

**H00**  
**Department of General Services**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 13</u></b> <b><u>Actual</u></b>	<b><u>FY 14</u></b> <b><u>Working</u></b>	<b><u>FY 15</u></b> <b><u>Allowance</u></b>	<b><u>FY 14-15</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$54,165	\$62,076	\$62,620	\$544	0.9%
Contingent & Back of Bill Reductions	0	-820	-393	427	
<b>Adjusted General Fund</b>	<b>\$54,165</b>	<b>\$61,256</b>	<b>\$62,227</b>	<b>\$971</b>	<b>1.6%</b>
Special Fund	3,749	3,434	3,105	-329	-9.6%
Contingent & Back of Bill Reductions	0	0	-8	-8	
<b>Adjusted Special Fund</b>	<b>\$3,749</b>	<b>\$3,434</b>	<b>\$3,097</b>	<b>-\$337</b>	<b>-9.8%</b>
Federal Fund	1,116	1,164	1,195	31	2.7%
Contingent & Back of Bill Reductions	0	0	-6	-6	
<b>Adjusted Federal Fund</b>	<b>\$1,116</b>	<b>\$1,164</b>	<b>\$1,189</b>	<b>\$25</b>	<b>2.1%</b>
Reimbursable Fund	27,914	28,541	29,253	711	2.5%
<b>Adjusted Reimbursable Fund</b>	<b>\$27,914</b>	<b>\$28,541</b>	<b>\$29,253</b>	<b>\$711</b>	<b>2.5%</b>
<b>Adjusted Grand Total</b>	<b>\$86,943</b>	<b>\$94,395</b>	<b>\$95,766</b>	<b>\$1,370</b>	<b>1.5%</b>

- The fiscal 2015 allowance increases by \$1.4 million, or 1.5%, after contingent and back of the bill reductions. The largest drivers of this change are a \$1.2 million increase for personnel expenses due to the annualization of fiscal 2014 increments and the general salary increase and a \$678,000 increase for 13.5 contractual conversions.
- The closure of the print shop results in an \$875,000 reduction to the agency's reimbursable funds in the fiscal 2015 allowance.

Note: Numbers may not sum to total due to rounding.

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## ***Personnel Data***

	<b><u>FY 13 Actual</u></b>	<b><u>FY 14 Working</u></b>	<b><u>FY 15 Allowance</u></b>	<b><u>FY 14-15 Change</u></b>
Regular Positions	576.00	580.00	593.50	13.50
Contractual FTEs	<u>16.07</u>	<u>32.53</u>	<u>31.53</u>	<u>-1.00</u>
<b>Total Personnel</b>	<b>592.07</b>	<b>612.53</b>	<b>625.03</b>	<b>12.50</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions

34.28      5.91%

Positions and Percentage Vacant as of 12/31/13

50.00      8.62%

- The agency gains 13.5 regular positions in the fiscal 2015 allowance due to contractual conversions.
- At the end of calendar 2013, the agency's vacancy rate was 8.62%, which is higher than the budgeted turnover rate of 5.91%.

## ***Analysis in Brief***

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### **Major Trends**

***Energy Consumption and Reductions:*** The Department of General Services (DGS) reports that energy expenditures declined in fiscal 2010 through 2013 by a total of 11.1 percentage points and are expected to continue to decline annually through fiscal 2015, culminating in a cumulative reduction of 15.3% by fiscal 2015.

***Participation in Procurement Programs:*** Between fiscal 2012 and 2013, Minority Business Enterprise participation in DGS increased slightly, rising from 16% in fiscal 2012 to 19% in fiscal 2013. This is the second year in a row that DGS has missed its performance goal of 29%. During the same time period, the amount of dollars realized through State Small Business Reserve (SBR) contracts increased by 247%, or approximately \$57.7 million. The agency advises that a change in the qualifications for SBRs, and a subsequent increase in SBR certified companies, was a contributing factor in the dramatic increase of SBR contract awards.

***New Procurement in DGS-supported Agencies:*** DGS's performance with respect to the processing of new procurements improved significantly between fiscal 2012 and 2013, with the percentage of new procurements completed on time and on target increasing from 62 to 77%. However, this is at least the sixth straight year that DGS has missed its performance goal, primarily due to understaffing.

***Critical Maintenance Backlog:*** DGS reports a growing critical maintenance backlog. Following several years of underfunding, the backlog has grown, such that it will take multiple years of appropriations to make a sizable reduction in the backlog. The fiscal 2015 allowance maintains the \$5 million funding level appropriated in fiscal 2014.

### **Issues**

***Department Cited for Repeat Audit Findings:*** In a legislative audit released in November 2013, the Office of Procurement and Logistics was cited with 4 repeat findings out of a total of 13. The Joint Audit Committee (JAC) continues to be concerned with the number and frequency of repeat audit findings across State agencies. In an effort to see these findings satisfactorily resolved, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. **The Department of Legislative Services (DLS) recommends withholding a portion of the department's appropriation until the Office of Legislative Audits has determined that the repeat findings have been corrected.**

***Information Technology Renewal Plan:*** In recognition of DGS's severely outdated information technology (IT) system, committee narrative in the 2013 *Joint Chairmen's Report* (JCR) required DGS to submit a report indicating the department's IT needs and the cost associated with each need and project. The submitted report outlines a plan to implement six IT projects between fiscal 2014 and 2020, totaling \$4.4 million. However, the agency's fiscal 2015 allowance does not include any

additional funding for IT projects. **DLS recommends restricting the Facilities Critical Maintenance Fund by \$1,477,145 and allocating these funds to IT projects of a critical nature.**

## **Recommended Actions**

1. Add language reducing reimbursable funds by \$68,088 for contractual full-time equivalents.
2. Add language restricting funds until legislative audit findings are remedied.
3. Add budget bill language restricting \$1,477,145 from the statewide Critical Maintenance Program to critical Department of General Services information technology projects.
4. Adopt committee narrative requiring the submission of an annual report on the department's annual conservation efforts.
5. Adopt committee narrative requiring the submission of an annual report on energy performance contract savings monitoring and verification compliance.

## **Updates**

***Supply Chain Review Pilot:*** The 2013 JCR required DGS to submit a report indicating whether an independent supply chain review pilot program would be beneficial. The agency submitted the report in September of 2013. The report indicates that, at this time, such a pilot program would not be beneficial.

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**Department of General Services**

***Operating Budget Analysis***

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**Program Description**

The Department of General Services (DGS) serves Maryland and its citizens by supporting other State agencies in achieving their missions. The department performs a variety of functions, including planning, design, and construction management; facilities maintenance; procurement of goods and services; receipt and distribution of excess property; the provision of real estate services; and operation of the Maryland Capitol Police. DGS uses the following goals to guide its Managing for Results (MFR) reporting:

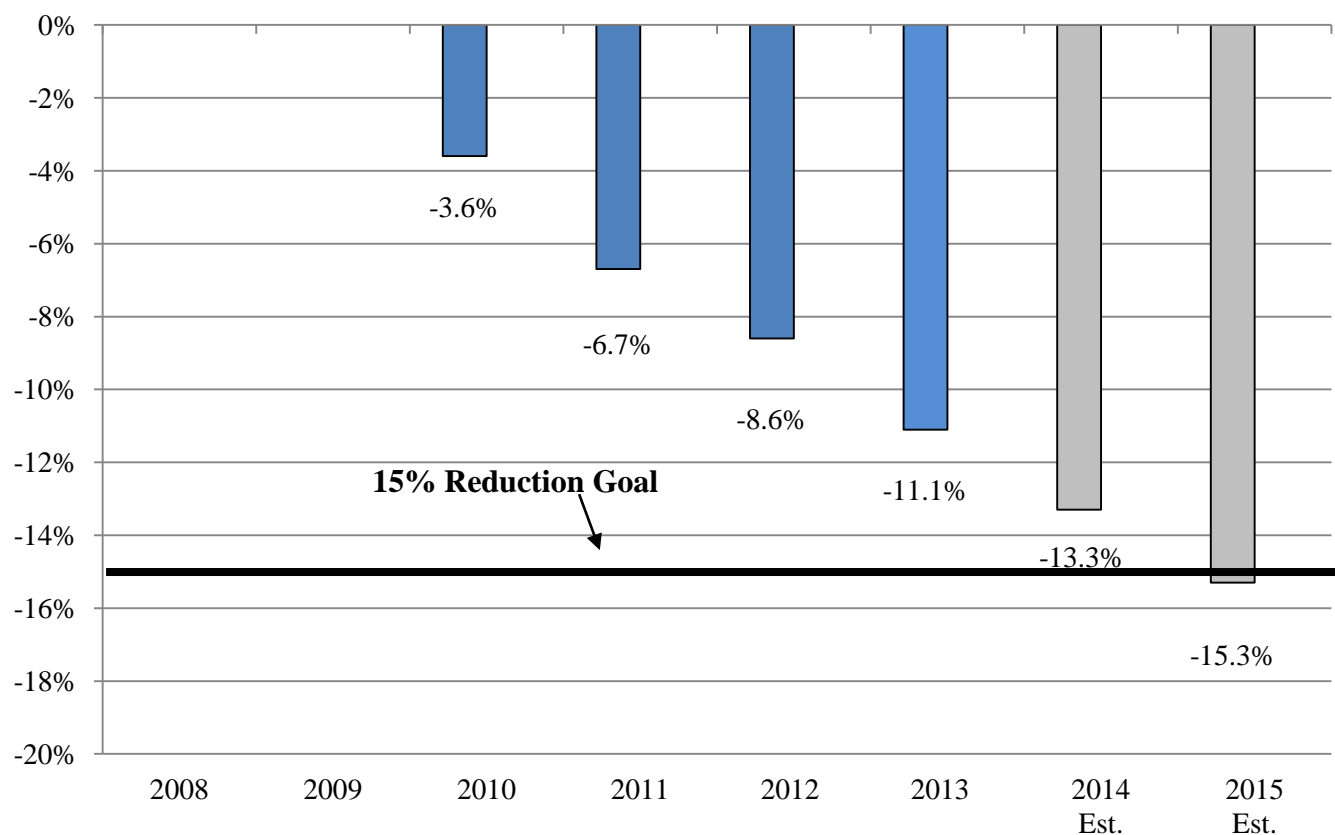
- operate efficiently and effectively;
- manage departmental projects efficiently;
- provide timely and accurate management information;
- achieve responsible asset management;
- provide best value for customer agencies and taxpayers; and
- carry out social, economic, and other responsibilities as a State agency.

**Performance Analysis: Managing for Results**

**1. Energy Consumption and Reductions**

The Maryland Office of Energy Performance and Conservation within DGS is responsible for implementing part of the EmPower Maryland initiative. This initiative, established by Chapter 131 of 2008, among other provisions, sets forth a goal to reduce State government energy consumption by 15.0% by fiscal 2015. **Exhibit 1** illustrates the cumulative percentage reduction against the 2008 consumption baseline. The reported MFR measures point toward general success in meeting the energy consumption reduction objectives. DGS reports that energy expenditures declined in fiscal 2010 through 2013 and are expected to continue to decline annually through fiscal 2015. This translates to a cumulative 11.1% reduction from the fiscal 2008 baseline through the fiscal 2013 actual, with a projected cumulative percentage reduction of 15.3% by fiscal 2015.

**Exhibit 1**  
**Percentage Change from 2008 Base Year**  
**Fiscal 2008-2015 Est.**



Source: Department of General Services

Actual performance could be negatively impacted by State infrastructure growth and positively or negatively impacted by future weather and changes to State operations. A severe winter or summer, for example, would drastically impact the energy consumption for State facilities the year in which it occurs. In order to adjust for consumption by weather, DGS anticipates producing energy consumption data that includes normalization to the weather.

The DGS State Energy Database, which tracks energy consumption, differs from the Department of Budget and Management's (DBM) utility expenditure data, as it does not include account set-up, cancellation, or late fees and, therefore, tracks closer to actual consumption. In order to determine the completeness of the DGS database, DGS compares its consumption data to expenditure data from DBM. The department considers a variance of 10.0% or less to be an indicator of data accuracy and completeness for its State Energy Database. Currently, the variance between

DGS consumption data and DBM expenditure data is 9.6%, reduced from 15.0% last year. DGS estimates that the State Energy Database is approximately 95.0% complete. However, the completeness of the data varies substantially between State agencies, due to the labor intensity required to verify and clean individual accounts within the State Energy Database.

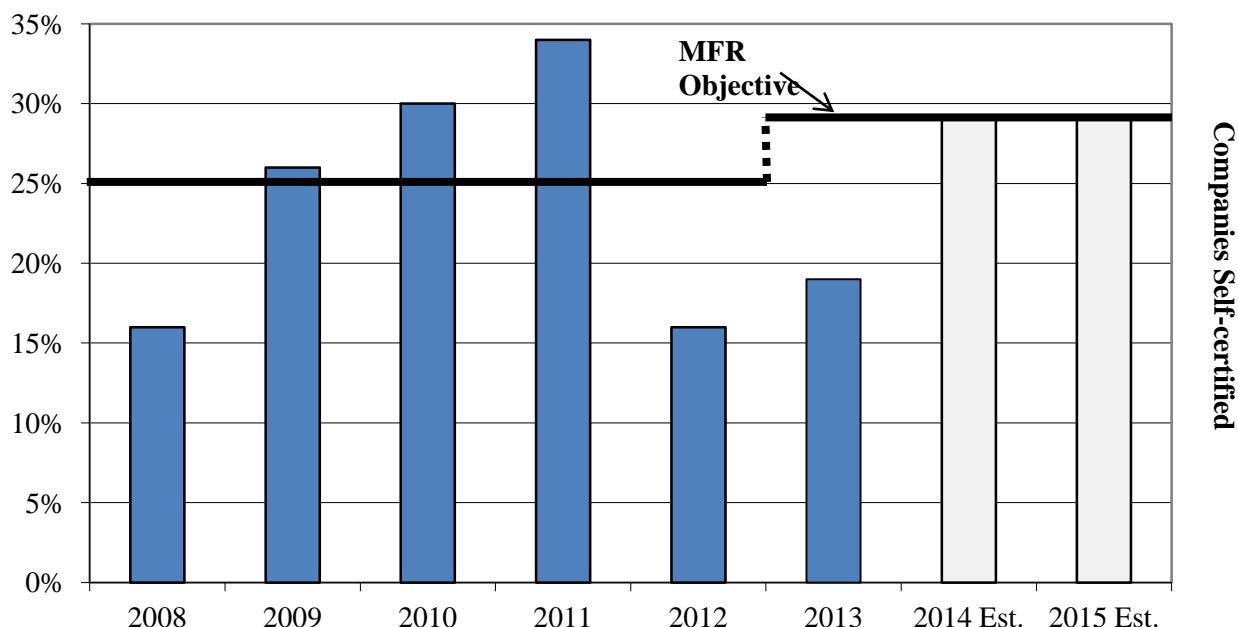
Due to the resources needed to verify and clean accounts and subaccounts, DGS is accepting the 2008 and 2009 data as complete, to be used as baseline data for comparison with current and future years. However, to the extent that subaccounts are added or removed as ongoing collection and verification finds errors or omissions, the accuracy of the 2008 and 2009 data may improve to some degree.

The State Energy Database has allowed DGS to target the 16 accounts that represent over 80% of State energy consumption for energy efficiency and consumption reductions, thereby increasing the efficiency of the State's efforts at realizing energy consumption reductions.

## **2. Participation in Procurement Programs**

**Exhibit 2** shows the department's MFR performance data regarding its objective to annually meet or exceed a 29% Minority Business Enterprise (MBE) participation for the department's total procurement dollars. The MBE participation goal of 29% was increased from 25% in fiscal 2013. In fiscal 2012, MBE participation dropped significantly, from 34% in fiscal 2011 to 16% in fiscal 2012. Between fiscal 2012 and 2013, MBE participation in DGS contracts increased by three percentage points, rising from 16% in fiscal 2012 to 19% in fiscal 2013. The department attributes this low participation to a reduction in the types of contracts awarded that are targeted for MBE participation, especially construction, supplies and equipment, and maintenance.

**Exhibit 2**  
**Minority Business Enterprise Participation**  
**Fiscal 2008-2015 Est.**

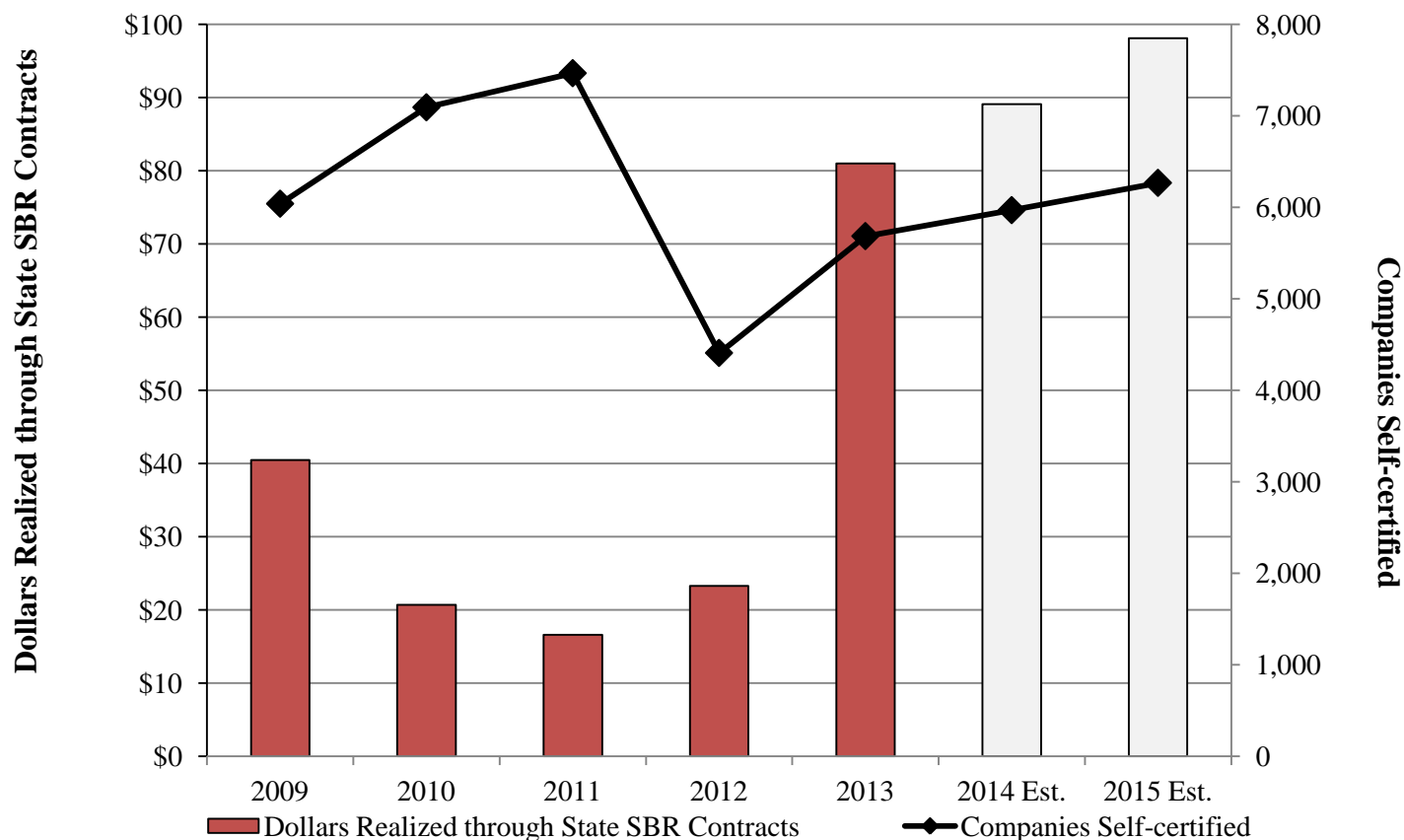


Source: Department of General Services

The Small Business Reserve (SBR) program, established by Chapter 75 of 2004, requires designated State procurement units, such as DGS's Office of Procurement and Logistics (OPL), to make specified contracts with small businesses. Chapter 539 of 2012 revised SBR criteria. Most notably, instead of meeting both revenue and employee criteria to qualify for SBR certification, businesses now only need to meet either revenue or employee criteria.

Between fiscal 2012 and 2013, the amount of dollars realized through SBR contracts increased by 247%, or approximately \$57.7 million. After the criteria change, DGS saw an influx of approximately 1,000 new SBR-certified businesses, 62 of which successfully won contracts in fiscal 2013. Therefore, the change in the qualifications for SBRs was a large contributing factor to the dramatic increase of SBR contract awards. **Exhibit 3** shows the department's MFR performance data regarding its objective to annually certify and recertify SBR program participants and ensure that contract award amounts increase by at least 10% annually. The large decrease in fiscal 2012 in the number of companies self-certified resulted because the agency removed a large amount of duplicate entries from its system.

**Exhibit 3**  
**Small Business Reserve Participation**  
**Fiscal 2009-2015 Est.**  
**(\$ in Millions)**

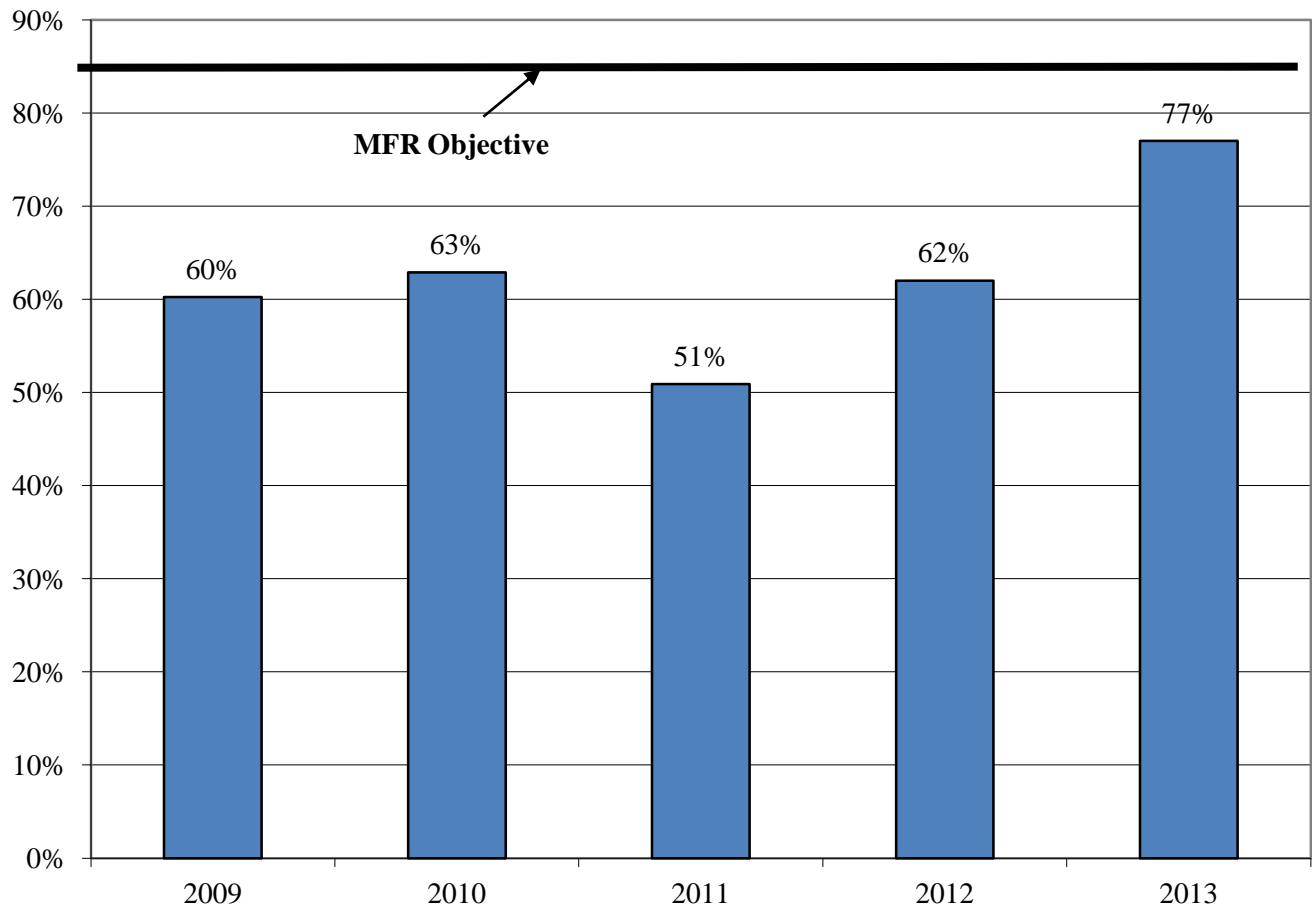


Source: Governor's Budget Books, Fiscal 2011-2015

### 3. New Procurement in DGS-supported Agencies

As shown in **Exhibit 4**, DGS's performance with respect to the processing of new procurements improved significantly for the second year in a row since fiscal 2011. The percentage of new procurements completed on time and on target increased from 51% in fiscal 2011 to 77% in fiscal 2013. However, this is at least the sixth straight year that DGS has missed its performance goal, primarily due to understaffing.

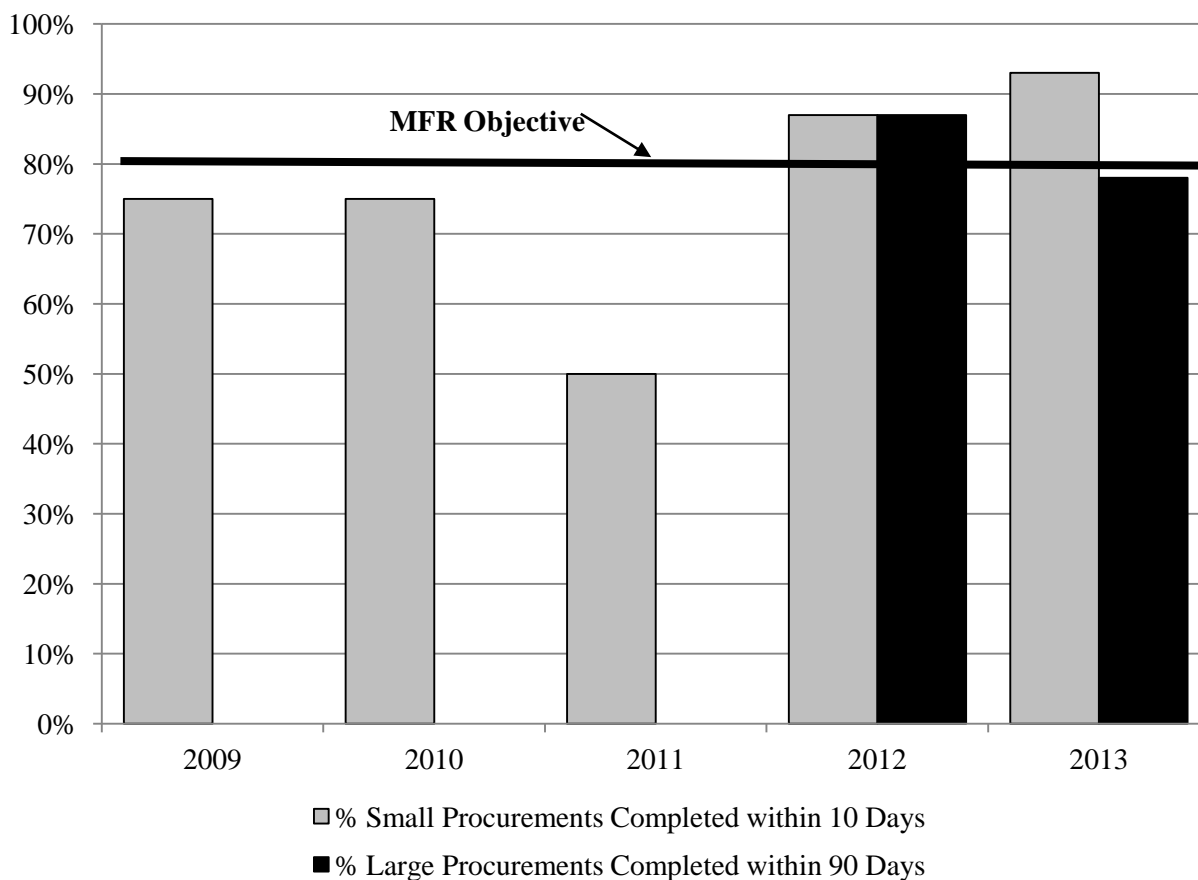
**Exhibit 4**  
**New Procurements Completed on Time and on Target**  
**Fiscal 2009-2013**



Source: Governor's Budget Books, Fiscal 2011-2015

The percentage of small procurements completed within 10 days also increased during the same period, while the percentage of large procurements completed within 90 days decreased. As shown in **Exhibit 5**, the amount of small procurements completed within 10 days increased from 87% in fiscal 2012 to 93% in fiscal 2013. Subsequent to a realignment of the agency goal, which was adjusted to reflect a timeline consistent with regulatory approvals, the department completed 87% of large procurements within 90 days in fiscal 2012. This amount dropped in fiscal 2013 to 78%.

**Exhibit 5**  
**Procurements Completed within Specified Timeframe**  
**Fiscal 2009-2013**



Source: Governor's Budget Books, Fiscal 2011-2015

The department has experienced ongoing vacancies for procurement officers and supervisors. In fiscal 2012 there were 4 procurement officer and 2 supervisor vacancies; 2 of the procurement officer positions were vacant for 11 months, and 1 of the supervisor positions was vacant for 18 months. These extended vacancies contributed to the agency's low 62% completion rate for new procurements completed on time and on target in fiscal 2012. By fiscal 2013, there were 3 procurement officer vacancies, lasting between 3 and 6 months each. Although the procurement unit was not at full staff, the increase in staff contributed to the agency's increase to 77% completion of new procurements on time and on target for fiscal 2013.

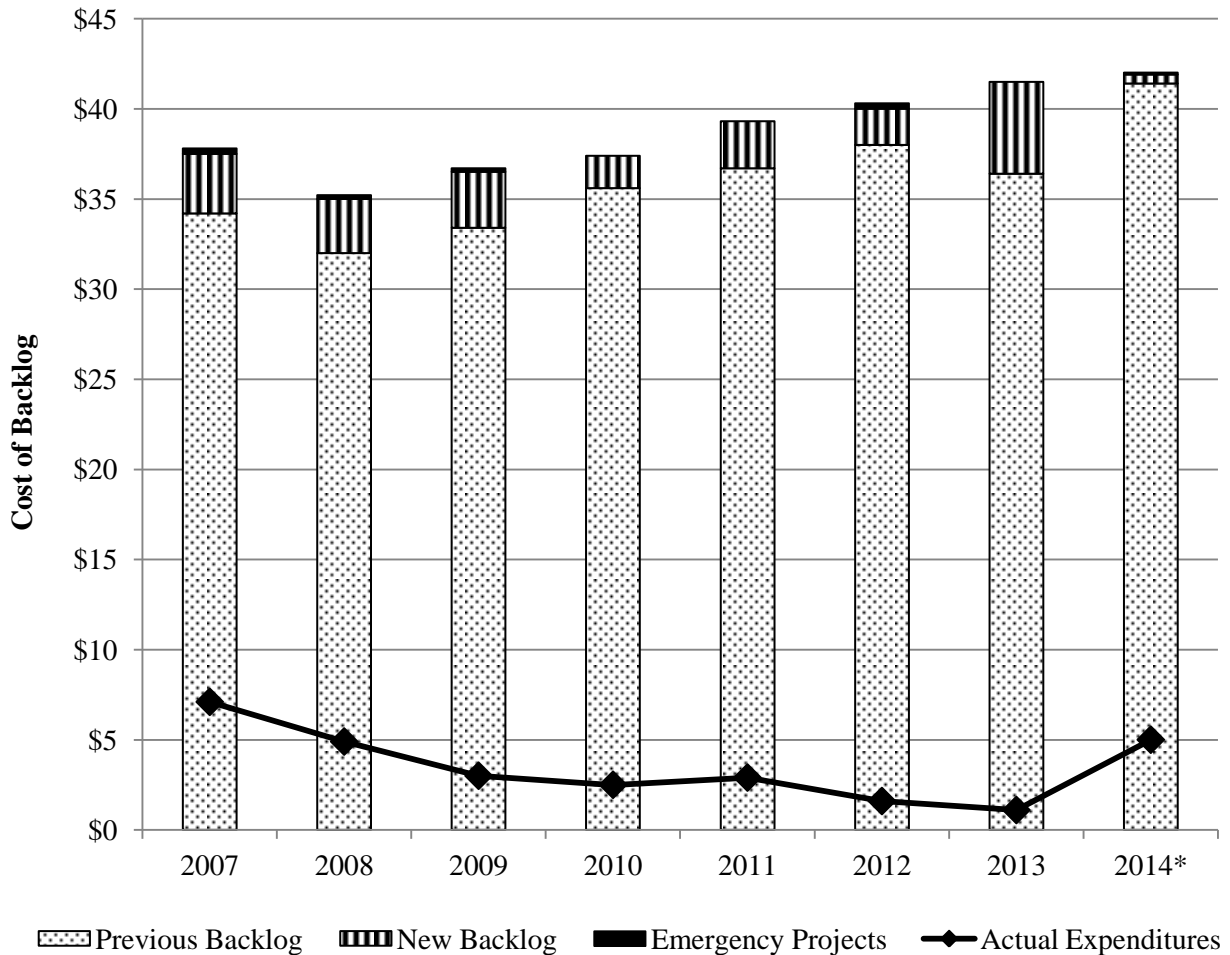
#### **4. Critical Maintenance Backlog**

Pursuant to sections 4-407 and 4-408 of the State Finance and Procurement Article, the department is required to establish and supervise a comprehensive and continuing program of maintenance and repair of all public improvements. DGS's maintenance of State facilities efforts include both critical maintenance, funded through the operating budget, and facilities renewal, funded through the capital budget. In recent years, budget shortfalls have caused the State to scale back on facilities maintenance and renewal funding. The lack of adequate funding has been a concern of the budget committees for many years, as deferring critical maintenance eventually leads to increasing project costs and further deterioration of the State's assets.

As shown in **Exhibit 6**, DGS reports a growing critical maintenance backlog. Following several years of underfunding, the backlog has grown, such that it will take multiple years of appropriations to make a sizable reduction in the backlog. Additionally, because DGS does not have an assessment team to conduct maintenance assessments of facilities, these self-reported numbers likely understate the actual backlog. Exhibit 6 shows that the new backlog added in fiscal 2013 was particularly high, at \$5.1 million. The agency advises that this was the result of a training session for agencies reporting critical maintenance projects. After the session, DGS received an increased amount of critical maintenance requests, but new backlog is expected to decrease back to the \$2 million to \$3 million range in fiscal 2014 and beyond.

The fiscal 2014 appropriation of \$5 million for the statewide Critical Maintenance Fund represents the largest appropriation that DGS estimates it can feasibly handle given current staffing. This level of funding has been maintained in the fiscal 2015 allowance. Subsequent to years of appropriations at less than \$3 million, including an appropriation of \$1 million in fiscal 2013, such a rapid expansion in the scope of the program may present some implementation challenges

**Exhibit 6**  
**Critical Maintenance Backlog**  
**Fiscal 2007-2014**  
**(\$ in Millions)**

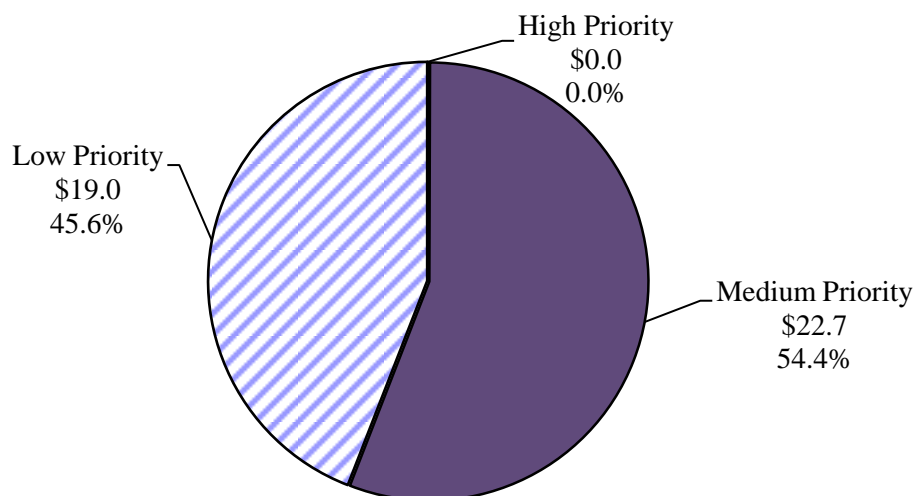


\*Through January 24, 2014.

Source: Department of General Services

**Exhibit 7** provides further detail regarding the critical maintenance backlog for each classification of the department's priority levels. As shown, approximately 54.4% of the critical maintenance backlog is classified as a medium level priority. Although these projects are considered to have a short-term impact on agencies' mission capabilities, they are considered to have a high level of economic risk.

**Exhibit 7**  
**Backlog Rating**  
**Fiscal 2014**  
**(\$ in Millions)**



Source: Department of General Services

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## **Fiscal 2014 Actions**

### **Proposed Deficiency**

There are three across-the-board withdrawn appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology, and the State Retirement Agency (SRA), respectively.

### **Proposed Budget**

As shown in **Exhibit 8**, the fiscal 2015 allowance for DGS increases by \$1.4 million over the current year appropriation. Personnel expenses add a net \$1.5 million, with increases driven by the

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annualization of the fiscal 2014 increments and general salary review, as well as the 13.5 contractual conversions.

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**Exhibit 8**  
**Proposed Budget**  
**Department of General Services**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
2014 Working Appropriation	\$61,256	\$3,434	\$1,164	\$28,641	\$94,495
2015 Allowance	<u>62,227</u>	<u>3,097</u>	<u>1,189</u>	<u>29,353</u>	<u>95,866</u>
Amount Change	\$971	-\$337	\$25	\$711	\$1,370
Percent Change	1.6%	-9.8%	2.1%	2.5%	1.5%

**Where It Goes:**

**Personnel Expenses**

Annualization of fiscal 2014 increments and general salary increase.....	\$1,198
Contractual conversions .....	678
Retiree contribution rate change.....	161
Workers' compensation premium assessments .....	79
Overtime.....	36
Reclassification .....	-27
Turnover adjustments.....	-50
Shift differential .....	-85
Employee and retiree health insurance.....	-478
Other fringe benefit adjustments .....	2

**Contractual Services**

General building and housekeeping contract increases.....	282
Janitorial services contracts.....	91
Replacement of mulch at the Annapolis Complex daycare facility .....	75
New governor's transition.....	50
Contractual full-time equivalents .....	-181

**Fuel, Utility, and Energy Purchasing**

Water and sewage.....	376
Oil, natural gas, and propane.....	257
Motor vehicle fuel and maintenance .....	84
Electricity .....	-115

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### **Where It Goes:**

Energy contractual services.....	-312
<b>Information Technology</b>	
One-time network upgrades .....	-107
One-time desktop and laptop replacement .....	-77
One-time digital file server replacement .....	-68
<b>Other Changes</b>	
Mansfield fuel management system capital lease .....	188
Insurance coverage paid to State Treasurer's Office.....	101
St. Mary's Multiservice Center maintenance and one-time equipment costs .....	48
Police and security officer uniforms .....	39
Print shop closure .....	-875
<b>Total</b>	<b>\$1,370</b>

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

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### **Cost Containment**

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA.

### **Utilities and Energy Purchasing**

The fiscal 2015 allowance for utilities and energy reflect an alignment with fiscal 2013 actual expenditures. Although there are particular buildings or complexes that account for the majority of the increases or decreases for water and sewage, oil, natural gas, propane, and electricity, the changes are consistent with fiscal 2013 expenditures. The increase of \$84,000 for motor vehicle fuel and maintenance is primarily due to increases within the Facilities Security and Facilities Operation and Maintenance divisions. The agency reports that most of its fleet of vehicles is reaching its maximum threshold for replacement, causing an increased need for maintenance and repairs.

The allowance for energy contractual services decreases by \$312,000 due to decreases for contracts with vendors, including Bithgroup, Pace Global, World Energy, and Locke Lord LLP.

### **Print Shop Closure**

The DGS print shop closed in fiscal 2013 and has since moved to the Department of Human Resources. The associated reductions were not made to the fiscal 2014 budget because the budget

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was drafted and approved before a final decision was made and implemented. All print shop funding is reimbursable. Since the print shop is no longer located at DGS, the agency will not receive the associated reimbursable funds, and the funds will be cancelled from the agency's budget at the close of fiscal 2014.

As a result of the print shop closure, the agency's reimbursable funds decrease by a total of \$875,000 in the fiscal 2015 allowance. A total of \$564,000 of this decrease is due to the end of a contract with Xerox Corporation to run the print shop through December 2012. An additional decrease of approximately \$150,000 is for various graphics and reproduction supplies and materials. The remaining decrease of approximately \$161,000 is for assorted print shop contracts, materials, and licenses.

## ***Issues***

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### **1. Department Cited for Repeat Audit Findings**

In November 2013, the Office of Legislative Audits (OLA) released its audit findings related to OPL. Many of the findings found that OPL could not demonstrate that certain procurement awards made on a centralized basis for the use of State agencies represented the best value to the State. For example, the structure of the five-year, \$305 million State fuel contract procurement may have limited competition, resulting in only one bidder being eligible for the contract award. Further, OLA found that OPL did not properly monitor providers that, by State law, receive procurement preferences for State agency purchases, and OPL did not exercise adequate control and oversight over DGS-controlled statewide purchasing transactions, State property, and DGS equipment.

OLA also found that a planned deliverable under the \$3.7 million eMaryland Marketplace (eMM) contract was not implemented as intended, and OPL did not seek to modify the related contract price. Additionally, OPL assessed an eMM fee on certain contracts that were not authorized for such fees. For example, OPL assessed fees on the aforementioned State fuel contract that was not procured via eMM.

DGS concurs with all but three findings: DGS does not believe that the State fuel contract was procured in a manner that may have limited competition; any eMM fees charged were not in accordance with State law; and OPL lacked adequate procedures and controls over the Employment Works Program.

The Joint Audit Committee (JAC) continues to be concerned with the number and frequency of repeat audit findings across State agencies as cited by OLA. In an effort to see these findings satisfactorily resolved, JAC has asked the budget committees to consider action in the agency budgets where such findings occur. The office's November 2013 audit found that 4 of 13 findings were repeated findings. **Appendix 2** details the findings of the audit.

**The Department of Legislative Services (DLS) recommends withholding a portion of the department's appropriation until OLA has determined that the repeat findings have been corrected.**

### **2. Information Technology Renewal Plan**

In recognition of DGS's severely outdated IT system, committee narrative in the 2013 *Joint Chairmen's Report* required DGS to submit a report indicating the department's IT needs and the cost associated with each need and project. The submitted report outlines a plan to implement six IT projects between fiscal 2014 and 2020, totaling \$4.4 million. The projects are as follows:

- **Legacy System Conversion/Upgrade:** While many applications housed on the current hardware platform have been replaced or are no longer in use, the Critical Projects

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applications, including the Capital Projects Database and the Capital Projects Accounting System, remain. These applications are over 25 years old, undocumented, and not Y2K compliant. DGS plans to replace the applications but will not be able to provide an estimate of the total project cost until it consults with business analysts.

- **Equipment and Software Refresh Program:** This project involves replacement of various outdated network equipment, servers, desktops and laptops, and software for the entire agency.
- **(Novell) Netware Conversion/Upgrade:** The agency needs to migrate from Novell technology to Microsoft technology, which is a prerequisite for Google email since the State is migrating to a statewide Google mail system.
- **Upgrade Connectivity of Remote Sites:** DGS currently has employees at 20 remote sites that are not connected to DGS's network. The employees need Internet access, access to the Financial Management Information System (FMIS), and access to shared files on DGS file servers.
- **Disaster Recovery Plan Planning and Design:** DGS currently has independently operated servers in Baltimore and Annapolis; however, the agency's network is set up as a hub-and-spokes model, with Baltimore being the hub. Problems that occur with the Baltimore server affect most of the agency's network. DGS plans to implement data replication between Baltimore and Annapolis so that the two servers can act as failovers for each other.
- **Deployment of Network Management Tool:** DGS plans to acquire an intrusion detection and protection appliance in order to protect its system from outside attacks.

The total estimated cost of the projects through fiscal 2020 is approximately \$4.4 million, \$1.9 million of which the agency intended to spend in fiscal 2015. **Exhibit 9** shows a cost breakdown by project and fiscal year. However, the agency's fiscal 2015 allowance does not include any additional funding for IT projects. The fiscal 2014 working appropriation includes \$252,000 for one-time data processing equipment replacements including network upgrades, desktop and laptop replacements, and a new digital file server. The majority of these funds are related to the agency's migration from Novell GroupWise to Google email. Without any appropriation toward these projects in fiscal 2015, the agency will be approximately \$2.4 million behind in funding for its IT investment plan at the end of fiscal 2015.

**Exhibit 9**  
**Cost of Implementing IT Investment Portfolio Projects**  
**Fiscal 2014-2020**

<b><u>Project</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>Total Costs</u></b>
Legacy System (AS/400) Conversion/ Upgrade	\$0	\$208,000	TBD	TBD	TBD	TBD	TBD	\$208,000
Equipment and Software Refresh Program (A)	136,369	860,284	\$117,458	\$123,312	\$125,913	\$128,592	\$150,482	1,642,410
Equipment and Software Refresh Program (B)	130,350	406,528	0	214,593	11,864	12,220	126,287	901,842
(Novell) Netware Conversion/ Upgrade	184,269	67,524	67,686	70,844	71,017	91,267	74,668	627,275
Upgrade Connectivity of Remote Sites	285,540	48,000	48,000	48,000	48,000	48,000	48,000	573,540
Disaster Recovery	0	223,952	35,400	0	0	0	36,660	296,012
Deployment of Network Management Tool	0	67,360	9,360	9,360	10,296	10,296	10,296	116,968
<b>Total Costs</b>	<b>\$736,528</b>	<b>\$1,881,648</b>	<b>\$277,904</b>	<b>\$466,109</b>	<b>\$267,090</b>	<b>\$290,375</b>	<b>\$446,393</b>	<b>\$4,366,047</b>

IT: information technology  
TBD: to be determined

Source: Department of General Services

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DGS has prioritized three of the six projects in the following order: first priority is an agencywide desktop and software upgrade (part A of the Equipment and Software Refresh Program), followed by an upgrade of the connectivity of remote sites, and finally disaster recovery planning and design. The most costly project in the agency's IT plan is the desktop and software upgrade component of the Equipment and Software Refresh Program. This project is anticipated to cost a total of \$1.6 million between fiscal 2014 and 2020, half of which the agency anticipated expending in fiscal 2015. The largest single expenditure for this project is \$700,000 planned for fiscal 2015 to replace 300 Windows XP desktops and laptops with a Virtual Desktop Infrastructure system and 300 Thin Clients. On April 8, 2014, Microsoft is dropping all support for Windows XP, including security patches. Therefore, the replacement of the outdated desktop computers is particularly critical to the security and functionality of the agency's IT system. Without any appropriation toward these projects in fiscal 2015, the agency will be approximately \$1.5 million behind in funding for the three prioritized projects in the IT investment plan at the end of fiscal 2015.

DGS also conducted an analysis of the three major personal computer platforms used at the agency and the time needed to accomplish common tasks in order to determine an estimate of the lost productivity created by the current IT system. These tasks consisted of booting the computer, opening Microsoft Word, accessing the FMIS, opening GroupWise, opening a Word document, and unlocking the screen. The analysis yielded the following results: Dell GX 270 is two-thirds slower than Dell 745 and Dell 745 is one-third slower than a Windows 7 PC. If the agency were to upgrade 200 Dell GX 270s to new Windows 7 computers, it could theoretically double the computing efficiency of half of the agency, and by replacing the 133 Dell 745s, another third of the agency could be improved by half.

**DLS recommends restricting the Facilities Critical Maintenance Fund by \$1,477,142 and allocating these funds to IT projects of a critical nature.**

## ***Recommended Actions***

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1. Add the following language:

Provided that authorization to expend reimbursable funds is reduced by \$68,088.

**Explanation:** Reduce reimbursable funds by \$68,088 to remove funding for contractual full-time equivalents that are being converted to regular positions.

2. Add the following language to the general fund appropriation:

, provided that since the Department of General Services (DGS) has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits, \$100,000 of this agency's administrative appropriation may not be expended unless:

- (1) DGS has taken corrective action with respect to all repeat audit findings on or before November 1, 2014;
- (2) a report is submitted to the budget committees by the Office of Legislative Audits listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2015.

**Explanation:** The Joint Audit Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by the Office of Legislative Audits (OLA) that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

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3. Add the following language to the general fund appropriation:

, provided that \$1,477,145 of this appropriation made for the purpose of the statewide Critical Maintenance Program may not be expended for that purpose but instead may only be used to fund information technology projects within the Department of General Services. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

**Explanation:** Ongoing critical information technology infrastructure needs are impairing agency operations and creating significant operational risks.

4. Adopt the following narrative:

**Annual Report on Energy Conservation Efforts:** The State Building Energy Efficiency and Conservation Act of 2006 required the Department of General Services (DGS) and the Maryland Energy Administration to develop energy use index and savings goals for every State agency. Consistent with the State Building Energy Efficiency and Conservation Act, the EmPOWER Maryland Energy Efficiency Act of 2008 established a State goal of achieving a 15% reduction in per capita electricity consumption and peak demand by the end of 2015. Beginning November 1, 2014, and annually thereafter, DGS shall submit a status report to the committees outlining the State's energy conservation efforts. The report shall include:

- strategies employed by the department to reduce statewide energy consumption;
- an update on the implementation of the State's utility database, including the status of agency compliance in providing missing utility data;
- statewide utility costs and consumption data (by agency);
- energy use index and savings goals for every State agency; and
- the State's level of compliance with the State Building Energy Efficiency and Conservation Act and the EmPOWER Maryland Energy Efficiency Act.

Information Request	Author	Due Date
Report on energy conservation	DGS	November 1, 2014, and annually thereafter

5. Adopt the following narrative:

**Annual Report on Energy Performance Contract Savings Monitoring and Verification Compliance:** The ability to verify energy savings is the cornerstone of the energy performance contract (EPC) process. A January 2011 audit of the Department of General Services (DGS) revealed that additional oversight in this area is warranted. To the extent that funding is available, DGS should solicit the services of an independent third-party to audit and verify EPC cost savings. Beginning December 1, 2014, and annually thereafter, DGS shall submit a report to the budget committees that outlines the status of the energy cost savings guaranteed by each energy savings company, including whether the anticipated cost savings have materialized. Finally, the report shall indicate whether each project is supported by a surety instrument, including the dollar amount and expiration date of each instrument.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Annual report on EPC savings monitoring and verification	DGS	December 1, 2014, and annually thereafter

## ***Updates***

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### **1. Supply Chain Review Pilot**

The 2013 *Joint Chairmen's Report* required DGS to submit a report indicating whether an independent supply chain review pilot program would be beneficial. The supply chain review pilot is defined as a program to discover data patterns to assist in finding waste, duplication, and errors in cash disbursements to vendors. The agency submitted the report in September 2013. DGS currently consults with a budget recovery and sourcing efficiency firm that specializes in finding lost dollars and identifying waste, duplication, and errors in cash disbursements to vendors. DGS additionally utilizes audits and historical billings review to further explore areas of potential savings. Due to the agency's current efficiency efforts, the agency does not believe a supply chain review pilot would be beneficial at this time.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Department of General Services (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$54,209	\$3,538	\$1,114	\$29,597	\$88,458
Deficiency Appropriation	133	0	0	0	133
Budget Amendments	0	229	2	0	231
Reversions and Cancellations	-177	-19	0	-1,684	-1,879
<b>Actual Expenditures</b>	<b>\$54,165</b>	<b>\$3,749</b>	<b>\$1,116</b>	<b>\$27,914</b>	<b>\$86,943</b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$61,406	\$3,418	\$1,158	\$28,541	\$94,523
Budget Amendments	670	16	6	0	692
<b>Working Appropriation</b>	<b>\$62,076</b>	<b>\$3,434</b>	<b>\$1,164</b>	<b>\$28,541</b>	<b>\$95,215</b>

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

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## **Fiscal 2013**

The fiscal 2013 budget for DGS closed about \$1.5 million lower than the legislative appropriation. Budget amendments added \$230,961, and a deficiency appropriation added \$133,205, while \$1.7 million reverted or cancelled at the end of the year.

General fund expenditures increased by less than \$100,000 over the original legislative appropriation. The department received a general fund deficiency appropriation of \$133,205 for the emergency replacement of the automatic transfer switch at the Annapolis Data Center. At the end of the fiscal year, \$24,251 in general funds reverted due to statewide maintenance projects that will continue into fiscal 2014. In fiscal 2013, State agencies were assessed a fee for development of a new Statewide Personnel System. That year, the State spent approximately 48% of this major IT project's appropriated budget, with the remainder reverted to the general fund. As a result, the agency reverted \$152,237 in general funds.

Special fund expenditures increased by \$210,321. A special fund budget amendment added \$229,031 to the appropriation for cost-of-living adjustments. The agency cancelled \$18,710 in special funds.

Reimbursable funds decreased by \$1.7 million due to cancellations associated with lower than anticipated revenue and their associated reimbursable services. Cancellations were associated primarily with the movement of the St. Mary's Multiservice Center from the DGS capital budget to the DGS operating budget (\$829,292) and the closure of the DGS print shop (\$675,400).

## **Fiscal 2014**

The fiscal 2014 working appropriation for DGS has increased by \$692,000 over the legislative appropriation reflecting \$669,520 in general funds, \$16,050 in special funds, and \$6,007 in federal funds for employee increments and the 3% general salary increase.

## ***Audit Findings***

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Audit Period for Last Audit:	July 1, 2009 – August 19, 2012
Issue Date:	November 2013
Number of Findings:	13
Number of Repeat Findings:	4
% of Repeat Findings:	31%
Rating: (if applicable)	n/a

### **Office of Procurement and Logistics**

- Finding 1:** (Policy Issue) The structure of the State fuel contract procurement may have limited competition.
- Finding 2:** OPL did not timely obtain certain contract deliverables from the fuel vendor and did not ensure the propriety of motor fuel rates.
- Finding 3:** A contract deliverable was not implemented as intended and OPL did not seek to modify the contract price.
- Finding 4:** (Policy Issue) Certain features of eMM were not being used by State agencies.
- Finding 5:** **OPL did not document its assertion that it was in the best interest of the State to participate in certain Intergovernmental Cooperative Agreements (ICPA).**
- Finding 6:** OPL did not ensure an ICPA vendor was pricing its products in accordance with the ICPA contract, resulting in certain pricing discrepancies going undetected.
- Finding 7:** OPL assessed fees on certain contracts without statutory authority, without disclosing the fees to appropriate control agencies, and without ensuring that fees were subsequently remitted.
- Finding 8:** **OPL had not published the fair market prices of goods and services from Maryland Correctional Enterprises and Blind Industries and Services of Maryland as required.**
- Finding 9:** OPL lacked adequate procedures and controls over the Employment Works Program.
- Finding 10:** OPL did not conduct audits of delegated procurements.

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**Finding 11:** Proper internal control was not established over statewide purchasing transactions.

**Finding 12:** OPL did not adequately monitor State agency compliance with State property inventory standards and take corrective action when deficiencies were identified.

**Finding 13:** OPL did not maintain adequate accountability and control over DGS's equipment.

\*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report  
Department of General Services**

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	576.00	580.00	593.50	13.50	2.3%
02 Contractual	16.07	32.53	31.53	-1.00	-3.1%
<b>Total Positions</b>	<b>592.07</b>	<b>612.53</b>	<b>625.03</b>	<b>12.50</b>	<b>2.0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 38,716,696	\$ 43,015,559	\$ 44,245,441	\$ 1,229,882	2.9%
02 Technical and Spec. Fees	1,550,268	1,211,400	1,029,955	-181,445	-15.0%
03 Communication	791,591	1,044,550	1,076,973	32,423	3.1%
04 Travel	51,980	11,795	27,684	15,889	134.7%
06 Fuel and Utilities	16,930,674	16,744,836	17,180,667	435,831	2.6%
07 Motor Vehicles	1,204,438	1,108,069	1,150,871	42,802	3.9%
08 Contractual Services	18,054,955	19,303,989	18,549,660	-754,329	-3.9%
09 Supplies and Materials	1,266,784	1,048,536	1,276,854	228,318	21.8%
10 Equipment – Replacement	468,932	283,000	0	-283,000	-100.0%
11 Equipment – Additional	137,505	228,475	293,022	64,547	28.3%
12 Grants, Subsidies, and Contributions	367,000	300,000	300,000	0	0%
13 Fixed Charges	4,076,224	4,133,468	4,269,076	135,608	3.3%
14 Land and Structures	3,326,003	6,781,179	6,772,629	-8,550	-0.1%
<b>Total Objects</b>	<b>\$ 86,943,050</b>	<b>\$ 95,214,856</b>	<b>\$ 96,172,832</b>	<b>\$ 957,976</b>	<b>1.0%</b>
<b>Funds</b>					
01 General Fund	\$ 54,165,130	\$ 62,075,593	\$ 62,619,975	\$ 544,382	0.9%
03 Special Fund	3,748,635	3,433,916	3,104,684	-329,232	-9.6%
05 Federal Fund	1,115,622	1,163,968	1,195,319	31,351	2.7%
09 Reimbursable Fund	27,913,663	28,541,379	29,252,854	711,475	2.5%
<b>Total Funds</b>	<b>\$ 86,943,050</b>	<b>\$ 95,214,856</b>	<b>\$ 96,172,832</b>	<b>\$ 957,976</b>	<b>1.0%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

**Fiscal Summary  
Department of General Services**

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
01 Executive Direction	\$ 1,394,180	\$ 1,483,491	\$ 1,600,172	\$ 116,681	7.9%
02 Administration	3,171,918	3,332,123	3,089,013	-243,110	-7.3%
01 Facilities Security	11,470,750	11,940,926	11,918,698	-22,228	-0.2%
01 Facilities Operation and Maintenance	45,235,149	47,949,053	49,220,747	1,271,694	2.7%
05 Reimbursable Lease Management	4,435,523	3,027,503	3,106,847	79,344	2.6%
07 Parking Facilities	1,741,172	1,727,773	1,710,312	-17,461	-1.0%
01 Procurement and Logistics	8,166,809	8,093,328	7,905,188	-188,140	-2.3%
01 Real Estate Management	2,551,433	2,537,281	2,656,320	119,039	4.7%
01 Facilities Planning, Design and Construction	8,776,116	15,123,378	14,965,535	-157,843	-1.0%
<b>Total Expenditures</b>	<b>\$ 86,943,050</b>	<b>\$ 95,214,856</b>	<b>\$ 96,172,832</b>	<b>\$ 957,976</b>	<b>1.0%</b>
General Fund	\$ 54,165,130	\$ 62,075,593	\$ 62,619,975	\$ 544,382	0.9%
Special Fund	3,748,635	3,433,916	3,104,684	-329,232	-9.6%
Federal Fund	1,115,622	1,163,968	1,195,319	31,351	2.7%
<b>Total Appropriations</b>	<b>\$ 59,029,387</b>	<b>\$ 66,673,477</b>	<b>\$ 66,919,978</b>	<b>\$ 246,501</b>	<b>0.4%</b>
Reimbursable Fund	\$ 27,913,663	\$ 28,541,379	\$ 29,252,854	\$ 711,475	2.5%
<b>Total Funds</b>	<b>\$ 86,943,050</b>	<b>\$ 95,214,856</b>	<b>\$ 96,172,832</b>	<b>\$ 957,976</b>	<b>1.0%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.