

**Bureau of Administration  
Sunset Review Committee**

**Memo**

**Date:** Sept. 30, 2010

**To:** Sunset Review Committee

**From:** Commissioner Jeff Bloomberg

**Re:** Questions posed by Sen. Haverly

Two questions were raised at the Aug. 25<sup>th</sup> meeting by Sen. Haverly on behalf of Rep. Kirkeby.

**1. How long has the BOA been in existence?**

Most of the current functions of BOA can be traced back as early as 1925 under what was then referred to as the Department of Finance. In 1970, those functions and others were transferred in with the passage of SB 92 to the new, Department of Administration. The Department of Administration was responsible for most of the functions now handled by BOA and also included finance and personnel. In 1973 the executive branch was again reorganized and the Bureau of Administration was created.

**2. Should a bill be drafted to eliminate BOA?**

**Introduction**

The answer to this question is no for three reasons. First, as stated below, the power to organize the executive branch is one given to the governor under the state constitution. Second, by centralizing the various operational programs within BOA, the state is able to maximize the cost allocation from federal dollars. Finally, the centralization of the functions contained within Bureau of Administration make sense for reasons of efficiency, cost effectiveness and oversight.

**Background**

Every state and the federal government (General Services Administration) have some variation of a general services or administrative services agency. Commonly, those agencies provide centralized management of the goods and services needed by state government in their every day operations. The functions and responsibilities assigned to these general services agencies vary from state to state, however, commonly they include those functions which can be performed centrally as opposed to being done independently by the various agencies that make up each state's government. .

In South Dakota, the "general services," agency is the Bureau of Administration. The mission statement for the BOA provides, "The primary mission of the Bureau of Administration is to provide administrative and support services to state government agencies, institutions and various political subdivisions." The BOA functions as part of the Office of Executive Management which also includes the Bureau of Finance and

Management, the Bureau of Personnel and the Bureau of Information and Telecommunications.

### **The Power of the Governor to Reorganize**

As stated above, the Office of Executive Management and its structure has changed from time to time at the prerogative of various governors. The governor's power to reorganize is found in Article IV, Section 8 of the state constitution, which authorizes him to organize the executive branch of state government as he deems necessary:

“Except as to elected constitutional officers, the Governor may make such changes in the organization of offices, boards, commissions, agencies and instrumentalities, and in allocation of their functions, powers and duties, as he considers necessary for efficient administration. If such changes affect existing law, they shall be set forth in executive orders, which shall be submitted to the Legislature within five legislative days after it convenes, and shall become effective, and shall have the force of law, within ninety days after submission, unless disapproved by a resolution concurred in by a majority of all the members of either house.”

Thus, under the state constitution, the power of the legislature to effect the organization of the executive branch appears to be limited to a decision as to the ratification of the governor's executive order.

### **Centralizing the Functions Found in BOA Maximizes the Use of Federal Dollars**

All of the services provided by BOA are utilized by federally funded Programs. OMB Circular A-87, “Cost Principles for State and Local Governments” establishes the rules for Federal participation in funding services utilized by federal grants. BOA is organized in a way to optimize the Federal funding of Central Services. South Dakota decision to centralize these services in the Bureaus has resulted in the State being able to capture all the costs associated with providing those services. These cost are presented to the federal government in the Annual Cost Allocation Plan. Because of the accurate cost information available in centrally provided services the Plan has always been approved and all allowable costs have been recovered from Federal Funded programs.

### **Centralizing Services in BOA Maximizes Efficiency, Avoids Duplication, Saves Manpower and Cost and Allows for Uniformity in Applying Policy**

The functions are assigned to the Bureau for two reasons. First, they are services which can most efficiently be provided centrally as opposed to each agency undertaking those functions independently. Secondly, by performing those services centrally, the administration can maintain additional oversight and uniformity in the carrying out of policy. Currently, those functions include:

- Office of Space Management
- Records Management
- Central Mail Service
- Central Duplicating
- Property Management/Central Supply
- Federal Surplus Property
- Buildings and Grounds
- Office of Hearing Examiners
- Office of Risk Management
- Office of Procurement Management
- Office of the State Engineer
- Fleet & Travel Management

### **Overview of the Programs**

Below is a brief overview of the programs within BOA and a short synopsis as to why centralization within BOA makes sense.

#### **Office of Space Management**

##### **Space Management is responsible for:**

- Reviewing agency needs and requirements for space
- Locating new lease space where necessary
- Negotiating new or renewal leases
- Reviewing all new and renewal lease documents
- Coordinating requests for proposals, construction, renovation or repair projects
- Serving as a contact person for complaints

Centralizing space management within BOA accomplishes several things. First, consistency is maintained from one agency to another in terms of the types of office space that various agencies are housed in around the state. Further space can be better coordinated between agencies as opposed to each agency seeking their own space. Finally, by having one agency coordinate leases, the state is in a better position to negotiate lease rates which are comparable for all agencies and truly represent fair market value.

#### **Records Management**

Records Management provides services that relate to the creation, utilization, maintenance, retention, disposal, and preservation of records. This office operates a Records Storage Center, Microfilm Unit, and a Microfilm Storage Vault. Records Management establishes records retention and destruction schedules and follows through with the enforcement of those schedules. Records Management is responsible for:

- Storage of inactive paper documents
- Arranging the pick-up of boxes for the Pierre based offices that are being sent to storage
- Retrieving and re-filing of records in storage
- Housing of computer backup tapes for BIT
- Storage of original microfilm and Computer Output Microfiche
- Assisting state agencies in establishing and updating their records retention and destruction schedules
- Assisting state agencies with establishing microfilm project registration forms
- Microfilming of records
- Destruction of obsolete records
- Approval of file cabinet requests for State Agencies
- Upon request, Records Management will conduct an agency walk through

Having a central agency responsible for maintaining a records storage system accomplishes several things. First, a duplication of equipment is avoided. Instead of having multiple agencies purchasing microfilm equipment, or developing storage units and staff, BOA is able to perform these functions with minimal staff and equipment. In addition, having a central location for documents makes retrieval easier when the documents are needed in the future and insures that destruction of documents is done efficiently and according to law.

### **Central Mail Services**

Central Mail processes all classes of incoming, interoffice, and outgoing mail for state agencies and departments. It provides delivery and pick up of supplies and printing orders throughout the Capitol Complex.

Central Mail picks up 210,000 pieces of mail monthly from the United States Post Office. Each mail piece is sorted according to agency and department. Without this service the Federal Post Office would deliver the mail to each building. When the mail would arrive at each building staff would have to sort each mail piece to the correct department and agency. This would result in the mail being delayed one day. In addition, Central Mail applies postage to 550,000 pieces of mail monthly. Taking into consideration size, weight, and the delivery time frame Central Mail presorts the mail pieces to achieve the greatest savings. By presorting the mail Central Mail saves \$66,500 monthly. Further, by providing interoffice mail delivery and automated inserting equipment, Central Mail is able to save agencies postage expense and man hours.

### **Central Duplicating**

Central Duplicating is a centralized printing facility available to all state agencies, statewide.

### **Responsibilities and Duties**

- Brochures & Forms
- NCR Forms
- Letterhead
- Printing press spot color
- Standard envelope printing, business reply envelope & manila size envelopes
- Full colored copies
  - “On Demand” printing manuals & books
- Variable data merging & printing
- Self mail surveys
- Brochures
- Forms
- Standard collating & stapling
- Saddle stitched booklets
- Multiple paper stock choices
- Online book punching
- Online tab sheet printing & inserting
- Consecutive numbering
- Business Cards
- Letter folding
- Paper punching 3-hole or 2-hole
- Padding
- Cutting
- Standard book staple or saddle stitching
- Provides small office copiers for state agencies located in Pierre
- Approximately 157 machines are currently in the copier pool program

Working together with the offices located in the Central Services building, Central Duplicating is able to provide a revolving door operation for state agencies. By combining the printing and copying needs into one central facility, BOA is able to save the expense and manpower of multiple state agencies purchasing duplicative printing and copying equipment and more importantly the manpower that each agency would have to commit to such projects.

### **Property Management and Central Supply**

#### **Responsibilities and Duties**

- Oversee the disposition of all state-owned property and advise state agencies on proper procedures to book and retire fixed and non-capital assets
- Organize and conduct on-going public auction sales, electronic auction sales, direct public sales, and sealed bid opportunities of surplus property and equipment.

- Monitor a centralized accounting of 12,023 capital assets; process and maintain a supporting record of updates to financial information including such categories as cost, salvage amounts, and YTD depreciation
- Assist universities, state agencies, local governments, and other qualifying entities to locate surplus to save money by utilizing “pre-owned” items, equipment, and office furniture
- Maintain and distribute legal publications (Administrative Rules, Legislative Manuals to state agencies and general public
- Provide limited storage for state agencies that lack storage space
- Provide the sale of US Flags, South Dakota State Flags and POW Flags to state agencies and general public
- Provide for purchase general office supplies, medical supplies and janitorial supplies for state offices

By combining the property management functions of various state agencies under BOA, state agencies avoid the cost of maintaining their own storage areas. Just as importantly, BOA Property Management provides oversight of the disposal of public property so that the items of property and the proceeds from their sale are properly accounted for.

## **Federal Surplus Property**

### **Responsibilities and Duties**

- Property is available from federal sources worldwide including military installations both in the continental US and overseas and federal civilian agencies.
- The property is screened and requested by SDFPA on-line from the federal disposal system and is then allocated among the States by GSA.
- Condition of property varies from new/unused to property requiring repair and even scrap condition.
- SDFPA repairs and refurbishes much of the property.
- Types of property include anything from pencils to road graders to pieces of the space shuttle -- about anything the federal government has ever used.
- SDFPA acquires the property from the federal government at no charge, but must arrange and pay freight to transport it to South Dakota.
- SDFPA participates in the Fixed Price Sale Vehicle (FPSV) Program
- Receives late model, low mileage vehicles from the federal fleet at a fixed price or auction price and makes the vehicles available to eligible recipients

The South Dakota Federal Property Agency (SDFPA) is a State Agency created by the South Dakota Legislature in accordance with the Federal Property and Administrative Services Act of 1949, as amended. Federal Surplus Property saves taxpayers dollars by acquiring property that is surplus to the needs of the federal government and redistributing it to state and local government entities and other private non-profit entities meeting the eligibility requirements. SDFPA receives no funding from the State general fund. It is funded by service and handling fees assigned to the property and charged to

the recipients. By maintaining SDFPA within BOA, state agencies have a central point of contact to work with in attempting to locate and procure low cost equipment and materials for their agency, thus saving time and money.

## **Buildings & Grounds**

### **Responsibilities and Duties**

- Providing 24 hour, 7 day a week, maintenance, remodeling, custodial, landscaping, snow removal services for:
  - State Capitol Building
  - Capitol Lake with Peninsula
  - Visitor's Center
  - Hilger's Gulch Park
  - WWII, Korean, Vietnam & Fighting Stallions Memorials
  - 23 buildings with 857,830 square feet of space.
  - 200 acres of grounds to include Hilger's Park and Governor's Grove
  - 6,500 trees and bushes
  - 80 acres cultured grass mowed, fertilized, and irrigated
  - 10 acres of parking lots and sidewalks
  - Parking lot and sidewalk repair and replacement
  - Surplus pick up and delivery to all state agencies in Pierre
  - Records Management Box Pickup
  - Office & Equipment Moving Service
  - Equipment set up for events throughout the complex, including daily events inside the Capitol rotunda during legislative session, dedications, inaugurations, etc.
  - Paper, Plastic, and Aluminum Recycling Programs
  - Provide Plumbing, Electrical, HVAC (heating and air conditioning), Carpentry, Locksmith, System Furniture installation, Engineering & Drafting service
  - Building Automation System Operation, to maximize energy savings we operate most of our mechanical equipment and much of the lighting with automation
  - Fire & Life Safety System Operation & Maintenance
  - Preventative Maintenance – Over 7,000 scheduled work orders for our mechanical equipment completed annually
  - Daily Work Orders – Over 1,750 work orders received each year from over 2,000 state employees we support within our facilities
  - Provide O&M backup support on mechanical equipment at the Women's Prison facility in Pierre

Through BOA, Buildings and Grounds is able to keep the multiple buildings which house the various agencies of state government in good repair, running efficiently and able to provide a clean and productive work environment for state employees. Centralization of these functions is efficient and cost effective as opposed to various agencies attempting to fill these duties independently.

## **Office of Hearing Examiners**

These hearings are far cheaper than the costs that would be incurred if the matters were dealt with in the court system. Approximately 300 – 400 cases are filed with OHE every year. Hearings may be as short as one-half hour or as long as a week. Depending on the particular agency statutes, the hearing examiner drafts either a final or a proposed decision. Final decisions may be appealed to circuit court. The OHE does not bill parties for hearing costs.

Because most of the hearings conducted by OHE deal with an appeal of a decision made by a state government agency or employee, the Office of Hearing Examiners provides an independent entity to conduct those decisions. This helps to insure a fair and independent hearing and avoids the appearance of partiality that might occur if the agency conducts the hearing itself.

## **Office of Risk Management**

### **Responsibilities and Duties**

- Administers the Public Entity Pool for Liability created by SDCL 3-22 which provides liability coverage for all state employees handling the claims and lawsuits that are made against state employees and agencies.
- Loss Control and Training
- Safety and Hazard ID Inspections
- Policy Reviews and Advisement
- Contract Review
- Purchase Insurance (property, aviation, boiler etc.)
- Ergonomic Assessments
- Litigation Services
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The Office of Risk Management within BOA helps protect the State's assets and reputation, assure a safe environment for public and employees & citizens accessing state facilities, helps to identify claims and lawsuits quickly and handle appropriately and implement aggressive loss control. By combining these functions within one central agency, the awareness of risk management at all levels of state government can be promoted and consistent policies can be adopted and enforced.

## **Office of Procurement Management**

### **Responsibilities and Duties**

- Establish and maintain bidder lists
- Locate new sources of supply for supplies and services
- Monitor vendor performance related to state contracts

- Notify bidders of contracting opportunities with the State of South Dakota
- Receive, open and tabulate bids and proposals
- Handling of bid and performance security when required
- Administer state contracts, including enforcement of price adjustment provisions, and contractor compliance with terms and conditions
- Handle bid protests and other claims from contractors
- Handle complaints from using agencies about vendors
- Review agency requisitions for supplies that are being procured through information request for quote procedures to ensure compliance with state law and internal policies and procedures
- Review specifications for supplies required by state agencies to ensure fairness and open competition if possible
- Prepare bid and proposal documents for distribution to registered bidders
- Ensure that bids opportunities are publicly advertised as required by state law  
Issue purchase orders for approved purchases and distribute those purchase orders to the selected vendors
- Communicate with vendors regarding state government procurement processes and how to do business with the State of South Dakota

The functions and responsibilities performed by the Office of Procurement Management are best performed as a centralized government function. Decentralizing these functions would create confusion for vendors and likely result in uneven application of procedures by the various agencies and institutions of government. A visible central authority is critical to making the procurement function work at its best within government.

### **Office of the State Engineer**

OSE provides services to State agencies in four areas:

- 1) managing the construction process for all new construction and renovations of state owned buildings;
- 2) providing technical assistance and advice to physical plant directors on matters beyond their in-house capabilities;
- 3) managing the Statewide Maintenance and Repair Program; and
- 4) implementing the state energy plan.

#### **Construction Services**

- Assists state agencies in defining the scope of construction projects and preparing an initial budget.
- Assists state agencies in the selection and contracting of design professionals and when used, construction managers (at risk) and Design Builders.
- Assists state agencies in presenting their program requirements to the A/E and assuring that the A/E's plans meet the agencies program needs.
- Reviews plans and specifications.

- Directs the bidding and construction phases to ensure all state laws are met, as well as ensuring all parties are treated fairly and ethically.
- Performs contract administration.
- Maintains construction budgets.
- Controls and maintains project files.
- Participates in all milestone inspections and the final inspection.
- Assists state agencies in making warranty claims.

#### Technical Assistance

- Assists in-house facility managers in areas beyond their area of expertise.
- Acts as a source of training and information on new products and techniques.

#### Administration of the Statewide Maintenance and Repair Program

- OSE compiles and reviews agency submitted projects annually
- OSE prepares the projects for construction, maintains the project scope, budget, and schedule, and performs contract administration.

#### Statewide Energy Management

- Promotes energy efficiency and energy cost savings through the State Energy Plan
- Coordinates state's energy purchases
- Provides technical assistance to state agencies

The Office of the State Engineer provides construction project management services to all state agencies. Centralizing this service in one office benefits the state in the following ways by ensuring the procurement and administration of construction services are consistent across the state. By having this work in one centralized office, OSE is able to provide a valuable service to agencies that does not have staff experienced in dealing with the challenges associated with construction. OSE staff also ensures that ethical and fair practices are maintained between the contractor, architects/engineers, and campuses and that state taxpayers are getting the best value for the best price.

### **Fleet & Travel Management**

#### **Responsibilities and Duties**

- Maintains a consolidated fleet of vehicles that can be utilized by all state agencies providing the fueling, maintenance and disposal of those fleet vehicles throughout the state.
- Central vehicle scheduling system for all state agencies.
- Aircraft Travel Scheduling for Employees
- Management of 22 vehicle pool locations across state
- Management/staffing of 24/7 Emergency Service 800 number & office

Through the consolidated fleet operations provided by BOA the huge investment that the state has in its vehicles can be operated and maintained far better than if individual

agencies were to own and operate their own vehicles. This reduces costs and manpower for those agencies. In addition, consistent policies can be adopted and enforced across all agencies and accurate data acquired and maintained on the fleet as a whole and the individual vehicles within the fleet.

### **Conclusion**

While there are a variety of ways in which the functions of BOA could be organized, the reality is that those functions are all necessary to the operation of state government. The current as well as past governors have all come to the conclusion that those functions are best performed by a central entity that avoids the duplication, loss of efficiency, excess cost and ineffective use of manpower that would occur if those functions were performed independently by the various departments and agencies of state government.