

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

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 14</u></b> <b><u>Actual</u></b>	<b><u>FY 15</u></b> <b><u>Working</u></b>	<b><u>FY 16</u></b> <b><u>Allowance</u></b>	<b><u>FY 15-16</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$61,637	\$62,502	\$63,317	\$815	1.3%
Deficiencies and Reductions	0	-1,250	-2,374	-1,124	
<b>Adjusted General Fund</b>	<b>\$61,637</b>	<b>\$61,252</b>	<b>\$60,943</b>	<b>-\$309</b>	<b>-0.5%</b>
Special Fund	3,406	3,102	3,319	217	7.0%
Deficiencies and Reductions	0	0	-28	-28	
<b>Adjusted Special Fund</b>	<b>\$3,406</b>	<b>\$3,102</b>	<b>\$3,290</b>	<b>\$188</b>	<b>6.1%</b>
Federal Fund	1,150	1,189	1,276	87	7.3%
Deficiencies and Reductions	0	0	-8	-8	
<b>Adjusted Federal Fund</b>	<b>\$1,150</b>	<b>\$1,189</b>	<b>\$1,268</b>	<b>\$79</b>	<b>6.6%</b>
Reimbursable Fund	27,234	29,357	28,186	-1,171	-4.0%
<b>Adjusted Reimbursable Fund</b>	<b>\$27,234</b>	<b>\$29,357</b>	<b>\$28,186</b>	<b>-\$1,171</b>	<b>-4.0%</b>
<b>Adjusted Grand Total</b>	<b>\$93,427</b>	<b>\$94,900</b>	<b>\$93,687</b>	<b>-\$1,213</b>	<b>-1.3%</b>

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The fiscal 2016 allowance decreases by \$1.2 million, or -1.3%, after contingent and back of the bill reductions. The largest drivers for this change are decreases in the allowance for service contracts used by the department including legal and janitorial services.

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

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## ***Personnel Data***

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	<b><u>FY 14 Actual</u></b>	<b><u>FY 15 Working</u></b>	<b><u>FY 16 Allowance</u></b>	<b><u>FY 15-16 Change</u></b>
Regular Positions	593.50	584.50	584.50	0.00
Contractual FTEs	<u>15.09</u>	<u>23.53</u>	<u>23.53</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>608.59</b>	<b>608.03</b>	<b>608.03</b>	<b>0.00</b>

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

Turnover and Necessary Vacancies, Excluding New Positions	37.41	6.40%
Positions and Percentage Vacant as of 11/1/14	39.50	6.80%

- The personnel complement in the fiscal 2016 allowance remains unchanged.

## *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 2014 by a total of 7.4 percentage points. Although the goal is to reduce energy spending by 15% by fiscal 2015, it seems unlikely that the department will reach it. **The agency should comment on the goal to reduce energy spending by 15% by fiscal 2015 and when it will be reached.**

***Participation in Procurement Programs:*** Between fiscal 2013 and 2014, Minority Business Enterprise participation in DGS increased, rising from 19% in fiscal 2013 to 27% in fiscal 2014. 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 10%, or approximately \$2.6 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' performance with respect to the processing of new procurements improved significantly between fiscal 2013 and 2014, with the percentage of new procurements completed on time and on target increasing from 77% to 82%. However, this is at least the seventh straight year that DGS has missed its performance goal, primarily due to understaffing.

### Issues

***Facility Maintenance Funding Not Sufficient to Keep Deferred Maintenance Backlog from Increasing:*** DGS reports an increase in the critical maintenance backlog between fiscal 2013 and 2014. The backlog has slowly continued to increase since fiscal 2008. The fiscal 2014 backlog has 1,032 projects totaling \$41.8 million as compared to fiscal 2013 with 898 projects totaling \$36.6 million. It will take multiple years of appropriations to make a sizable reduction in the backlog as new requests by agencies will increase the backlog in short time, especially as Maryland's infrastructure continues to age. The fiscal 2016 allowance maintains the \$5 million funding level appropriated in fiscal 2015. **DGS should be prepared to brief the committees on the impediments it faces to effectively manage and carry out a viable facility maintenance and renewal program which will reduce the backlog of critical maintenance issues. DGS should also discuss the condition of State facilities and options for improving facility assessments.**

***eMaryland Marketplace and Financial Management Information Systems Integration:*** eMaryland Marketplace (eMM) is a business tool that provides vendors with easy access to the State's procurement information. Potential bidders can find solicitations on eMM and submit bids electronically. The system also allows vendors to obtain bid results online once the due date and time for bid submission have passed. Originally, the contract to create eMM included integration with the State's Financial Management Information System. The State did not award Phase 2 of the project which would integrate the two systems and bring many more benefits to the eProcurement process in the State for both

procurement staff and vendors. **DGS should be prepared to brief the committees on the impediments it faces in moving forward with Phase 2 of the eMM development cycle.**

## **Recommended Actions**

1. Adopt committee narrative requesting an annual report on energy conservation efforts.
2. Add language restricting funds until legislative audit findings are remedied

## **Updates**

***State's Energy Conservation Report:*** The State Building Energy Efficiency and Conservation Act of 2006 required 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.

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***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:

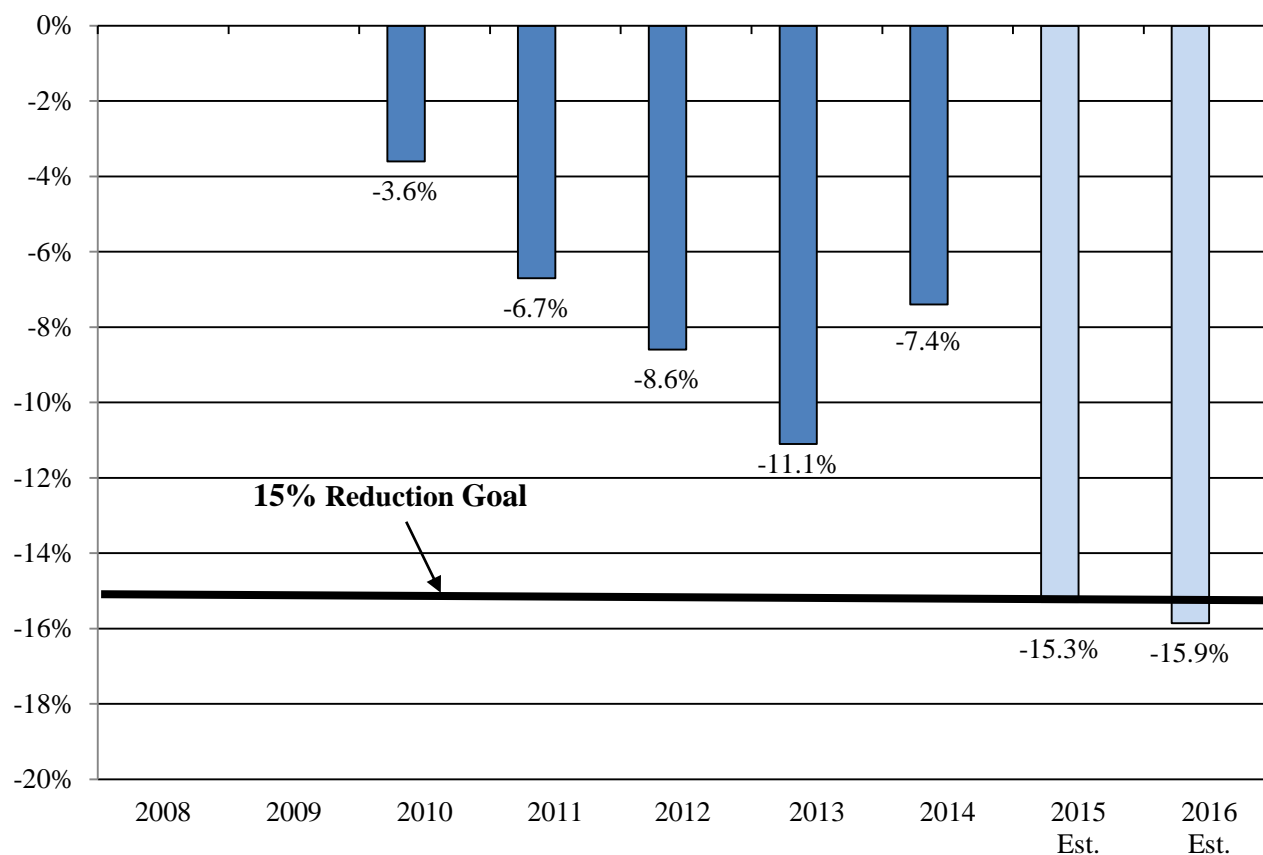
- operate efficiently and effectively;
- manage departmental projects efficiently;
- provide timely and accurate management information;
- achieve responsible asset management;
- provide best value for customer agencies and taxpayers; and
- carry out social, economic, and other responsibilities as a 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 7.4% reduction from the fiscal 2008 baseline through fiscal 2014, with a projected cumulative percentage reduction of 15.3% by fiscal 2015. The difference in the actual reduction for fiscal 2014 compared with the original projection of fiscal 2014 in last year's MFR can be attributed to an increase in State utility accounts. The State has increased by 1,778 accounts since fiscal 2008. Fiscal 2014 also saw a significant increase in days below freezing compared to a normal Maryland winter and the data provided is not normalized for weather. As a result, the harsh winter increases energy consumption to heat facilities during excessive cold spells.

**Exhibit 1**  
**Percentage Change from 2008 Base Year**  
**Fiscal 2008-2016 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.

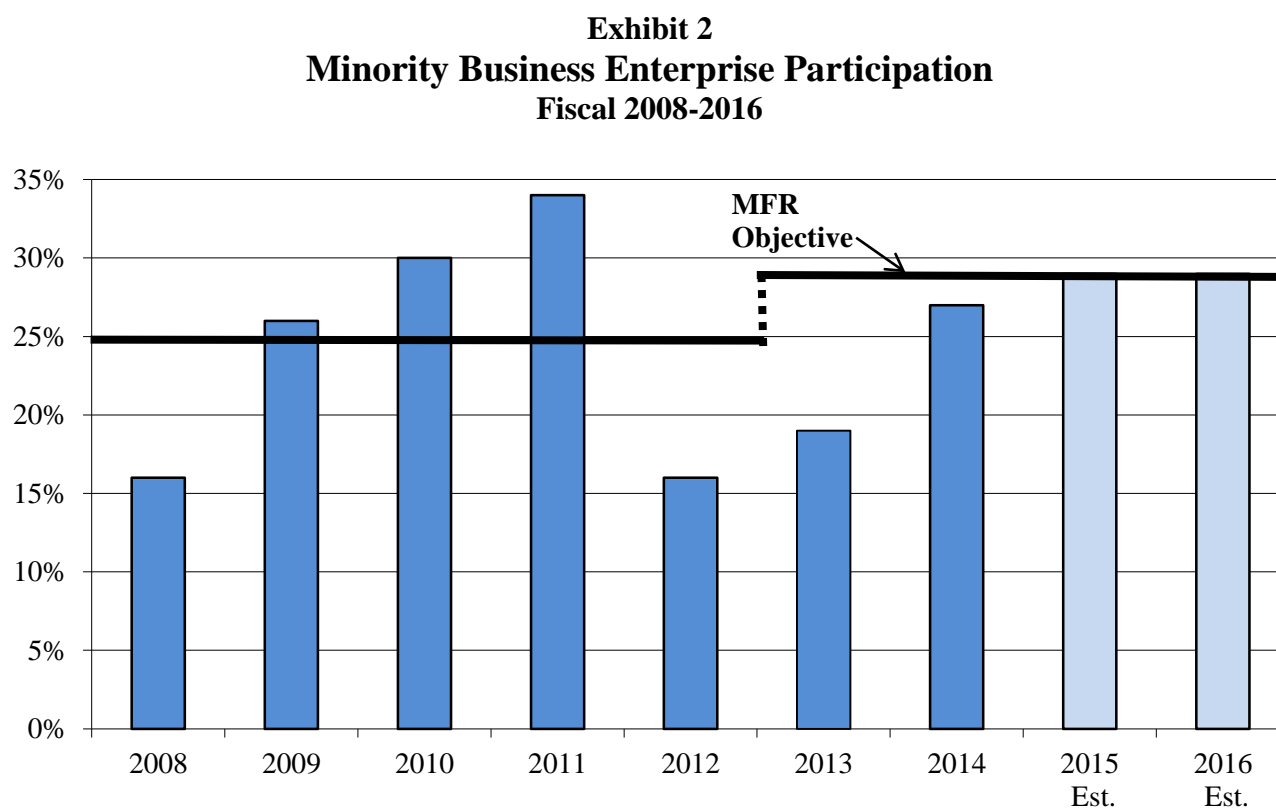
In order to manage the State's energy cost and consumption, DGS has implemented a statewide utility database. This database hosts all State government utility accounts (electricity, gas, water, heating fuel, steam, chilled water, *etc.*); assigns each utility account to each using agency; and includes enough utility billing to have two years of baseline cost and consumption data. DGS works with each State agency to verify and correct all of their utility data to ensure a complete and accurate statewide database.

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.

**The agency should comment on its ability to meet the goal of reducing energy expenditures by 15% by fiscal 2015 and when it thinks the goal will be met.**

## **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 rate for the department's total procurement dollars. The MBE participation goal of 29% was increased from 25% in fiscal 2013. Between fiscal 2013 and 2014, MBE participation in DGS contracts increased by 8 percentage points, rising from 19% in fiscal 2013 to 27% in fiscal 2014. The department attributes this high participation to a more comprehensive and practical approach to goal setting for DGS procurements.



MFR: Managing for Results

Source: Department of General Services

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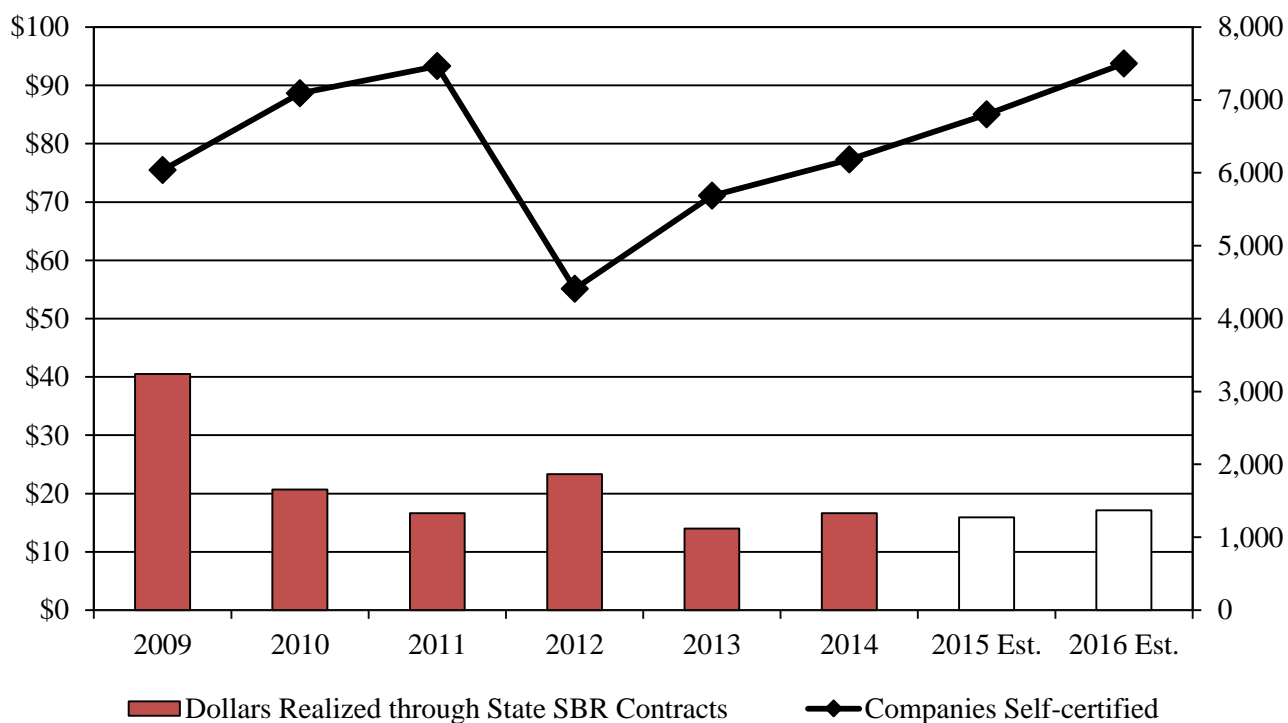
DGS began an effort to directly solicit MBEs on procurements, which resulted in an increase from 196 total MBE prime awards in fiscal 2013 to 269 in fiscal 2014. DGS committed to increase its MBE participation in commodities from fiscal 2013 and succeeded by increasing the percentage from 6.0% to 24.1%. The number of MBE prime contractors in the commodities category increased from 20 to 35 and MBE subcontractors increased from 15 to 27. Outreach efforts to MBE prime and subcontractors was conducted by partnering with sister State agencies and resource partners.

The Small Business Reserve (SBR) program, established by Chapter 75 of 2004, requires designated State procurement units, such as DGS' 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 2013 and 2014, the amount of dollars realized through SBR contracts increased by 10%, or approximately \$2.6 million. DGS attributes the increase to the Office of Business Programs (OBP) making SBR program a major initiative. OBP hired a SBR reports data specialist to handle SBR reporting responsibilities at the end of fiscal 2014. The Procurement Review Group set aggressive SBR goals, which included regular follow-up with procurement staff, marketing and outreach events, and vendor follow-up. Vendor follow-up included making sure that vendor statuses were accurately reflected in the eMaryland Marketplace (eMM) system. **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 2009-2016 Est.**  
**(\$ in Millions)**



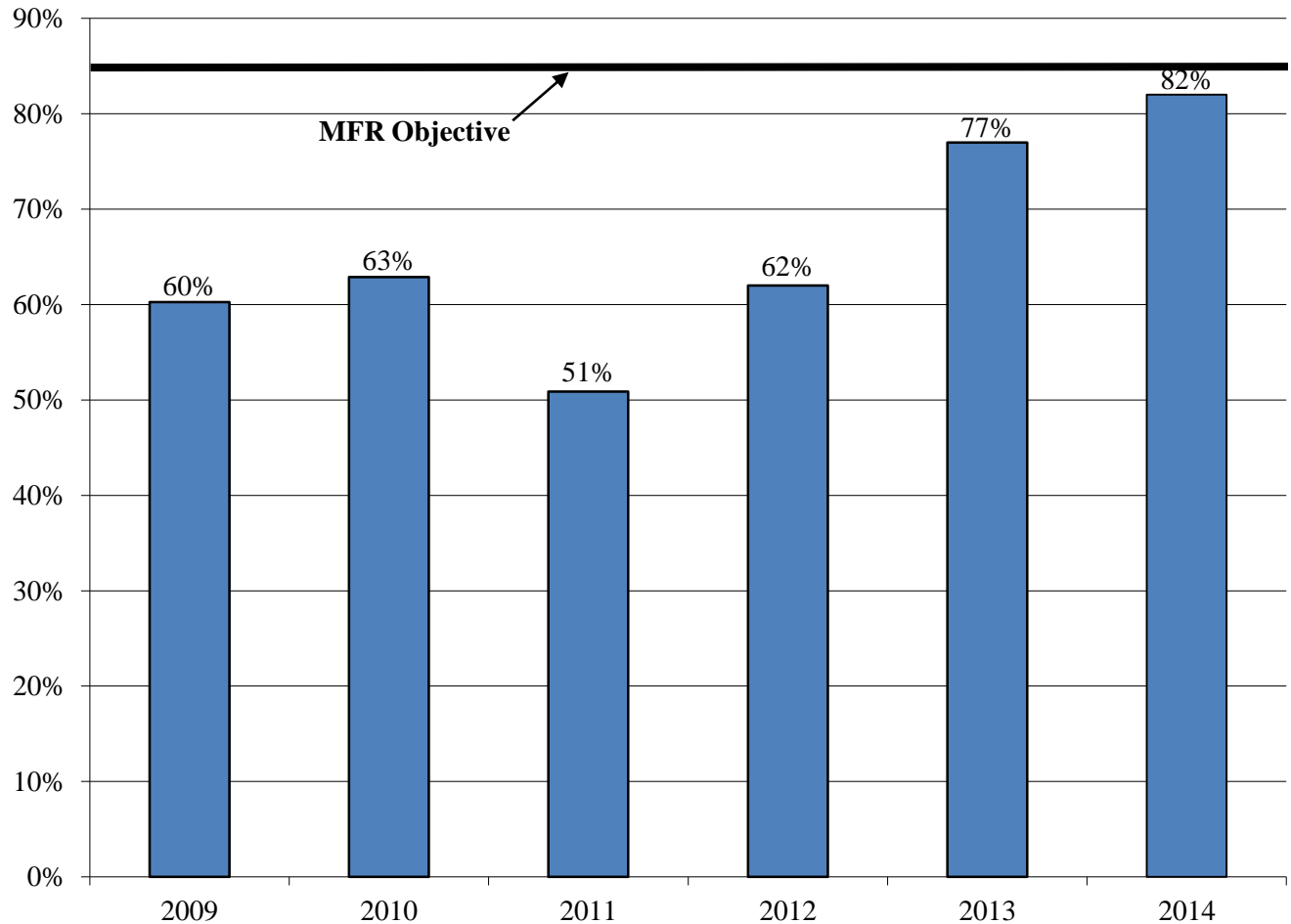
SBR: Small Business Reserve

Source: Department of General Services

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

As shown in **Exhibit 4**, DGS' performance with respect to the processing of new procurements improved significantly for the third 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 82% in fiscal 2014. 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 2009-2014**

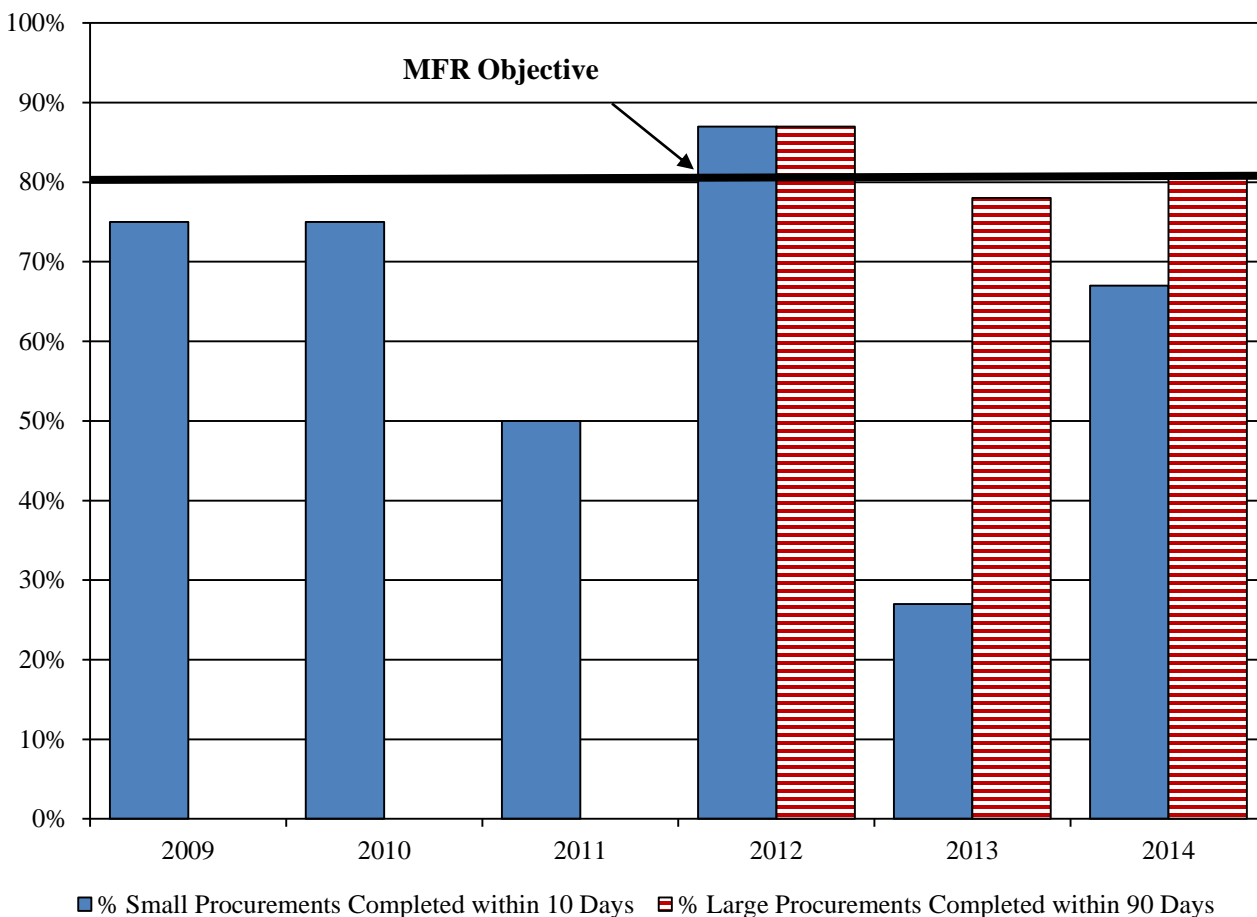


MFR: Managing for Results

Source: Department of General Services

As shown in **Exhibit 5**, the amount of small procurements completed within 10 days increased from 27% in fiscal 2013 to 67% in fiscal 2014. DGS attributes this increase to a very small data set of which one out of the three small procurements was awarded outside the 10-day minimum. The DGS procurement office only handled three small procurements in fiscal 2014. 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. The completion of large procurements within 90 days met its goal in fiscal 2014 at 81%.

**Exhibit 5**  
**Percent of Procurements Completed within Specified Timeframe**  
**Fiscal 2009-2014**



MFR: Managing for Results

Source: Department of General Services

The department has experienced ongoing vacancies for procurement officers and supervisors. The procurement office currently has three vacancies for which hiring approval is pending. However, retention continues to be an issue for DGS procurement. Other control agencies provide a higher salary for comparable DGS procurement positions. Although the procurement unit was not at full staff, the current levels of staff contributed to the agency's increase to 82% completion of new procurements on time and on target for fiscal 2014.

## Fiscal 2015 Actions

**Exhibit 6** shows the overall impact of the cost containment actions on the fiscal 2015 appropriation.

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### Exhibit 6 Fiscal 2015 Reconciliation (\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Legislative Appropriation with Budget Amendments</b>		<b>\$62,682</b>	<b>\$3,102</b>	<b>\$1,189</b>	<b>\$29,357</b>	<b>\$96,331</b>
July BPW	2 positions eliminated; 1 position held vacant.	-180	0	0	0	-180
<b>Working Appropriation</b>		<b>\$62,502</b>	<b>\$3,102</b>	<b>\$1,189</b>	<b>\$29,357</b>	<b>\$96,150</b>
January BPW Across the Board	2% across-the-board reduction.	-1,250	0	0	0	-1,250
<b>Total Actions Since January 2015</b>		<b>-\$1,250</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$1,250</b>
<b>Adjusted Working Appropriation</b>		<b>\$61,252</b>	<b>\$3,102</b>	<b>\$1,189</b>	<b>\$29,357</b>	<b>\$94,900</b>

BPW: Board of Public Works

Source: Department of Legislative Services

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## Cost Containment

On July 2, 2014, the Board of Public Works (BPW) withdrew \$77.1 million in appropriations and abolished 61 positions statewide as fiscal 2015 cost containment. This agency's share of the reduction was \$180,919 and 2 positions for the following purposes: eliminated 2 vacant information technology (IT) positions, held an inspector position vacant, and reduced 5,769 for the agency share of an employee timesheet program that was replaced by a new statewide personnel IT system.

On January 7, 2014, BPW withdrew an additional \$198.0 million in general fund appropriations. DGS' share of the reduction was \$1.3 million in general funds due to the 2% across-the-board reduction that impacted all agencies.

## Proposed Budget

As shown in **Exhibit 7**, the fiscal 2016 allowance for DGS decreases by \$1.2 million below the current year appropriation. Personnel expenses add a net \$809,079 with increases driven by employee and retiree health insurance. Decreases in the allowance are driven by cost containment measures proposed by the Governor and decreases in many of DGS' service contracts.

**Exhibit 7**  
**Proposed Budget**  
**Department of General Services**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<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>
Fiscal 2014 Actual	\$61,637	\$3,406	\$1,150	\$27,234	\$93,427
Fiscal 2015 Working Appropriation	61,252	3,102	1,189	29,357	94,900
Fiscal 2016 Allowance	<u>60,943</u>	<u>3,290</u>	<u>1,268</u>	<u>28,186</u>	<u>93,687</u>
Fiscal 2015-2016 Amt. Change	-\$309	\$188	\$79	-\$1,171	-\$1,213
Fiscal 2015-2016 Percent Change	-0.5%	6.1%	6.6%	-4.0%	-1.3%

### Where It Goes:

#### Personnel Expenses

Employee and retiree health insurance .....	\$1,224
Increments and salary increase annualization (prior to cost containment) .....	573
Employee retirement and law enforcement pension system .....	308
Turnover adjustments .....	-96
Workers' compensation premium assessment .....	-112
Section 21: abolition of employee increments .....	-553
Section 20: abolition of prior year 2% salary increase .....	-588
Other fringe benefit adjustments .....	52

#### Contractual Services

Fuel Management System contract .....	142
Enterprise Budget System allocation .....	76
One-time gubernatorial transition cost .....	-50
Statewide Personnel System allocation .....	-74
Computer maintenance and licenses .....	-113
Grounds maintenance and trash removal .....	-163
Legal Services contracts for claims litigation .....	-204

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### **Where It Goes:**

Towson Multi-service Center .....	-281
eMaryland Marketplace contract .....	-364
Janitorial service contracts .....	-405
DGS' IT department transfer to DoIT .....	-471

### **Fuel, Utility, Energy Purchasing**

Electricity .....	145
Oil, natural gas, and propane .....	113
Motor vehicle fuel and maintenance .....	80

### **Other Changes**

DBM-paid telecommunications allocation .....	129
Replacement and installation of equipment at day care centers .....	72
Section 19: difference in 2% across-the-board reduction .....	-20
Postage .....	-50
Rent and insurance costs .....	-183
Supplies and housekeeping materials .....	-256
Other miscellaneous changes .....	-144

**Total** **-\$1,213**

DBM: Department of Budget and Management

DGS: Department of General Services

DoIT: Department of Information Technology

IT: information technology

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

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## **Cost Containment**

In fiscal 2016, the Administration has implemented several across-the-board reductions. This includes a general 2% reduction, elimination of employee increments, and a revision to the salary plan, which reflects the abolition of the 2% general salary increase provided on January 1, 2015. This agency's share of these reductions is \$2.4 million. **DGS should discuss options on where it is planning to reduce its budget by 2% and if the reduction will have an effect on current services at the department.**

## **Contractual Services**

Only two contracts under DGS are increasing the fiscal 2016 allowance: the contract for the fuel management system for \$141,923 and \$75,884 for the Enterprise Budget System allocation. The eMM contract is decreasing in the fiscal 2016 allowance by \$364,376, or 40%, as a result of the contract being front loaded in the first five years. As a result of DGS' IT department transferring to the

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Department of Information Technology (DoIT) in fiscal 2015, a savings of \$470,677, or 85%, was realized in the allowance. Contracts for legal services, grounds maintenance, janitorial services, and the Towson Multi-service Center were a result of reductions made to cover the costs of increases in the allowance and to help balance the budget. Overall, contractual services are decreasing approximately 11% in the fiscal 2016 allowance as compared to the fiscal 2015 working appropriation. **DGS should discuss the impact of the reductions in funding for contractual services.**

### **Fuel and Utilities**

The fiscal 2016 allowance for electricity and motor vehicle fuel and maintenance costs reflect an alignment with actual historic usage, and no inflationary factor was used for the calculation. Fuel is increasing by \$112,877 to annualize the cost of fuel oil at the newly acquired Leonardtown Multi-service Center in St. Mary's County.

### **Other Changes**

The fiscal 2016 allowance is increasing by \$72,000 in special funds to procure the replacement and installation of children's equipment at the day care centers. Supplies, household materials, and postage were reduced in the fiscal 2016 allowance to balance the budget.

## ***Issues***

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### **1. Facility Maintenance Funding Not Sufficient to Keep Deferred Maintenance Backlog from Increasing**

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' 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.

#### **Facility Maintenance Funding**

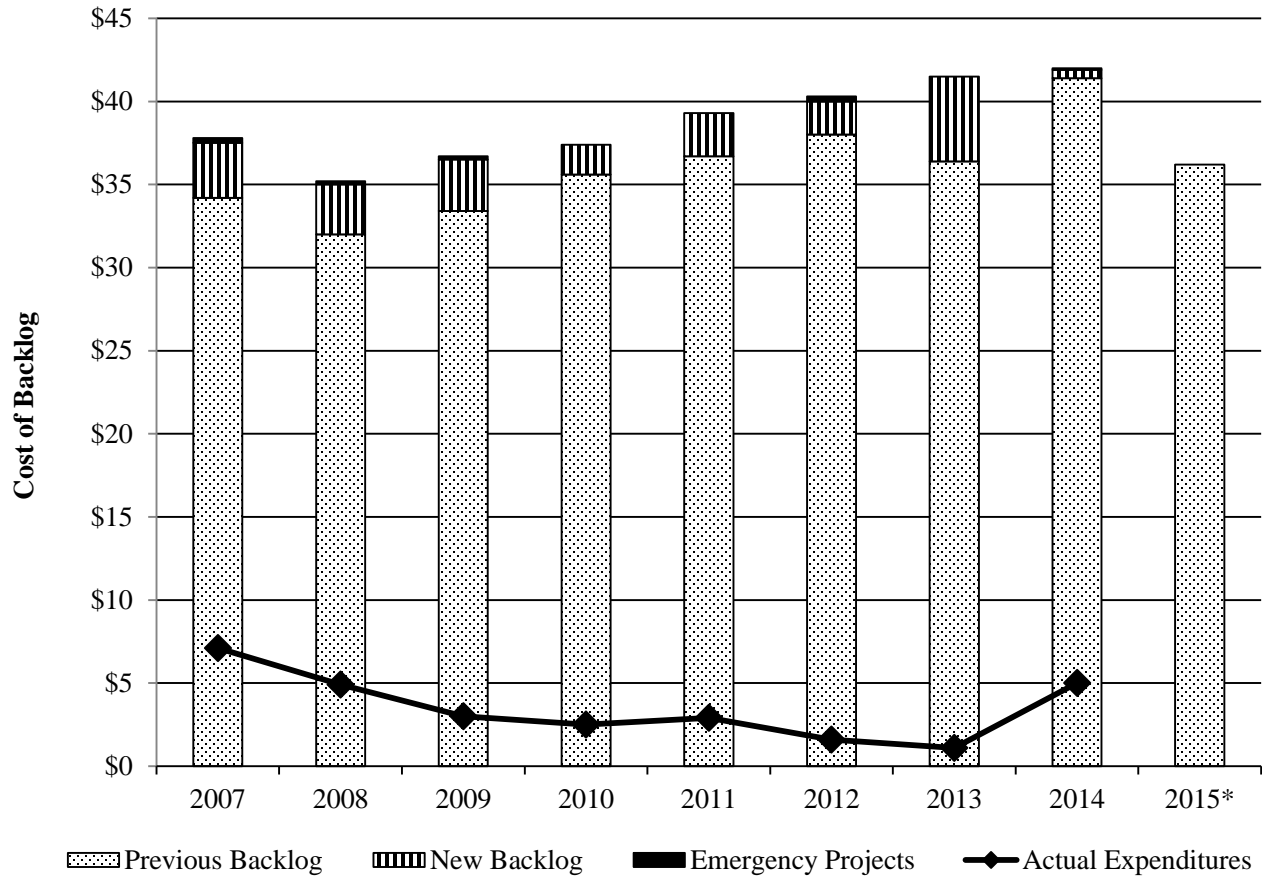
As shown in **Exhibit 8**, DGS reports an increase in the critical maintenance backlog between fiscal 2013 and 2014. Fiscal 2015 backlog numbers have yet to be fully gathered from the agencies. The backlog has slowly continued to increase since fiscal 2008. The fiscal 2014 backlog has 1,032 projects totaling \$41.8 million as compared to fiscal 2013 with 898 projects totaling \$36.6 million. It will take multiple years of appropriations to make a sizable reduction in the backlog as new requests by agencies will increase the backlog in short time, especially as Maryland's infrastructure continues to age. Requests for projects to agencies were sent out December 2014 and will likely increase the number of projects and current dollar value of the backlog for fiscal 2015.

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 8 shows that the new backlog added in fiscal 2013 was particularly high, at \$5.1 million. In fiscal 2014, the number of new backlog projects requests decreased to a low of \$500,000.

The fiscal 2015 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 2016 allowance. If more funding was to be appropriated in future years, a rapid expansion in the scope of the program would require additional in-house staff to process the outsourcing of contracts for control measures and compliance with various State laws.



**Exhibit 8**  
**Critical Maintenance Backlog**  
**Fiscal 2007-2015**

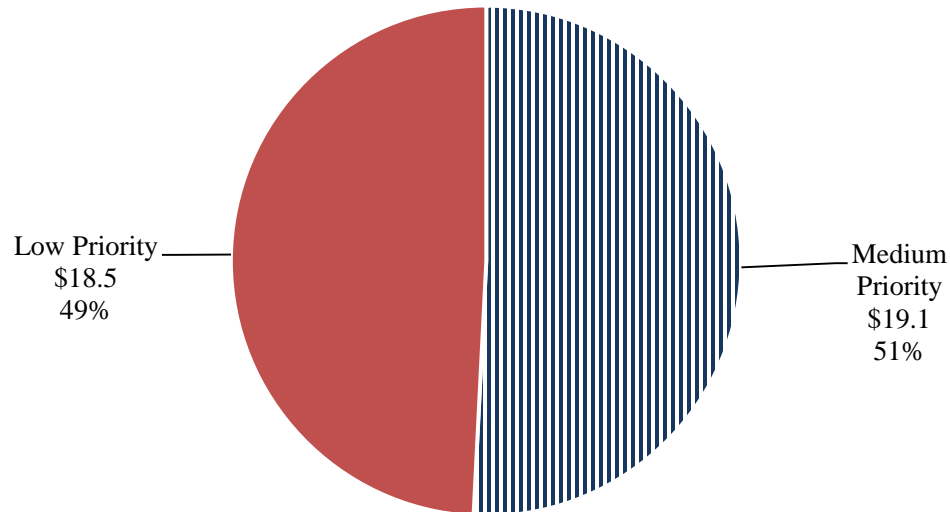


\*Through January 26, 2015.

Source: Department of General Services

**Exhibit 9** provides further detail regarding the critical maintenance backlog for each classification of the department's priority levels. As shown, approximately 50.8% 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 9**  
**Backlog Rating**  
**Fiscal 2015**  
**(\$ in Millions)**



Source: Department of General Services

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A steady if not wholly adequate source of funding has been a normal part of the appropriation for the critical maintenance backlog in the last couple of fiscal years. The \$5 million in fiscal 2014 and 2015 has helped address the backlog. However, if the State is going to reduce the growing facility maintenance needs and maintain State buildings in a manner that will avoid potentially more costly repairs down the road, additional funding and staff will be required. **DGS should be prepared to brief the committees on the impediments it faces to effectively manage and carry out a viable facility maintenance and renewal program. DGS should also discuss the condition of State facilities and options for improving facility assessments.**

## **2. eMaryland Marketplace and Financial Management Information Systems Integration**

DGS is one of several agencies in the State of Maryland, which control the procurement activities for specific categories of spending. DGS controls the categories of commodities, facilities maintenance, capital maintenance, construction, energy, and architectural and engineering services. eMM has been Maryland's online procurement portal for the past decade, and it is used to solicit bids and proposals for procurement activities. Requisitions and purchase orders are currently created in the Financial Management Information System (FMIS) and also the Advanced Purchasing and Inventory Control System (ADPICS). DGS manages eMM, but not through OPL. Rather, OBP, which administers the agency's minority and small business programs, manages eMM. eMM is self-sustaining, with a 1% vendor fee on all agency purchases from statewide contracts providing approximately \$1.2 million annually for its operation and maintenance.

### **History of eMaryland Marketplace**

Greater use of electronic procurement technology has been a key feature of every major state procurement reform initiative implemented in the last few years, but its use in Maryland has been inconsistent. eProcurement has strong support among the State's vendor community. According to a survey of Maryland vendors by the National Institute of Governmental Purchasing, 91% support the goal of having online access to all contracts, and 87% prefer to conduct purchase order transactions online. State procurement law and regulations support greater use of eProcurement, but agency use of eProcurement has been uneven. Since July 2006, State law has required that State agencies post all invitations for bids and requests for proposals (RFP) valued in excess of \$15,000 on eMM. Compliance with this requirement has generally been high, but a recent audit by the Office of Legislative Audits (OLA) found that 10 of 11 agencies reviewed for the audit did not use eMM to receive bids, even though each has that capability. According to the Department of Budget and Management (DBM), which controls procurement of services, agencies typically request hard copies of proposals submitted in response to RFPs even though eMM has the capacity to receive proposals electronically as well.

Originally a proprietary system designed by a contractor, eMM was replaced in January 2014 with Periscope Holding's BuySpeed program, the same software underlying Arizona's procurement system. Arizona's online procurement portal was able to be successfully integrated with its FMIS-style system. The new system went live in January 2014, absent a key module that was included in the original scope of work. The new system was supposed to be electronically linked to the State's FMIS, allowing for seamless electronic integration of invoicing, payment processing, and purchase orders, among other functions. The integration of the systems was slated for Phase 2 of the development cycle, but the State did not award any funding for integration in the fiscal 2016 allowance. DGS says that the reasons behind the inability to move forward with Phase 2 is due to the resistance and lack of cooperation from both DBM and DoIT. Any new rollout of the system to Phase 2 would require DoIT to assist the contractor in the data loads and various processes to merge the system.

## **Costs, Timeline, and Benefits to Integration**

According to DGS, the current costs associated with Phase 2 of the eMM rollout would be \$4.9 million over a five-year phase-in and \$5.9 million in 10 years. This includes all aspects of software, maintenance, and services. Design, development, and a rollout of the newly completed system to all agencies would take approximately 2 years.

eProcurement serves a central role in allowing states to analyze their spending patterns and secure greater savings from vendors by leveraging their full buying power. Unfortunately, the absence of a linkage between eMM and FMIS and sporadic agency use of eMM for core procurement functions limits its utility for these purposes. Information on small procurements (those less than \$25,000) are not posted on eMM but are included in FMIS. As an example, any data on Maryland's contracting downloaded from eMM would be missing nearly \$250 million in annual expenditures made through small procurements and/or the corporate purchasing card. A linkage between FMIS and eMM would allow data on those purchases to be shared between the two systems. The Phase 2 linkage would also allow:

- transparency – all contracts would be accessible and visible to the public on the eMM home page;
- ease of use – would increase vendor competition;
- provide a one stop shop for State users and vendors which would eliminate the need to jump between the three systems (eMM, FMIS, and ADPICS);
- reverse auction – suppliers compete to offer the lowest price for goods; and
- elimination of double data entry and enhances budget controls.

**DGS should be prepared to brief the committees on the impediments it faces in moving forward with Phase 2 of the eMM development cycle.**

## ***Recommended Actions***

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1. 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. On November 1, 2015, 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.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on energy conservation	DGS	November 1, 2015

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, \$200,000 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, 2015;
- (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 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 findings 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

## ***Updates***

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### **1. State's Energy Conservation Report**

The State Building Energy Efficiency and Conservation Act of 2006 required DGS and the Maryland Energy Administration (MEA) 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. The 2014 *Joint Chairmen's Report* required DGS to submit a report outlining the State's energy conservation efforts. The report summarized five major components of the State's energy conservation efforts:

- 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.

### **Energy Reduction Strategies**

In order to comply with the State's goal of a 15% reduction in per capita electricity consumption, DGS has implemented the 16 Agency Energy Competition. This competition is hosted on the DGS website focusing on the 16 agencies in the State that represent 80% of State energy usage. This competition provides for opportunities for behavioral energy training in conjunction with MEA and allows for a simpler diagnosis of underperforming agencies. DGS is also working with each agency's energy coordinator to identify potential energy conservation measures. The energy savings with the greatest potential at reasonable cost are implemented to further energy conservation in Maryland. Alongside the Agency Energy Competition, current energy reduction efforts include energy performance contracts, small energy performance contracts, federal energy funding, alternative energy power purchase agreements, demand response, and a comprehensive electricity and natural gas purchasing strategy.

### **State Energy Database and Utility Costs**

DGS tracks the energy consumption and cost for all utility accounts paid in the State's name. The State Energy Database is a comprehensive large-scale utility management system that allows DGS and each agency to see a full overview of the State's energy and utility consumption. Commodities

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tracked include electricity, natural gas, water, sewer, steam, chilled water, and fuel oil. The system is currently enabling State agencies to monitor, view, and analyze the ongoing energy consumption and cost for each State-owned facility, where each agency energy manager has daily, secure, and online access to the utility data of their agency. The database is 92% complete with fully verifiable data used by agencies. DGS has had an ongoing effort working with most State agency energy representatives in order to verify and “clean up” the database. There are some agencies that have limited or no data in the State’s Energy Database. The two main causes are that either the agency neglected to provide the data to DGS, or the agency is exempt from utility data. Exemptions occur when the agency occupies leased space from a nonsubmetered building in either a private commercial facility or within another State agency’s facility. Nevertheless, the majority of agencies in the State supply energy consumption and utility cost information to the State Energy Database.



## ***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 2014</b>					
Legislative Appropriation	\$61,406	\$3,418	\$1,158	\$28,641	\$94,623
Deficiency Appropriation	-439	-13	-13	0	-465
Budget Amendments	670	16	6	0	692
Reversions and Cancellations	0	-14	-1	-1,408	-1,423
<b>Actual Expenditures</b>	<b>\$61,637</b>	<b>\$3,406</b>	<b>\$1,150</b>	<b>\$27,234</b>	<b>\$93,426</b>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$62,323	\$3,092	\$1,185	\$29,285	\$95,885
Cost Containment	-180	0	0	0	-180
Budget Amendments	360	10	4	72	445
<b>Working Appropriation</b>	<b>\$62,502</b>	<b>\$3,102</b>	<b>\$1,189</b>	<b>\$29,357</b>	<b>\$96,150</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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## **Fiscal 2014**

The fiscal 2014 budget for DGS closed about \$1.2 million lower than the legislative appropriation. Budget amendments increased \$691,577, and a deficiency appropriation withdrew \$465,274, while \$1.4 million cancelled at the end of the year.

General fund expenditures increased by \$230,685 over the original legislative appropriation. There were no general fund reversions. Special fund expenditures decreased by \$11,507. The agency cancelled \$14,225 in special funds. Reimbursable funds decreased by \$1.4 million due to cancellations associated with lower than anticipated revenue and their associated reimbursable services. Cancellations were associated primarily with the Procurement and Logistics division and Facilities Planning division at DGS.

The department received a general fund deficiency appropriation of \$850,000 in order to fund deficiencies in overtime, fuel, and utilities. It also reduced the appropriation by \$1.3 million in negative deficiencies due to reductions in health insurance, retirement and the State personnel system allocation. Outside of the \$13,332 in special funds and \$12,874 in federal funds, the reduction is found in general funds.

## **Fiscal 2015**

The fiscal 2015 working appropriation for DGS is increasing by \$0.3 million over the legislative appropriation. Employee increments and the 2% general salary increase reflect an increase of \$359,570 in general funds, \$9,600 in special funds, and \$4,013 in federal funds. There was one reimbursable budget amendment that increased the reimbursable fund appropriation by \$72,200 for DGS to fund the cost of a consultant to evaluate the participation of not-for-profit entities in State procurement.

On July 2, 2014, BPW withdrew \$77.1 million in appropriations and abolished 61 positions statewide as fiscal 2015 cost containment. This agency's share of the reduction was \$174,650 and 2 positions for the following purposes: eliminate 2 vacant IT positions and hold an inspector position vacant. There was also a reduction due to the agency's share of the statewide personnel allocation system of \$5,769 in general funds.

## ***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 (2 unresolved)
% of Repeat Findings:	31%
Rating: (if applicable)	n/a

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

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**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' equipment.**

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

\*\*Underlined denotes item repeated and yet to be fully resolved.

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	593.50	584.50	584.50	0.00	0%
02 Contractual	15.09	23.53	23.53	0.00	0%
<b>Total Positions</b>	<b>608.59</b>	<b>608.03</b>	<b>608.03</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 38,387,416	\$ 43,656,850	\$ 45,606,573	\$ 1,949,723	4.5%
02 Technical and Spec. Fees	1,394,695	1,034,067	1,098,707	64,640	6.3%
03 Communication	943,805	1,076,973	1,126,205	49,232	4.6%
04 Travel	46,259	27,684	27,062	-622	-2.2%
06 Fuel and Utilities	20,075,983	17,180,667	17,431,790	251,123	1.5%
07 Motor Vehicles	1,176,637	1,150,871	1,230,653	79,782	6.9%
08 Contractual Services	18,180,063	19,010,091	16,998,477	-2,011,614	-10.6%
09 Supplies and Materials	1,391,604	1,276,854	1,020,904	-255,950	-20.0%
10 Equipment – Replacement	248,708	1,441	72,243	70,802	4913.4%
11 Equipment – Additional	343,130	293,022	293,818	796	0.3%
12 Grants, Subsidies, and Contributions	367,000	300,000	300,000	0	0%
13 Fixed Charges	4,103,083	4,269,076	4,085,726	-183,350	-4.3%
14 Land and Structures	6,768,342	6,872,629	6,805,966	-66,663	-1.0%
<b>Total Objects</b>	<b>\$ 93,426,725</b>	<b>\$ 96,150,225</b>	<b>\$ 96,098,124</b>	<b>-\$ 52,101</b>	<b>-0.1%</b>
<b>Funds</b>					
01 General Fund	\$ 61,636,860	\$ 62,501,994	\$ 63,317,227	\$ 815,233	1.3%
03 Special Fund	3,406,359	3,101,772	3,318,560	216,788	7.0%
05 Federal Fund	1,149,940	1,189,493	1,276,153	86,660	7.3%
09 Reimbursable Fund	27,233,566	29,356,966	28,186,184	-1,170,782	-4.0%
<b>Total Funds</b>	<b>\$ 93,426,725</b>	<b>\$ 96,150,225</b>	<b>\$ 96,098,124</b>	<b>-\$ 52,101</b>	<b>-0.1%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary  
Department of General Services**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
0A Department Of General Services	\$ 4,707,764	\$ 5,044,546	\$ 4,041,293	-\$ 1,003,253	-19.9%
0B Office of Facilities Security	11,788,443	11,802,444	12,541,110	738,666	6.3%
0C Office of Facilities Operation and Management	52,972,326	53,993,319	53,874,137	-119,182	-0.2%
0D Office of Services and Logistics	7,135,610	7,856,497	8,033,961	177,464	2.3%
0E Office of Real Estate	2,474,408	2,621,679	2,589,209	-32,470	-1.2%
0G Office of Facilities Planning, Design, and Construction	14,348,174	14,831,740	15,018,414	186,674	1.3%
<b>Total Expenditures</b>	<b>\$ 93,426,725</b>	<b>\$ 96,150,225</b>	<b>\$ 96,098,124</b>	<b>-\$ 52,101</b>	<b>-0.1%</b>
General Fund	\$ 61,636,860	\$ 62,501,994	\$ 63,317,227	\$ 815,233	1.3%
Special Fund	3,406,359	3,101,772	3,318,560	216,788	7.0%
Federal Fund	1,149,940	1,189,493	1,276,153	86,660	7.3%
<b>Total Appropriations</b>	<b>\$ 66,193,159</b>	<b>\$ 66,793,259</b>	<b>\$ 67,911,940</b>	<b>\$ 1,118,681</b>	<b>1.7%</b>
Reimbursable Fund	\$ 27,233,566	\$ 29,356,966	\$ 28,186,184	-\$ 1,170,782	-4.0%
<b>Total Funds</b>	<b>\$ 93,426,725</b>	<b>\$ 96,150,225</b>	<b>\$ 96,098,124</b>	<b>-\$ 52,101</b>	<b>-0.1%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.