DMV IT Manager	January/2007	April/2007
Develop and Disseminate IT Purchasing Procedure for extraordinary technology purchases that requires agency-wide approval from IT Manager	DMV IT Manager	January/2007	March/2007
Develop and Disseminate New Documented Budget and Purchasing Procedures agency-wide	DMV Management Services Director	January/2007	May/2007
Provide first new Budget/Purchasing Procedure training	DMV Management Services Director	May/2007	June/2007
Place new Budget and Purchasing Procedures online	DMV IT Manager	May/2007	June/2007

Footnotes

[1] Emailed response from Arlene Hanna, Department of Transportation Personnel Department, 7/5/06

[2] Fund count provided through an interview by Rick Johnston, DMV Management Services Director

[3] Emailed response provided by DMV Commissioner Ciccherello, 6/2/06

[4] Emailed response provided by DMV Commissioner Ciccherello, 6/2/06

[5] Emailed response provided by DMV Commissioner Ciccherello, 6/2/06

[6] Emailed response provided by DMV Commissioner Ciccherello, 6/15/06

[7] Email response and follow-up interview with Fred Thomas, DOT Finance Division Director, 6/22 and 6/26/06

[8] Interview with Fred Thomas, DOT Finance, 6/13/06

[9] Email from Fred Thomas, DOT Finance Division Director, 6/21/06
[10] Emailed response provided by DMV Commissioner Ciccherello, 6/2/06
[11] Interview with Christopher Morris, Deputy Tax Commissioner/Chief of Staff and Patricia Haddy, Director of the Operations Division, WV State Tax Department, 6/13/06
[12] Email submitted by Patricia Haddy, Operations Division Director, 6/14/06
[13] Interview conducted with Commissioner Jane Cline and Administrative Services Manager Michael Riley and follow up email from Mr. Riley, 6/22/06 and 6/23/06

IMPROVE AND STANDARDIZE DMV INFORMATION SERVICES

The state should develop a timely, systematic training program and standardized information process, with the latest technology, to make sure taxpayers have access to the most accurate information possible.

Background

The Division of Motor Vehicles (DMV) has a fully staffed call center, with 19 customer service representatives (CSRs), two lead CSRs, a supervisor, and a manager — all of whom respond to a range of questions from the public regarding motor vehicle-related services. The call center answers calls from the public during the regular business hours of 8:30 am to 5 pm, Monday through Friday. The agency also has an additional 213 CSRs/lead CSRs, plus another 49 management and supervisory personnel[1], working in 22 DMV regional offices throughout West Virginia. These staffers work directly with the public on a daily basis to provide services and information. More than half of the DMNV's work staff — 285 employees, or 52 percent — deal directly with the public[2]).

Findings

According to a manual log kept by the call center management[3], the office averaged approximately 40,894 calls per month between October 2005 and February 2006. In this same five-month period, an average of 4,009 calls, or 10 percent, were categorized as citizen inquiries for routine information such as address and phone information on the various regional offices located throughout the state. If each call center CSR is responding to an average of 1,778 calls per month, it takes an average of 2.25 full-time CSR positions just to handle this routine-call volume. Other callers request general information about the different types of services offered by the DMV. Many of these calls are simple and repetitive in nature and, at a minimum, should have a uniformity of response among all the various customer service representatives.

With its current days of operation, call center customers can only receive in-depth information about the variety of DMV services during the normal business hours through the 5-day workweek. Callers on the weekend or during evening hours will hear a recorded message that states that the DMV is closed and gives the regular hours of operation for the Administrative Office, the Kanawha City Regional Office, the Martinsburg Office, and all other regional offices. Citizens cannot access information about other services, information from their personal driving record, or obtain regional office address information.

With an automated Voice Response System, for the evenings and weekends, callers could access personal information, at their convenience, from the DMV's database and their driving record to save them time, increase accessibility of DMV services, and dramatically improve customer service. The system could also provide basic information, such as regional office addresses, phone numbers and hours of operation.

Other options include piggybacking off of the DOT's IP Telephony infrastructure to provide an "information bulletin board" for the evening and weekend hours. This is designed to answer frequent, less complex calls about basic agency information. This would include information such as the documents required to obtain various services, regional office hours of operation, phone numbers, and physical addresses. This "bulletin board" could be implemented at minimal cost.

DOT also lacks timely and systematic formal training or written work policies and procedures for the 285 employees assigned to regional office operations. Most training is "on the job." As one manager stated, "class room training is given as needed when there are enough employees to fill a classroom" and "when (the) appropriate number of new employees are hired in the Call Center and Regional Office to justify the expenditure for training[4]." The most recent training was conducted in October 2005 – almost 10 months ago. Since then DOT has hired 23 employees – 21 are CSRS directly dealing with the public -- in the call center or the regional offices. These individuals have been given *no* formal training. In addition, existing CSRs are seldom, if ever, given any refresher training to keep them updated with any changes and to ensure uniformity of responses.

Two DMV employees are responsible for agency-wide training, a Staff Development Specialist, Senior and a Staff Development Specialist. The Staff Development Specialist, Senior, reports to the agency's Investigations, Security and Support Services Department, and is responsible for conducting all EEO and Diversity trainings for the agency as well as facilitating all EEO issues and investigations. In FY2005, she reports that she conducted 32 trainings, with approximately 783 management and staff who attended at least one or more of her classes. Of those, 39 new division employees and 576 existing employees received EEO/Prohibited Workplace Harassment Training. She has developed a training video for all temporary employees.

During the same time period (FY2005), the second Staff Development Specialist who reports to the Commissioner's Office and conducted 3 trainings for 60 new employees and another 18 employees attended a life support training.

In FY2005, only about 14.2% of the 549 employees received any training from this office. With an average of 285 employees in Regional Office Operations alone, only 21% of these front-line workers received any training. This staff also serves as the DMV's wellness coordinator and is assigned to one project. However, there are already two other executive assistants, working on various projects and others assigned tasks who report directly to the Commissioner.

The agency's call center and regional offices have no documented policies and work procedures. Management reports that "written procedures are given to employees through emails and memorandums from the issuing sections.[5]"

Management also stated that each CSR is given a law book. However, there is central repository of all up-to-date work procedures to ensure accuracy and consistency across the operations. DMV has its own internal website that has updates and other DMV information that employees can access, there are no online work procedures listed or training information available.

A survey conducted in the first quarter of 2004[6] revealed that of the approximately 4000 survey respondents almost 14% of the customers who sought services Kanawha City Regional Office reported that they were not able complete their transaction with the DMV and would have make another visit.

This means nearly 22,000 times a year people seeking services from Kanawha City Office were unable to complete their transactions. Over 50% of those who had incomplete transactions failed to obtain information about needed documentation with almost 23.3% of respondents "not aware of the required information" and another 29.9% missing proof of residency. This suggests these individuals either did not know what documents to bring or they were given inconsistent information from the DMV call center and/or regional office personnel.

The above figures are for the Kanawha office only, with 23 offices located throughout the state, this creates a major customer service issue and cost for the agency and the public. According to one regional office manager[7], each regional office transaction takes an average of 15 minutes to complete, whether or not the transaction is completed. If every office shares Kanawha's level of incomplete transactions, agency personnel would lose almost 3½ months of productive time year while providing poor customer service.

Benchmarks

Other Agency Training Benchmarks

The Performance Review benchmarked three state agencies for their training processes: The Tax Department, the Department of Environmental Protection (DEP) and the Department of Transportation (DOT). The Tax Department and the DEP had a decentralized training program and had no full-time trainers. Although there was some central coordination for training, the various training was provided in-house by employees or contracted with an outside vendor to provide for technical training needs. The DOT has a full-time training department, but only has 3 full-time and 2 part-time trainers to serve over 5000 employees. Technical training is oftentimes contracted with external vendors and some state Division of Personnel training is provided by DOT employees at the Districts.

The West Virginia State Tax Department, an agency with 415 employees and 12 Divisions, does not have a central training department or any full-time trainers. The agency's Director of the Operations Division states that "minimal training is offered by the Operations Division for internal procedure training such as training on the PCard process, Personnel Liaison Online, Leave, and department supervisor/managers on department policies & procedures."8 The Operations Division main role is to coordinate and track agency-wide training for employees with the state Division of Personnel or other outside companies (for technical training and for specific certifications).

At the Department of Environmental Protection, an agency with 850 employees and 4 major divisions, there is no central training department and no full-time trainers. Training is decentralized and each Division determines its own training needs9. In the agency's Mining Division, they have a dedicated person who coordinates training conferences and reviews potential trainings for areas outside the technical arena as a part of her position.

The Department of Transportation (DOT) has a dedicated training unit, comprised of 8 employees, that primarily serves the Department of Highways, an agency with over 5000 employees. The unit reports to the DOT's Human Resources Department and has 3 full-time trainers, 2 part-time trainers and 3 supervisory or support positions[10]. This unit's primary role is to deliver training on various types of company equipment, provide management and other soft skill training (as a supplement to the state Division of Personnel (DOP) trainings), and is responsible for coordinating and ensuring all required and needed training is delivered within the Division of Highways. For FY 2005, the unit trained approximately 5100 employees.

Recommendations

a. **The state should develop a timely, systematic training program and standardized information process, with the latest technology, to make sure taxpayers have access to the most accurate information possible.**

   The DMV should upgrade their existing technology and implement a fully automated, self-service Voice Response System for the evening and weekend hours.

   As another option, the DMV should consider implementing an information bulletin board, for the evening and weekend hours, with the DOT's existing IP Telephony infrastructure.

b. **The DMV should eliminate the Staff Development Specialist position and consolidate all training responsibility under the agency's Senior Staff Specialist.**

   The taxpayer savings that result from this change should be used to offset the costs associated with implementing a Voice Response System

The Senior Staff Specialist should work with the Commissioner and senior management team to develop a master training plan for the agency. This position should track all agency-wide training and ensure all training needs are met, whether provided by internal staff members or contracted through external firms. The training department should be given a dedicated budget to ensure agency training needs are adequately addressed.

The DMV Regional Office Operations Director should work with the agency's Senior Staff Specialist to create an appropriate and systematic training program for all newly hired and existing employees. At a minimum, formal training sessions should be provided for newly hired Customer Service Representative once per quarter.

c. The DMV Regional Office Operations Director should develop and disseminate specific work policies and procedures to all staff.

These policies must be centrally maintained and all staff should be distributed regular updates to account for any changes. In addition, the Director should work with his staff to prepare written desk guides for all CSR staff. This would include standard responses for all DMV related questions and services. As rules and practices change, new desk guides should be developed and disseminated on a regular basis to all CSRs.

d. The DMV Regional Office Operations Director should ensure all documented policies and procedures are placed online.

In addition, the Director should create an online list of the most common questions and answers on the DMV website.

e. The DOT should conduct regular audits of the Call Center and Regional Offices to ensure accuracy of responses. A report of this information should be shared with the DOT Secretary, DMV Commissioner, Regional Office Operations Director and DMV Senior Staff Specialist.

Fiscal Impact

Fiscal Year	Increased Cost to the Special Revenue Fund	Savings to Special (Other) Funds	Change in FTEs
2006	$50,500	$42,982	-1
2007	$6,060	$42,982	-1
2008	$6,060	$42,982	-1
2009	$6,060	$42,982	-1
2010	$6,060	$42,982	-1

The increased cost comes from implementing the real-time automated Voice Response System. The approximate up-front costs for the system[11] include: $19,500 for the software upgrade (from the DOT's IPCC Express 3.5 Standard to IPCC Express 4.0 Premium edition) with an additional $5,000 for installation, $6,000 for the text-to-speech and automatic voice recognition software, and an estimated $20,000 for work completed by the system integrator.

Fiscal years 2007 through 2010 are for annual maintenance fees to update and maintain the system at 12 percent of the up-front cost ($40,500).

The estimated savings are the result of the salary-plus-benefits elimination of the Staff Development Specialist position, a total $42,982 annual savings.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
For IVR - Order software upgrades for server	DMV IT Manager, Regional Office Operations Director	August/2006	October/2006[12]
For IVR – Order text-to-speech and automatic voice recognition software	DMV IT Manager, Regional Office Operations Director	August/2006	October/2006
For IVR – Issue RFP for system integrator	DMV IT Manager, Regional Office Operations Director	September/2006	January/2006
Develop call scripts and test IVR	DMV IT Manager, Regional Office Operations Director	January/2006	February/2006
PR IVR to the public and internal stakeholders	DMV Commissioner, Regional Office Operations Director, PR Manager	January/2006	March/2006
Implement Full IVR to the public	DMV IT Manager, Regional Office Operations Director	March/2006	April/2006
Inform Staff Development Specialist of Position Termination	DMV Commissioner	August/2006	August/2006
Provide Job Reassignment Period for Staff Development Specialist	DMV Commissioner	August/2006	November/2006
Coordinate meeting with state DOP and Staff Specialist for position vacancies	DMV Commissioner	August/2006	September/2006

Reassign existing job duties from Staff Specialist to other staff	DMV Commissioner	August/2006	September/2006
Form Committee and develop Regional Office/Call Center written work policies/procedures	Regional Office Operations Director and Managers	August/2006	December/2006
Disseminate Documented *draft* Policies & Procedures to Senior Staff for review/edits	DMV Commissioner, Regional Office Operations Director	January/2007	February/2007
Disseminate Documented *final* Policies & Procedures to DMV employees	DMV Commissioner, Regional Office Operations Director	March/2007	April/2007
Contact DOT IT Department to place Policies & Procedures Online	DMV Regional Office Operations Director, DMV IT Manager	March/2007	April/2007
Partner with the Senior Staff Development Specialist and Develop Formal Training Program	DMV Regional Office Operations Director, DMV Senior Staff Development Specialist	September/2007	April/March 2007
Develop and Implement Audit Plan for DMV Regional Offices and Call Center	DMV Commissioner, DOT Cabinet Secretary, DMV Regional Office Operations Director	September/2007	November/2007

Footnotes

[1] Staffing report submitted by Steve Edens, DMV Director of Investigations, Security and Support Services, 6/29/06

[2] Emailed response from Arlene Hanna, Department of Transportation Personnel Department, 7/5/06

[3] Log of calls submitted by Angie Gower, DMV Call Center Manager, 3/06

[4] Emailed response from Angie Gower, DMV Call Center Manager, 6/30/06

[5] Emailed response from Angie Gower, DMV Call Center Manager, 6/28/06

[6] “Got Proof?” survey results provided by Todd Hudnall, Governor’s Performance Review Team Member, 7/06

[7] Phone interview with Linda Ellis, Kanawha City Regional Office Manager, DMV

[8] Emailed response from Patricia Haddy, Director of the Operations Division, WV Tax Department, 7/3/06

[9] Emailed response submitted by June Casto, Administrative Manager for Administration, Department of Environmental Protection, 6/30/06

[10] Emailed response from Jeff Black, DOT Human Resources Director, 7/10/06

[11] Emailed information and costs provided by Mark Williamson, Cisco Technology, phone interviews with Phil Hudson, Major Account Manager, Cisco, and Marc Coleman, state IS&C Office, 7/11/06

[12] Phone interview to discuss all IVR timelines and steps, Phil Hudson, Major Account Manager, Cisco, 7/12/06

DEPARTMENT OF CORRECTIONS

DEPARTMENT OF CORRECTIONS

P2-10

IMPROVE COLLECTION OF REGIONAL JAIL FINES AND FEES

The state should take immediate steps to reverse the decline in civil and criminal fines and fees, which have dropped 11 percent over the past five years.

Background

The Regional Jail Authority receives no appropriated funds and operates solely on fees and inmate per diem paid by the committing jurisdiction. The current per diem for county and state inmates is $48.50 and $56 for federal detainees.

Under various state statutes, the courts are required to assess fees in both criminal cases and civil filings to fund Regional Jail Authority (RJA) operations. And though these fees and per diems have been increased within the last six years, some of them are lower than fees in surrounding states.

The statutory fines and fees included in state law are: §8-11-1a, a $40 municipal fee for each moving traffic violation; §59-1-28a, a $60 fee for each circuit court civil filing (excluding divorce) and $40 for every criminal conviction; §50-3-4a, requiring magistrate courts to submit $40 for each criminal proceeding and all but $10 for each civil filing.[1]

These funds are submitted monthly by more than 300 jurisdictions into the RJA special revenue account in the State Treasurer's office.[2] The annual bond debt service of between $8.4 million and $8.9 million is paid from this fund.

The total budget for the RJA in FY 05 was $75,348,000, excluding debt service.

Findings

The table below indicates the 11 percent overall decline in court and municipal fees received by the RJA over the past six years[3]:

Court	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Civil	2,334,175	2,427,693	2,386,234	2,600,571	2,553,608	2,447,007
Criminal	8,338,868	8,448,855	7,336,731	6,690,567	6,776,265	6,978,502
TOTAL	10,673,004	10,876,549	9,722,965	9,291,138	9,309,874	9,425,510

The Chief Inspector of the State Auditor's Office has statutory authority to "examine all financial affairs of every local governmental office or political subdivision" within the state.[4] This office receives no appropriation and is compensated on a fee-for-service basis by the entity audited. Currently, the Chief Inspector's office has 24 auditors and conducts 30 percent of the audits required each year. The remaining audits are completed by a list of approved CPAs. The Chief Inspector's office performs the audits for the magistrate and circuit courts, and most audits of municipalities are done through the approved CPA list.[5]

The municipal audits conducted are financial, performed under governmental accounting standards and generally not compliance audits. If an issue is raised, however, the Chief Inspector may direct that a review of compliance be conducted. Compliance reviews are limited due to time constraints and the municipality's ability to pay the hourly fee for service.

The state's review of magistrate and circuit courts includes compliance measures as these courts' procedures and recordkeeping are standardized and performed only by Chief Inspector's staff familiar with those procedures. These audits are public record and posted on the Auditor's website.

Chief Inspector Stuart Stickel indicated in an interview for this performance review that he was confident there were no major compliance issues with the magistrate and circuit courts regarding fines and fees due the RJA. Because municipalities are audited only financially and not for compliance, there may be discrepancies with remittance.

The Chief Inspector recommended a risk analysis of the municipalities, beginning with a questionnaire to be completed by the cities, followed by a fiscal risk assessment. This software program can be extrapolated from a current program used by the Chief Inspector. If the Chief Inspector finds a potential problem with a given municipality, a special compliance audit at a cost of $75 per hour would be initiated.

The RJA is beginning to review the issue of compliance and initiated discussions with the West Virginia Association of Counties. The executive director of that organization has offered to help the RJA develop a strategy for finding solutions to institute accountability, verification, auditing, and education for these city and county employees. The Chief Inspector indicated that targeted education and training for at-risk entities may be helpful.

Recommendation

The state should take immediate steps to reverse the decline in civil and criminal fines and fees, which have dropped 11 percent over the past five years.

The RJA should collaborate with the Chief Inspector of the State Auditor's office to prepare a risk assessment strategy for the municipalities to include a questionnaire and modified computer software to determine risk of non-compliance. Under the guidance of the Chief Inspector, the RJA should selectively audit identified high risk municipalities for fee and fine compliance.

The RJA should partner with the West Virginia Association of Counties to develop a comprehensive strategy to ascertain from all jurisdictions total civil and criminal actions and dispositions; develop a method of verification and audits; train appropriate personnel on the statutory requirements; and implement compliance initiatives as indicated by the risk assessment. Other stakeholders should be involved in this process as they are identified.

The RJA should raise fines and fees by nine percent during the 2008 legislative session.

Fiscal Impact

Based on information provided by the Chief Inspector, the fiscal impact of this proposal is neutral regarding fines and fees collected from the magistrate and circuit courts as they are currently audited for compliance.

Municipalities, however, may require additional scrutiny in order to determine fiscal impact. This will necessitate a minimum expenditure in human and financial resources to prepare a questionnaire for distribution to all municipalities. This document will aid in identifying variables that may exist that would in determining compliance or changes in local operation that impacts upon fines and fees. It can either be mailed or forwarded electronically where possible. The West Virginia Association of Counties may be able to assist in this effort, reducing costs to the RJA.

The cost of staff time and minimal supplies and postage will come to an estimated $2,000 using an employee for 80 hours who earns approximately $30,000 annually. ($30,000÷ 2080 hours = $14.42 hourly x .34% benefits = $4.90 totaling $19.32 x 80 hours = $1545.)

The data collected must be assimilated and analyzed using the software owned by the Chief Inspector's office. Once the assessment is completed, a small sample of those with highest risk should be audited for compliance. Each audit requires two working days to finish, a total of 16 hours at the current rate of $75 per hour. A single audit would total $1,200, and the cost would be borne by the RJA.

The cost to audit the five municipalities with the highest risk is $6,000. Any unpaid fees identified would offset the initial investment of the questionnaire and audits and provide the RJA with sufficient information to determine if further audits were warranted.

Should this process confirm that the municipalities are in substantial compliance with in the remittance of fines, the RJA should increase their fees as indicated below during the 2008 legislative session. Fees were raised in 2005, and the Regional Jail Operations Partial Reimbursement Fund was created to defray jail housing costs. That same year, the Legislature amended state law to allow municipal courts, in conjunction with the Department of Tax and Revenue, to withhold income tax refunds to pay any fines due the municipality. The RJA would receive 75 percent of the remaining balance. This legislation takes effect on July 1, 2008.[6]

WV Code	Purpose	Current Fee	Proposed Fee
§8-11-1a	Municipal traffic violation	$40.00	$45.00
§50-3-4a	Magistrate Court Criminal Proceeding	$40.00	$45.00
§59-1-28a	Circuit Court Civil Filing	$60.00	$65.00

The fee structure proposed above represents a nine percent increase. Based on the $9,425,510 in revenues collected in FY 05, a nine percent increase would bring in about $848,295 annually.

Year	New Revenue	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings(Federal)	FTEs
2007				$8,000			
2008	$848,295						
2009	$848,295						
2010	$848,295						
2011	$848,295						

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Development, dissemination and analysis of compliance questionnaire	RJA and Auditor's Chief Inspector's Office	August 1, 2006	December 31, 2006
Selected Audits	Chief Inspector's Office, State Auditor	January 1, 2007	June 30, 2007
Completed audit analysis	RJA and Inspector's Office	July 1, 2007	July 31, 2007
Draft Legislation to increase three fines and fees	RJA staff	August 1, 2007	August 31, 2007
Support of Legislation	RJA, Cabinet & Governor's Office	January, 2008	March, 2008

Footnotes

[1] Memorandum to Executive Director of WV Regional Jail Authority from General Counsel, "List of Fees", March 7, 2006.

[2] West Virginia State Code, as amended Chapter 50, article 3, section 4a, "Disposition of criminal costs and civil filings fees into State Treasury account for Regional Jail and Prison Development Fund."

[3] Internal Regional Jail Authority spreadsheet, "Fines and Fees, FY1999 through FY2005", undated.

[4] West Virginia State Code, as amended, chapter 6, article 9, section 7, "Examinations into affairs of local public offices; penalties".

[5] Interview with Chief Inspector and staff member, WV State Auditor's Office, regarding current auditing practices as it relates to fines and fees collected for the Regional Jail Authority, Chief Inspector's Office, April 25, 2006.

[6] West Virginia Code, as amended, chapter 8, article 10, section 2b, "suspension of licenses for failure to pay fines and costs or failure to appear in court."

EXPAND PRISON INDUSTRIES

The state should expand its correctional industries in partnership with the private and non-profit sectors to save taxpayers money and reduce recidivism by providing meaningful training for offenders.

Background

West Virginia Correctional Industries is the manufacturing section of the state's Division of Corrections, supplying goods and services to state and local government agencies, public educational systems and other organizations. All state agencies are required to buy goods supplied by Correctional Industries where appropriate and local governments may purchase from them, too. State statute also provides an exemption, via waiver from Correctional Industries, if the products don't meet reasonable agency requirements or if there is an insufficient supply.[1]

Correctional Industries is self-supporting and receives no appropriated funds. It supplies the correctional system and other agencies products such as furniture, clothing, janitorial supplies, mattresses, and bed linens. It also manufactures license plates and validation stickers for the Motor Vehicles Division and operates a Quick Copy Center that provides up to 5,000 high-speed, digital documents with quick turnaround. Finally, Correctional Industries creates Braille books for sale to facilities for the visually impaired — the only product that is permitted for sale outside the State.[2]

In addition to manufactured goods, Correctional Industries is allowed to supply services such as grounds keeping and crafts, construction of camp sites, picnic areas, marinas, and office or facility relocation. Correctional Industries is also in negotiations with Delco Remy of Remy International to repair vehicle parts.

The benefits of correctional industries programs extend beyond the potential savings to state agencies. For example, state law mandates that 10 percent of an inmate's wages be placed in a Mandatory Savings Account until the inmate's release.

Correctional Industries is also a part of the management and control of the adult prison population and a critical program that teaches work habits and skills to men and women who typically have no viable employment history. It replicates the outside work environment by requiring minimum educational levels and a 40-hour work. All of this dovetails with accepted wisdom in the criminal justice community that an offender has a greater opportunity for successful re-entry to society with marketable job skills and a practiced work ethic. One study in Great Britain focusing on work training and education noted a recidivism rate of 20 percent one year after release compared to 44 percent nationally.[3]

Findings

Many state agencies adhere to the Correctional Industries mandatory usage section of state statute, but a few routinely ignore the mandate to purchase from the prison system. These agencies outsource printing, purchase office furniture, and fail to take advantage of products that Correctional Industries is fully capable of providing in a timely manner.

Correctional Industries isn't always competitive in its pricing, and this places agencies in the difficult position of spending more for goods and services to remain compliant with statute. The prison system also has constraints not borne by the free market: a higher staff turnover, continuous training, limits to permitted work, the cost of a "shop" within a correctional setting, and the inability to sell outside state government.

State and local taxpayers could save if public agencies were encouraged to make better use of Correctional Industries. For example, some labor-intensive projects could be performed by non-violent offenders at lower costs. Untapped potential in this area includes the Department of Environmental Protection, the Division of Highways, and the Division of Natural Resources for clean-ups, grounds keeping and crafts, construction of camp sites, picnic areas, marinas, and signage for public facilities.

These labor-intensive tasks are often of little interest to the general work force and can be done by carefully selected offenders. Savings could be applied to the creation of additional projects enhancing services to our communities.

Correctional Industries would also benefit from expanded market potential if allowed to sell to not-for-profit corporations, charitable agencies, churches, hospitals, and local governments. It should also be permitted to bid on portions of a statewide contract that are subcontracted by the primary contractor.

Currently,30 states (including the surrounding states of Ohio, Maryland, Pennsylvania, and Virginia) allow the sale of prison-produced items to other states and jurisdictions.[4] West Virginia Correctional Industries is prohibited from selling manufactured goods in the private sector inside or outside the state or to non-profits.

Correctional Industries generally has shown to have significant impact in enhancing institutional security by increasing positive prisoner behavior.. Inmates found guilty of internal disciplinary violations lose work assignment rights for a minimum of one year. Those found guilty at a work release center are often returned to an institution. Such infractions affect parole eligibility, as well as these highly prized work assignments. Like most states, however, West Virginia hasn't formally studied the impact of Industries on recidivism or investigated the efficacy of its manufacturing and service programs for successful employment upon reentry.

Correctional Industries has been stymied by the state's Purchasing Division. For example, Industries is required to purchase raw materials and other commodities through the division. This time consuming process has resulted in the loss of orders and revenue as was evident in the case of a capital lease Correctional Industries had for its Quick Copy operation. Correctional Industries wanted to convert that lease to a service agreement that would result in immediate cash savings of $20,000 per month. Eighteen months elapsed before Correctional Industries could persuade the Purchasing Division to approve the change — forfeiting a total of $360,000. The contract was finally awarded and the savings have matched the estimates.[5]

In another instance, the Purchasing Division refused to let Correctional Industries accept a price increase during a renewal for laminates and veneers used in furniture manufacturing and ordered them to rebid. The only bidder was the original company, and the bid was nine percent higher than the renewal pricing.

In a current instance, Correctional Industries is interested in bidding on furnishings for the Veterans Home in Clarksburg.[6] To do so, it must purchase a different laminate and mattress material through the Purchasing Division. If it were exempt from these regulations, the prison program could perform "spot buys" and be ready to receive and manufacture upon award in order to provide the product within established time frames. As it is, at least eight out-of-state vendors are competing for the business.

Correctional Industries could benefit from recent legislation permitting multi-state purchasing and e-procurement.[7] As a smaller entity, Correctional Industries is unable to bid large quantities and consequently loses out on large-volume discounts offered by vendors. It can't provide clothing for Juvenile Services, for example, because the population is small and the offenders are dressed in various colors. To date, Correctional Industries has been unable to locate a textile company that will sell less than 10,000 yards on any given purchase.

Recommendations

a. **The state should expand its correctional industries in partnership with the private and non-profit sectors to save taxpayers money and reduce recidivism by providing meaningful training for offenders.**

   State law should be amended to permit Industries to proceed with marketing and sales to the private and non-profit sectors. Correctional Industries should also be permitted to contract to borrow funds for capital outlay, not to exceed seven years. The current $1,500,000 cap on the "prison industries account" should also be lifted to facilitate industry growth.

   The state should also authorize Correctional Industries to participate in multi-state purchasing and exempt Correctional Industries from Purchasing Division requirements to allow full and timely utilization of their buying resources.

   The State should re-educate agency purchasing directors and enforce current statute requiring mandatory usage of Correctional Industries and amend the statute as it relates to exceptions to purchase.

   State lawmakers in 2006 approved the development of a system for electronic procurement. This system can include the state usage requirement for purchases from Correctional Industries along with other required purchasing parameters. An electronic procurement system that will only permit listed items to be purchased from Correctional Industries will increase revenues.

To encourage Correctional Industries to remain competitive in pricing, state statutes should be amended to permit a waiver to the mandatory purchase requirement if an agency can locate the product or service from another vendor at a cost of at least 30 percent less than Correctional Industries.

b. The State should improve its use of Correctional Industries in the future by expanding its on-going service component.

Correctional Industries should continue to explore service opportunities that require minimum outlays of resources and maximize profit margins. For example, Correctional Industries is in negotiation with Delco Remy to repair auto parts with a quick turnaround at the Huttonsville Correctional Center. This shop has the potential to employ 150 inmates in a multi-year contract with a potential revenue stream of up to $2 million a year. However, the issues to be negotiated in the next several months include Remy space requirements, delivery routes and schedules for common carriers, and the initial investment in equipment — which could total as much as $1 million.

Correctional Industries would also need to hire four additional supervisors for the two desired shifts. It's difficult to determine the outcome of these negotiations or the revenue that would result, but a service-style industry has greater potential for profit than manufacturing.

c. The state should require Correctional Industries to conduct a study of its impact on offenders, including marketable job skill development and recidivism rates

While it's widely accepted that Correctional Industries plays a key role in prison management, the impact on inmates' success upon release is not well understood. A periodic study that quantifies the impact (such as recidivism rates, employment and wage status after release) could provide Industries with a benchmark so that decisions regarding shifts in products and services provided by Industries can be are based on the total impact of Industries, not just the profitability.

Fiscal Impact

West Virginia Correctional Industries employs 56 state employees, with salaries and benefits completely funded through the prison program's revenue. There are 21 shops in eight locations.

During FY 05, Correctional Industries employed 260 inmates with an inmate payroll of $427,320. The average wage of a prison program worker is $.77 per hour, depending on job description and length of service. The total operating revenues for FY 05 were $6,730,479, and total operating expenses (including $239,501 in depreciation) came to $6,773,288.

In FY 05, the receivables from governmental activities totaled $104,991 and $150,061 for furniture manufacturing and printing respectively. A 10 percent annual increase in revenue in governmental participation in just these two shops would gross $25,500.

Operational costs such as raw materials and labor would reduce this amount by varying percentages based upon the shop.

Correctional Industries has the ability to supply to the private and non-profit sectors signs, furniture, office panel systems, janitorial supplies, furniture refinishing, mattresses, towels and linens, seating, and printing. Total receivables for these activities totaled $614,752 in FY 05. A five percent increase would gross $30,73. A 10 percent increase from these two sectors would come to $61,475.

Using the strategies discussed above, Correctional Industries should be able to improve its net sales revenue by at least 10 percent. With net receivables in FY 05 totaling $958,459, a 10 percent improvement would generate $95,846 in additional revenue.[8]

Year	**New Revenue**	**Savings (Other)**	**Costs**	**Net Savings (State)**	**Net Savings(Federal)**	**FTEs**
2007	$95,846					
2008	$95,846					
2009	$95,846					
2010	$95,846					
2011	$95,846					

Implementation

Task	**Responsible Party**	**Start Date [month/year]**	**Anticipated Completion**
Preparation of draft legislation to amend code as recommended	Correctional Industries and DOC	August, 2006	August, 2006
Review & submission of draft legislation	Sec/DMAPS	September, 2006	September, 2006
Develop a plan for utilizing multi-state purchasing opportunities	Correctional Industries	August, 2006	October, 2006
Develop and award contract for impact study	Correctional Industries	January, 2007	December, 2007

Footnotes

[1] West Virginia State Code, §28-5B-4, "Purchase of convict-made goods by state agencies and political subdivisions".
[2] West Virginia Correctional Industries Annual Report for the Fiscal Year ended June 30, 2005
[3] Article, "Prison digital print centre gives inmates job skills," published March 9, 2006, URL: http://www.silicon.com/publicsector/0,3800010403,39157054.htm
[4] National Correctional Industries Association 2005 Directory, Industry Data, pp. 118-136.
[5] Interview with WV Correctional Industries Director, Business Manager and Accountant, February 16, 2006
[6] Ibid.

[7] Enrolled House Bill 4031, 2006 Regular Session, West Virginia Legislature, related to the Division of Purchasing.
[8] West Virginia Correctional Industries, Statement of Net Assets, June 30,2005.

STREAMLINE PRISON PURCHASING

The Division of Corrections, Regional Jail and Correctional Facility Authority and Division of Juvenile Services should consolidate purchases of good and services to save money and boost efficiency.

Background

The three correctional agencies housed in Department of Military Affairs and Public Safety (MAPS) have separate missions within the field of criminal justice and are held to different professional standards. But the agencies share similar needs in goods and services, including food service, commissary services, law libraries, offender clothing, security equipment, and physical plant supplies.

Historically, the three agencies have conferred informally about their purchases and services contracts. Last fall, MAPS Secretary James Spears recognized the need for increased consolidation and requested that the Division of Correction's Director of Administration chair a committee of purchasing and fiscal staff from the three agencies to begin researching areas of similar need with the goal of combining purchases.[1]

Officials from the Division of Corrections have met representatives of other states interested in creating a multi-state purchasing alliance for corrections. The recent passage of legislation permitting multi-state purchasing opens the door for the state's three correctional agencies to join in this initiative.

Findings

Taxpayers could realize significant savings through economies of scale by combining purchases and service contracts wherever feasible. The Division of Corrections has moved over the past five years to combine separate facility service contracts into a single agency agreement, the first of which was a medical/mental health contract in 2001 that has been followed by a contract for inmate commissary services in 2006.

The goods and services that could be shared within one agreement include food service, inmate commissary, inmate telephone systems, law libraries, correctional officer uniforms, some inmate clothing, hygiene articles, various maintenance and inspection agreements and security equipment such as weapons, ammunition, chemical agents, and restraints.[2]

Although the agencies have occasionally communicated among themselves regarding specifications, no formal process has been in place until recently. This lack of coordination has led each agency to research the same or similar commodity or service, wasting time and valuable human resources and forfeiting the potential benefit of combined knowledge.

An example of this inefficiency is the purchase of replacement filters for facility heating and HVAC systems. The agencies have entered into contracts on both the agency level and by facility and often with the same vendors. Each agency has experienced a wide range of pricing for these items, in one case $4.90 versus $2.68 for the same filter installed by the same vendor in two separate facilities.[3] With hundreds of filters replaced monthly by the three agencies, the savings could be substantial if purchasing processes were streamlined.

In an effort to coordinate, agency staffers appointed by the Secretary are currently gathering information from each facility in each agency to determine the number, type, and size of filters needed by each. In addition, one other member is currently gathering industry specifications and plans to develop a common bid document for all three agencies.[4]

Legislation permitting multi-state purchasing will further enhance these initiatives. The Multi-state Corrections Purchasing Alliance was initiated by procurement staff in the Virginia Department of Corrections. A meeting to discuss interest and to begin drafting by-laws and procedures was held in June 2005, with 12 states attending. This initiative has continued through e-mail and monthly conference calls. In early 2006, Virginia presented this project to a meeting of the Association of State Correctional Administrators. In the spring, a meeting to finalize operating procedures and make commodity assignments was convened.

In addition to the Corrections Alliance, other multi-state purchasing initiatives such as the Western States Contracting Alliance and the Minnesota Multi-state Contracting Alliance for Pharmacy also hold possibilities for these three agencies.

Recommendation

The Division of Corrections, Regional Jail and Correctional Facility Authority and Division of Juvenile Services should consolidate purchases of good and services to save money and boost efficiency.

The process of consolidation should be formalized with stated goals, performance measure, regularly scheduled meetings, routine reports to agency heads and the MAPS Secretary, job task analysis, and ongoing evaluation of both process and savings.

The three correctional agencies should be required, to the extent feasible, to participate in multi-state initiatives as part of the formal process described above.

Fiscal Impact

The potential savings are estimated at just under $100,000 the first year. These savings would increase annually as contracts expire and are rebid and as multi-state purchasing increases with the greatest potential savings in the area of medical and mental health services.

Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings(Federal)	FTEs
2007	100,000						
2008	150,000						
2009	200,000						
2010							
2011							

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Formally establish multi-agency committee. Committee charged to meet regularly, provide written minutes with fiscal impact, establish goals and assign tasks	Secretary of DMAPS with DOC Commissioner, RJA & DJS Directors	August, 2006	Same
Committee to provide report of all purchases and contracts with recommendations for integration and action plan	Committee	September, 2006	October, 2006
Committee executes action plan, modifies as necessary and reports with fiscal impact and compliance monitoring	Committee	Ongoing	Ongoing

Footnotes

[1] Interviews with Fiscal and Contractual personnel from Division of Corrections, Juvenile Services and Regional Jail Authority, 01 February through 29 March 2006.
[2] Ibid.
[3] Contracts and Invoices of various vendors
[4] E-Mails from Fiscal and Contractual personnel from Corrections, Juvenile Services and Regional Jails 01 February through 28 March 2006.

COMBINE ADMINISTRATIVE SUPPORT OPERATIONS OF CORRECTIONS AGENCIES

The Division of Corrections, Regional Jail and Correctional Facility Authority, and Division of Juvenile Services should consolidate administrative functions to save taxpayers money.

Background

The current cabinet-style structure of the executive branch of state government was created in 1994. The goal is to reduce costs, increase efficiency, group, coordinate, and consolidate functions according to purpose, and eliminate duplication and waste.[1]

The Division of Corrections (DOC) was created as a stand-alone agency in 1977. The Regional Jail Authority (RJA) and Division of Juvenile Services (DJS) were created in 1985 and 1997, respectively, and placed within the Department of Military Affairs and Public Safety (DMAPS). Corrections was responsible for establishing the accounts for Juvenile Services, gathering all administrative information, transferring funds from DOC and DHHR, completing payroll and budget development until their separate administrative offices were established.[2]

As the bonding authority, the RJA has built and renovated facilities for all three agencies. The RJA and DOC also have fiscal linkages with DOC, housing nearly 1,100 inmates in regional jails and sharing the Northern facility.

As executive agencies, all three operate within the same rules and guidelines regarding fiscal management, payroll, purchasing, and human resources. But they have varying funding sources. The RJA receives no legislative appropriations; DOC and DJS do, with the latter also getting federal Medicaid reimbursement, education, and child nutrition funds due to the age of its offenders. The payroll functions are nearly identical despite the funding sources. Human resource recruitment, selection, hiring, grievance, discipline, and benefits are the same under Division of Personnel administrative rules. Purchasing and contracting abide by Purchasing division regulations.

Findings

The three agencies have 28.5 full time equivalent (FTE) employees assigned as indicated in the table below:

	Fiscal/Accounting	HR/Payroll	Purchasing/ Contracts	Construction/ Ops
Regional Jails	4	5	1	2
Juvenile Services	2	1	1	
Corrections	5.5	4	2	1
TOTAL	11.5	10	4	3

The total in salaries and benefits for all positions is $1,453,393, calculating benefits at 34 percent. Additionally, there are fiscal support personnel at the facility level in each agency.[3] [4]

The advantages of combining administrative operations include:

- reduction of staff through attrition at the facility or central office level, or both,
- elimination of duplication, increased communication and coordination in developing budgets;
- combined purchases and contracts;
- streamlining information sharing and processing;
- greater training opportunities for facility personnel;
- consistency in standards and processes;
- enhanced personnel recruitment and human resource management efforts;
- specialized task assignments;
- and strategic planning.[5]

In lieu of one agency having administrative control for this work unit, it's more feasible to have supervision at the cabinet level. The unit itself may be divided into sections with its own supervisor responsible for day to day management and to coordinate with the three agency Directors and the Commissioner.[6]

A final advantage to this change could be the future integration of administrative functions for other DMAPS agencies such as Homeland Security, the Fire Marshal's office, or Veteran's Affairs.

It would be imperative that clear lines of communication and control be established to ensure that needs are met, possible turf battles are avoided, and effective cross-training to other agency procedures is accomplished. An immediate challenge may be finding a location, either within an agency or elsewhere, to group the staff listed above. It's important that this new administrative support unit be near the three central offices and the executives they serve.

Recommendation

The Division of Corrections, Regional Jail and Correctional Facility Authority, and Division of Juvenile Services should consolidate administrative functions to save taxpayers money.

Fiscal Impact

A 10 percent reduction in staffing costs would yield taxpayers savings of approximately $150,000 per year. Additional savings with increased coordination cannot be determined. Savings are based upon the use of current office space to house staff.

Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings (Federal)	FTEs
2007							
2008	$150,000						(3)
2009	$150,000						(3)
2010	$150,000						(3)
2011	$150,000						(3)

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Creation of DMAPS committee to include executive staff from DOC, RJA & DJS	Secretary, DMAPS	August, 2006	August, 2006
Committee study to include personnel, job task analysis, agency needs assessment & physical plant requirements	Committee	September, 2006	December, 2006
Report with Recommendations to DMAPS Secretary	Committee	January, 2007	January, 2007
Plan Development	Secretary, DMAPS and Committee	February, 2007	July, 2007
Plan Implementation	DOC, RJA & DJS	July, 2007	December, 2007

Footnotes

[1] West Virginia Code §5F-1-1 Legislative Findings and Declarations
[2] West Virginia Code §5F-2-2 Powers and Duties of Cabinet Secretaries
[3] FY06 Expenditure Schedules, Personnel Services for Division of Corrections, Division of Juvenile Services and Regional Jail Authority
[4] E-mail from Steve Meester, WV Budget Office
[5] E-mail from staff of the West Virginia State Budget Office, Division of Corrections, Division of Juvenile Services and Regional Jail Authority
[6] West Virginia Code §5F-2-2 Powers and Duties of Cabinet Secretaries

RAISE INMATE FEES AND IMPROVE COLLECTION

State law should be toughened to enforce the collection of inmate booking and processing fees, and the fee should be raised.

Background

Under state law (West Virginia Code Chapter 7-8-13), regional jails may collect $20 from each inmate convicted of a crime and booked into a facility by order of a magistrate circuit judge or by temporary commitment.[1] These fees are special revenue funds that finance operational activities for the regional jail system.

A review of collections of these fees for FY 02 through FY 05 shows that the Regional Jails Authority (RJA) has collected an average of only 52 percent of the fees owed. In FY 02, the RJA collected 58 percent and, in FY 05, 44 percent — a 14 percent reduction in four years.[2] This represents nearly $1.3 million lost by the RJA that could have been used to support their operations.

While state law allows the RJA to collect these fees, those who fail to pay face no consequences. RJA sources tell us that many inmates are booked multiple times throughout the year and learn not to bring money with them at the time they are booked, thus making it impossible to collect the fee.

Findings

The RJA doesn't have a strategy to improve collections of booking and processing fees. The statute authorizes the RJA to collect the fee upon intake and to deduct, up to 50 percent at a time, any further deposits to the inmate's account. The law provides that detainees subsequently found innocent of the charge shall be refunded the entire fee.

There are no consequences to those inmates who don't pay the booking fee. The RJA senior management has explored ways to address the problem, but to date, taken no action. Among the ideas discussed but not vetted to determine legal viability are: withholding of their driver's license, deduction from state tax refunds, coordinating with the Division of Corrections to attach the trustee account of those inmates admitted to the state prisons, or an assessment of the fee when inmates are released as a condition of bond.[3]

The RJA has collected, on average, 52 percent of its expected jail processing fees, a loss of nearly $1.3 million in the last four years. A breakdown by each jail shows an average 14 percent reduction in percentage collected between FY 02 and FY 05.

The state's Purchasing Division administers a statewide contract for debt collection, DEBT04. This multi-award agreement provides for the collection of debt in exchange for an 11.9 percent retention by the vendor.[4] [5]

The booking or processing fee assessed by the State's RJA is significantly below that of surrounding states. In the Kentucky and Ohio, for example, inmates are charged $40 for processing and $50 for booking, respectively.[6] With approximately 45,000 bookings per year in West Virginia, raising these fees to a level comparable with other states would provide regional jails much-needed revenue boosts. The $438,687 collected in FY 05 represents 21,934 processings at $20 each.[7] Kentucky law provides for the use of a debt collection agency to obtain uncollected fees.[8]

Recommendations

State law should be toughened to enforce the collection of inmate booking and processing fees, and the fee should be raised.

The RJA should implement statutory consequences to raise the booking and processing fee from $20 to $25 and make sure inmates pay it or face strict consequences.

The RJA should use the existing statewide contract for debt collection to collect the increased jail processing fees and set performance goals for vendor.

Fiscal Impact

A significant portion of this debt can be recovered through a collection agency by using an existing statewide contract under existing purchasing rules and regulations and using current RJA staff. The cost of preparing the required documentation for the collection vendor will be minimal.

Research and development of specific consequences for non-compliance may be done by current RJA staff and legal counsel. Legislative action will be required to implement stricter enforcement measures.

The fiscal impact is difficult to determine but potentially significant. The table below indicates possible revenue owed for FY 05.

Amount Uncollected in FY05	% Of Recovery	Less Vendor Fee	Total Revenue
$558,329	100%	$66,441	$ 491,888
$558,329	75%	49,831	$ 368,916
$558,329	50%	33,221	$ 245,944
$558,329	25%	16,610	$ 122,972

Raising the fee by 25 percent would bring in about $90,000 a year, at the current 44 percent collection rate. Stricter consequences for non-payment will increase this amount. Based on the current rate of 45,000 bookings a year, a $5 fee increase would yield $225,000 annually.

Assuming that the collection rate at the jails remained at 44 percent and the collection vendor was able to recover 50 percent of the uncollected fees, the estimated impact of these recommendations in 2008 with a $5 fee increase in effect would be:

Year	New Revenue	Savings (Other)	Costs	Net Savings (State)	Net Savings(Federal)	FTEs
2007	$245,944					
2008	$321,252					
2009	$321,252					
2010	$321,252					
2011	$321,252					

The additional revenue is based on an assumption that the number of bookings remains the same each of the next five years. Based on this, the total increase in revenue would be $1,530,952 over the next five years.

Implementation

Task	Responsible Party	Start Date [month/year]	Anticipated Completion
Initiate Statewide contract for debt collection	RJA Business Office	August, 2006	Ongoing
Draft legislation raising processing fee to $25 with consequences for non-payment	RJA Staff	July , 2006	August ,2006
Update Legislative Oversight Committee on collection process and desired statute changes	RJA & Cabinet Staff	Monthly	Ongoing
Support Legislation	RJA & Cabinet & Governor' Staff	January, 2007	March, 2007

Footnotes

[1] West Virginia State Code as amended, Chapter 7, article 8, section 13, "Jail processing fee"
[2] WV Regional Jail Authority internal report, "Regional Jails Inmate Processing Fee Breakdown, Period: 2002FY-2005FY, undated.
[3]Interview with WV Regional Jail Authority Executive Director Wyetta Fredericks and senior staff on February 9, 2006.
[4] E-mail message from Betty Francisco, Senior Buyer, West Virginia Purchasing Division, in re, statewide contract No. DEBT04, on 28 April 2006.

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[5] West Virginia Division of Purchasing statewide Purchase Order No. DEBT04C, "To collect debts on behalf of the State of West Virginia and/or its spending units", encumbered February 11, 2004.
[6] Memorandum from Lavana Lee Harvey, Criminal Justice Specialist, Regional Jail authority to Todd Hudnall, Governor's Performance Review, on Fees, march 9, 2006.
[7] E-mail message from Lavana Harvey, WV Regional Jail Authority to Todd Hudnall, Governor's Performance Review, on Fees, March 13, 2006.
[8] State of Kentucky Revised Statues, KRS441.265 titled "Required reimbursement by prisoner of costs of confinement – Local policy off and expense rates – billing and collection methods. http://www.lrc.ky.gov/KRS/441-00/265.PDF

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

P2-27

MERGE CHIP AND MEDICAID PROGRAMS TO IMPROVE COVERAGE, SAVE MONEY

The state's Children's Health Insurance Program should be merged into the Bureau for Medical Services, Department of Health and Human Resources by mid-fiscal year 2008.

Background

The federal State Children's Health Insurance Program (SCHIP) legislation (Title XXI of the Social Security Act, 1997) encouraged states to expand insurance coverage for children by providing an enhanced federal financial participation (FFP) rate over that provided to states in their respective Medicaid (Title XIX) programs. Within broad federal guidelines, each state determines the design of its program, eligibility groups, benefit packages, payment levels for coverage, and administrative and operating procedures.

SCHIP provides a capped amount of funds to states on a matching basis for federal fiscal years (FY) 1998 through 2007. Federal payments under title XXI to states are based on state expenditures under approved plans effective on or after October 1, 1997.

West Virginia established a stand-alone SCHIP program via state statute in 1998 (WV Code §5-16B), with the Children's Health Policy Board governing the operations of the program and the executive director chairing the board.

The West Virginia Children's Health Insurance Program (WVCHIP) resides in the Department of Administration. It uses both the medical claims processor and the pharmacy benefits manager used by the Public Employees Insurance Agency.

WVCHIP uses an online abbreviated eligibility form through the Bureau for Children and Families, Department of Health and Human Resources. Under federal law, applications must be evaluated for Medicaid (Title XIX) eligibility first, then for WVCHIP eligibility. The Bureau for Children and Families conveys the eligibility status to either Medicaid or WVCHIP.

Under state statute (WV Code §5-16B-6(c)(2)), all estimated program and administrative costs, including incurred but unreported claims, must not exceed 90 percent of the funding available to the program in each fiscal year.

Findings

Federal regulations allow for the state to establish a stand-alone program, a combination program, or a Medicaid expansion (42 CFR 457.10). The sole opportunity for integration with a larger entity is through the combination program or the Medicaid expansion.

According to the pharmacy director for Medicaid, the federal and supplemental negotiated rebates constitute 20 percent of Medicaid's drug expenditures. CHIP officials project that they will spend $7.7 million for drugs in SFY 2006, with an estimated Subrogation and Rebate amount of $300,000. This comes to a rebate rate of less than 4 percent. A 20 percent rebate on the projected drug costs for SFY 2006 would total $1,540,000, or a $1.24 million difference.

In addition, the Resource Based Relative Value Service (RVRBS) conversion factor used by PEIA/CHIP was $42.30 as of January 1, 2006. In contrast, the RVRBS factor for Medicaid is $29.38, with exception of anesthesia, which is $22.70 (rates were effective February 1, 2006). The FY 06 baseline for incurred medical claims in the CHIP Actuarial Report for December 31, 2006 was $26,810,237. By multiplying the medical claims by the percentage reduction in the RVRBS conversion factor of 30.5 percent, savings can be projected at $8,177,122.

While Medicaid pays less for services, it offers a wider range of services. It appears that the federal Deficit Reduction Act of 2006 would allow states to offer a benchmark plan that is comparable to the state's public employees' insurance plan or the federal employees' health insurance plan.

With the passage of H.B. 4021, which in part expanded CHIP eligibility from 200 percent of the Federal Poverty Level (FPL) to 300 percent, CHIP must construct a premium collection system. Currently, the RAPIDS system of DHHR determines child eligibility; if the child is eligible for CHIP the information is sent to IS&C to create a data file, which is in turn shipped to Acordia National. The costs for Acordia National to construct a premium component and the ongoing costs for premium collection have yet to be finalized.

In contrast, when RAPIDS determines an applicant Medicaid-eligible, they send the eligibility to Unisys, the Medicaid claims processor. When it established the Medicaid buy-in for people with disabilities, Medicaid created a premium collection system that could be expanded to accommodate CHIP.

The state's CHIPP program features 6.6 full time equivalent employees who manage the program's 24,656 enrollees. The executive director estimates that two clerical positions could be eliminated if the program were located in a larger organization. Eliminating the two lowest-paid staff members (Accounting Tech III and Secretary II) would save $65,942 per year.

CHIP received an improvement package of $3,837,484 to cover program growth and for the eligibility expansion for part of FY 07. It will need an additional improvement package for FY 08 to cover the full year expenses for the expansion population. CHIP also faces reauthorization at the federal level in 2008.

Medicaid requested an improvement package of $60 million to cover a reduction in federal matching funds and program growth. In addition, Medicaid is undergoing a program redesign to shift the program to an insurance model, with an emphasis on personal responsibility and prevention, in line with the provisions of the federal Deficit Reduction Act.

Recommendation(s)

a. **The state's Children's Health Insurance Program should be merged into the Bureau for Medical Services, Department of Health and Human Resources by mid-fiscal year 2008.**

Both CHIP and Medicaid are in a state of significant program modification and striving for fiscal footing. By FY 08, both programs should be more stable. In addition, the expectations for federal CHIP reauthorization should be clearer.

Under this recommendation:

- Redundant positions should be eliminated.
- CHIP pharmacy benefit should be aligned with the Medicaid pharmacy benefit.
- CHIP RVRBS rate should adhere to the Medicaid rate.
- CHIP should use Unisys for pharmacy claims processing, medical/dental claims processing and premium collections.

When Medicaid and CHIP are combined, monitoring access to care will become a federal regulatory issue. As an ongoing process, the Department of Health and Human Resources monitors access for the ~150,000 Medicaid members who are children and would do the same for the he 24,656 CHIP members.

b. The Children's Health Insurance Board should be made advisory when the programs are merged.

The statutory requirement is that the CHIP program's administrative and program expenditures not exceed 90 percent of the allotted appropriation, but the program has exceeded that threshold. The Code of Federal Regulations requires public involvement in the development and maintenance of the CHIP program at the state level. The Legislative Oversight Commission on Health and Human Resources Accountability provides a check on the Executive Branch administration of the Medicaid program and can do the same for the CHIP program.

c. All programs providing children's health services should be consolidated into a single unit to ensure that Medicaid and CHIP are the payors of last resort and that services are not duplicated.

In addition to Medicaid and CHIP, children receive health services through the following programs administered by the Office of Maternal, Child and Family Health:

- Birth to Three
- *Children with Special Health Care Needs*
- *Right from the Start*

Children's health policy and payments should be consistent and interlocking, not redundant. While Medicaid, CHIP, and OFMCH work to make this happen, a merged policy unit will smooth this effort.

Fiscal Impact

Annual savings from redundant positions	$ 65,982
Annual savings from pharmacy rebates	$1,240,000
Annual savings from aligning RVRBS rates	$8,177,122
Annual savings from aligning in-patient rates	unknown

Annual savings from using Unisys	unknown
Total annual savings	**$9,483,104**
Total annual federal savings	**$7,586,483**
Total annual general revenue savings	**$1,896,621**

Fiscal Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings (Federal)	FTEs
2007	$1,896, 621	$7,586,483					
2008	$1,896, 621	$7,586,483					
2009	$1,896, 621	$7,586,483					
2010	$1,896, 621	$7,586,483					
2011	$1,896, 621	$7,586,483					

Implementation

Task	Responsible Entity	Timeframe
Introduce Legislation to move CHIP to DHHR and make Children's Health Insurance Board Advisory	Governor's Office	January 2007
Develop plan to convert claims processing and notify providers of payment changes	Department of Health and Human Resources with the Department of Administration	April 2007
Commence Reduction in Force Process to eliminate redundant positions	Department of Administration	September 2007
Consolidate all children's health policy and payment programs into one unit	Department of Health and Human Resources	July 2006
CHIP staff move to DHHR and CHIP members move to DHHR	Department of Health and Human Resources with Department of Administration	January 2008
Add CHIP to unit coordinating children's health policy and payments	Department of Health and Human Resources	January 2008

Footnotes

DRAW DOWN AVAILABLE FEDERAL FUNDS FOR MEDICAID-ELIGIBLE PRISONER CARE

West Virginia should claim available federal financial participation (FFP) for eligible state prisoners who incur costs for overnight hospital stays.

Background

In the fiscal year from October 1, 2004 to September 30, 2005, the Division of Corrections paid $1.9 million in hospitalization costs that were beyond the negotiated contract limit of $5,000 per prisoner per acute care episode. Of the 1,136 inmates with claims, 150 — 13.18 percent — accounted for nearly $1.3 million, or 64.46 percent of the cost.

The Centers for Medicare and Medicaid Services (CMS) confirm that Federal Financial Participation (FFP) is available for Medicaid-eligible prisoners who have an overnight hospital stay.[1] Medicaid-eligible prisoners include pregnant women, the disabled, those age 65 or older, and those who would qualify for nursing home care.

If West Virginia took advantage of these available federal funds, the payment rate for overnight hospital services would cost state taxpayers 25 percent less than it currently does . In addition, of the reduced payment rate, the state would be required to pay only 27 percent from general revenue and could claim federal matching funds (FFP) for the remaining 73 percent of the costs.

Findings

The Code of Federal Regulations (42 CFR 435.1008) allows states to claim FFP for Medicaid-eligible prisoners with an overnight hospital stay. The FFP may be claimed three months prior to the date of the application.

West Virginia already claims FFP for Medicaid-eligible inmates of juvenile detention centers with overnight hospital stays. Other states that claim FFP for the adult population include Nebraska, Delaware, and Oklahoma.

Recommendation

West Virginia should claim available federal financial participation (FFP) for eligible state prisoners who incur costs for overnight hospital stays.

The Bureau for Children and Families should develop an eligibility policy for inmates who are hospitalized. As the majority of the hospitals used by the Division of Corrections have on-site eligibility workers, the eligibility process will not be initiated until the procedure is scheduled or the hospitalization occurs.

The Bureau for Medical Services, Department of Health and Human Resources should work with the Division of Corrections, Department of Military Affairs and Public Safety to certify the state matching (general revenue) dollars in order to claim the FFP.

The Department of Military Affairs and Public Safety, Division of Corrections should work with its medical services vendor to ensure that all hospitalized inmates are evaluated for Medicaid-eligibility when an overnight procedure is scheduled or when the inmate enters the hospital.

Fiscal Impact

The fiscal impact of this recommendation was calculated by reviewing acute care hospital claims from October 1, 2004 to September 30, 2005. Those claims for inmates who would be automatically eligible for Medicaid (pregnant women, those age 65 or older, those who are disabled either by use of a wheelchair or diagnosis) were tabulated. The total amount of the claims was reduced by 25 percent to reach the Medicaid payment rate then multiplied by 27 percent to determine the state dollars necessary to draw down the matching federal dollars. Those state dollars were then subtracted from the total amount spent for this population to determine the amount of money saved.

This estimate is conservative, and there will be additional inmates who are eligible because of mental illness or multiple medical issues. In addition, the fiscal impact doesn't take into account for aging prison population trends.

Acute care hospital claims for those automatically eligible	$372,916.28
Reduce payment rate by 25 percent to reach Medicaid payment rate	x .75
	$279,687.21
Multiply the result by 27 percent to determine the state funds needed	$279,687.21
to draw down the federal matching dollars	x .27
	$ 75,515.55
Subtract the necessary state funds from the total amount paid for	
Eligible hospital services in 2004-2005	$372,916.28
	75,515.55
Annual Savings	**$297,400.73**

Fiscal Year	Savings (State GR)	Saving (Federal)	Savings (Other)	Costs	Net Savings (State)	Net Savings (Federal)	FTEs
2007	$297,400						
2008	$297,400						
2009	$297,400						
2010	$297,400						
2011	$297,400						

Implementation

Task	Responsible Entity	Timeframe
Modify Income Maintenance Manual to include policy for adult inmates	Department of Health and Human Resources Bureau for Children and Families	July 1, 2006
Require Corrections Health Care Services Vendor to ensure that inmates with scheduled or emergency overnight hospital stays are evaluated for Medicaid Eligibility	Department of Military Affairs and Public Safety - Division of Corrections	July 1, 2006
Communicate to hospitals used by Corrections that some inmates may be found Medicaid-eligible	Department of Military Affairs and Public Safety - Division of Corrections	July 1, 2006

Footnotes

[1]. Email from Donna M. Fischer, WV State Representative, CMS to Shana Phares, Acting Pharmaceutical Advocate, February 1, 2006.