

MEMORANDUM

TO: Members of the Joint Fiscal Committee
FROM: Justin Johnson, Secretary of Administration
DATE: December 28, 2015
RE: Report of Promotion of Efficient Operations required by Sec. E.100.4 of Act No. 58 of 2015 Legislative Session

Attached is the report required in Sec. E.100.4 of Act No. 58 of 2015 which states:

Sec. E.100.4 SECRETARY OF ADMINISTRATION; PROMOTION OF EFFICIENT OPERATIONS

- (a) All branches and agencies of State government can expect to face a multiyear horizon of State resources growing at rates lower than previously experienced. In order to achieve fiscal sustainability, the Secretary of Administration shall review opportunities for changes that result in efficiency and savings in the form of reduced resource need or reduced cost trend pressure, or both, within the State budget.
- (b) The Secretary is authorized to implement changes in operational practices as specified in this subsection or additional areas that fall within the Secretary's authority and that do not require statutory amendment.
- (1) subject to bulletin 3.5, changes to the contracting process of State government to identify methods of streamlining the process of approval and evaluation while preserving and strengthening the pay for performance;
- (2) a review of the audits and reports internally required of agencies and contractors and grantees to avoid duplication and unnecessary cost;
- (3) the expansion of the LEAN program to additional agencies and departments to improve processes and operations of departments; and
- (4) the exploration of the use of contracts where payments are dependent on the provision of departments and State operational entities with offsetting efficiency savings.
- (c) In the following areas, proposals shall be developed and presented to the Legislature during the budget adjustment process.
- (1) Proposed elimination or consolidation of legislative reporting requirements to free up staff productivity while preserving effective oversight.
- (2) Opportunities for possible elimination or consolidation of boards and commissions, and opportunities for more efficient use of space by these entities. Entity collocation should be pursued to enable shared services reducing costs.



(3) Proposals to restructure agencies and departments to identify opportunities for merger and consolidation to streamline management and coordination and reduce the need for high level State positions.

(d) At the 2015 September and November Joint Fiscal Committee meetings, the Secretary shall provide a written report on the status of system reviews or process changes implemented. These reports shall also be sent to the State Auditor, and the House and Senate Committees on Government Operations and on Appropriations.

cc: State Auditor
House and Senate Committees on Government Operations
House and Senate Committees on Appropriations



**SECRETARY OF ADMINISTRATION EFFICIENCY EFFORTS
(2015 ACT 58 SEC. E.100.4)**

- a) Reduced resources and reduced cost trend pressure in the budget:
- b) changes in Operational practices requiring no statutory amendments:
 - 1) Bulletin 3.5 Changes: To be finalized for review by departments in January and issued: see attached list of changes to 3.5;
 - 2) Review of Audits and Reports;
 - i. Cell Audit: savings and vendor review as a result of Cell Phone audit. A new Bulletin 9.5 ~ Mobile Devices will be issued as soon as Office 365 implementation is completed allowing for better contract of wireless device assignment and use.
 - ii. Sole Source Contract Review: Bulletin 3.5 was already making Sole Source contract harder to use – clearly defines the only justifiable reasons for sole source use.
 - iii. SIM Program Review: Internal review of compliance and business processes in Health Care Reform, DVHA, AHS Central Office and GMCB resulting in better compliance monitoring and clarity around who is responsible for what among the units. A compliance position was assigned to go over all contract and grant documentation before KPMG arrival for federal single audit to reduce the risk of significant findings.
 - 3) Expansion of Lean program: A Continuous Improvement Team has been established and meets 2X month – including CPO, AHS, DEC and AOT. Lean program has expanded to AOT. Proposal to expand CI further has been made to Secretary Johnson:
 - 4) An RFI has been issued to seek information from consultants on leveraging State spend via payment management or other technological advancements; responses will be coming in for evaluation;
- c) Proposals to Legislature:
 - 1) Elimination or consolidation of legislative reporting
 - 2) Elimination or consolidation of Boards & Commissions – and better use of space by these entities
 - 3) Restructuring agencies and departments – working with GRORC and Special IT Committee.



List of Changes and Improvements in Bulletin 3.5
CPO – 12/4/15

- ✓ Developing annual Bulletin 3.5 training program;
 - ✓ Contract File checklist;
 - ✓ Addition of “KEY NOTE” boxes throughout;
 - ✓ Contracting Waiver Plan template created;
 - ✓ Reduced number of Amendments requiring 5th floor approval (limited to the exercise of options specified and approved in the original contract)
 - ✓ Elimination of 3rd or more Amendments requiring 5th floor approval (based on thresholds now);
 - ✓ Implementation of short-form contract and short-form Attachment C for contracts under \$10k – except for life safety, transport of persons, hazardous material and data – recognizes the normal reduced risk for such contracts;
 - ✓ Reduction in auto insurance coverage limit to \$500k, except for life safety, transport of persons, hazardous material, Data Use and Sharing, and construction – again – recognition of reduced risk and nominal claims experience;
 - ✓ Elimination of auto insurance requirement at all for drop ship service;
 - ✓ Inclusion of formal change order process;
 - ✓ Better explanation and expansion of types of contract for service including: financial transaction contracts, data sharing contracts, and zero-dollar contracts – working with Rep. Sweaney on a bill for 2016 session – will result in better and more explanatory list of contracts for service;
 - This bill also seeks to standardize and slightly raise the thresholds for AG review and privatization – which will reduce need for smaller contract to be reviewed by AG’s office – saving their efforts for more complex contracts (IT and Healthcare, for example);
 - ✓ Guidance documents for Attachments A and B;
 - ✓ More guidance for simplified bid usage;
 - ✓ Reorganized flow of document in the order of the process;
 - ✓ Acronym directory;
 - ✓ Guidance on Public Records;
 - ✓ Guidance on providing public endorsements;
 - ✓ Work with Legislature to up AGO review, privation contracts and contract for service thresholds to \$25k – which will require Bulletin Change effective July 1, 2016 if passed;
 - ✓ Inclusion of new provision in standard Attachment C that AG’s office winds up adding to most contracts – such as False Claims Act, Whistleblower Protection and separation and clarity added to Independence and Defense & Indemnity clauses.
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- ✗ Harder to do sole sources;
 - ✗ Ban on MOUs except between SOV units and SOV and Feds;

