PERFORMANCE AUDIT

Department of General Services
October 2011

Justin P. Wilson
Comptroller of the Treasury

State of Tennessee
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Department of Audit
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October 28, 2011

The Honorable Ron Ramsey
Speaker of the Senate
The Honorable Beth Harwell
Speaker of the House of Representatives
The Honorable Bo Watson, Chair
Senate Committee on Government Operations
The Honorable Jim Cobb, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Department of General Services. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated,* the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the department should be continued, restructured, or terminated.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/dww
10-070

State of Tennessee

Audit Highlights

Comptroller of the Treasury — Division of State Audit

Performance Audit

Department of General Services

October 2011

AUDIT OBJECTIVES

The objectives of the audit were to follow up on the October 2008 performance audit findings and review certain issues in the Purchasing Division, the Property Services Management Division, the Motor Vehicle Management Division, the Division of Warehousing and Distribution (formerly the Records Management Division), and the Governor's Office of Diversity Business Enterprise (page 1).

FINDINGS

The Property Services Management Division Has Not Completed Developing and Implementing a System to Track and Prioritize Postponed Maintenance Needs for State Facilities It Manages as Part of Its Facilities Revolving Fund Responsibilities

The extent to which maintenance needs of the facilities in the Facilities Revolving Fund have been delayed has not been effectively documented or tracked. The cumulative effect of deferring maintenance poses a significant problem for the State of Tennessee. The Department of General Services needs a formal system to assess, catalog, and prioritize the ongoing deferred maintenance needs of the state-owned facilities to provide a comfortable, safe, and secure working environment for state employees and their visitors, and protect the State of Tennessee's investments in property assets (page 9).

The Department of General Services' Process for Verifying That Contractors Met Attestation Requirements Regarding the Employment of Illegal Immigrants Does Not Ensure That Attestations Are Timely

State law requires entities contracting with the state to supply goods or services to attest in writing that they will not knowingly use the services of illegal immigrants or use any subcontractor who does. An executive order requires contractors to update their attestations at least semi-annually during the term of the contract. A department review of compliance with this requirement revealed that attestations supplied upon request were signed and dated, but the department could not confirm whether the forms were actually prepared and signed on a semi-annual basis. The department did not check that attestations were signed semi-annually based on the contract start date. Our review revealed that the vast majority of the sampled attestation forms had been signed within a short time of the department's review, rather than a six-month interval from the contract start date (page 13).

The Purchasing Division Failed to Ensure That Annual Conflict-of-Interest Disclosure Statements Were Signed by Its Purchasing Staff in 2010

State law requires that state career service employees who procure goods or services disclose conflicts of interest, or potential conflicts of interest, they or immediate family members may have. While all such staff signed conflict-of-interest disclosure forms for years 2008 and 2009, very few had done so for 2010. Only 5 out of 28 staff had signed disclosure forms during 2010. All five who had signed were newly hired employees. Without ensuring timely, annual conflict-of-interest disclosures by purchasing staff, Purchasing Division management is impeded in its obligation to remind its employees to be aware of actual, potential, and perceived conflicts of interest, as described in state law and the Department of General Services' *Conflict of Interest Policy* (page 21).

OBSERVATIONS AND COMMENTS

The audit also discusses the following issues: outsourcing of records management operations; previous findings related to surplus property; the Governor's Office of Diversity Business Enterprise processes for certifying businesses and establishing purchasing goals for state agencies; the Motor Vehicle Management Division's management of fleet size and costs; resolution of previous findings regarding internal audits and compliance reviews; oversight of elevator maintenance in state buildings; training and certification requirements for purchasing agents; the Purchasing Division's handling of emergency purchases and complaints about vendors; the specification development process; and the monitoring of local government and nonprofit organization purchases from statewide contracts (page 23).

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Department of General Services

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INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Department of General Services was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-233, the Department of General Services is scheduled to terminate June 30, 2012. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agency and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the Department of General Services should be continued, restructured, or terminated.

OBJECTIVES OF THE AUDIT

The objectives of the audit were to

1. assess the extent to which the Purchasing Division allows and encourages local governments and nonprofits to purchase items using statewide contracts in order to increase the state's buying power;

2. evaluate the adequacy of the Purchasing Division's complaint-handling system(s) for handling complaints against vendors;

3. determine whether the Purchasing Division consistently and fairly evaluates the past performance of vendors (through information from complaint-handling systems) as part of the process of selecting qualified vendors and awarding contracts to such vendors;

4. determine the existence of a fair and standardized process implemented by the Purchasing Division to develop specifications for bids to avoid biases in the selection of vendors to award contracts (especially in regard to minority-owned, woman-owned, service-disabled veteran-owned, and small businesses);

5. assess the adequacy of the independence, training, and certification (e.g., negotiator certification) of the Purchasing Division's buying staff;

6. assess the propriety of emergency purchases, including the criteria used;

7. assess the current effects of the creation of the State Procurement Commission by 2010 Public Acts Chapter 1098 on Purchasing Division operations;

8. evaluate how the Property Services Management Division manages maintenance (including determining who is responsible for determining maintenance needs, prioritizing needs, and funding those needs with the highest priority) and the systems used;

9. follow up on the October 2008 performance audit finding that the Purchasing Division's Compliance and Assurance Team agency overview files are poorly organized, making it difficult to follow the audit work performed and issues discovered in regard to agency purchasing practices;

10. determine if there are problems in areas of the Department of General Services' operations regarding Edison, including assessing whether the problems are the result of poor staff training and/or management, or related to software issues;

11. determine whether there is adequate elevator and escalator maintenance by the Property Services Management Division, specifically whether the division verifies that elevator and escalator maintenance requirements are met by contractors;

12. follow up on the October 2008 performance audit finding that the Division of Motor Vehicle Management (MVM) should improve its management of the state's fleet size by more thoroughly assessing and documenting that agency requests to purchase additions to the fleet are the most efficient and effective use of state and federal funds and resources;

13. assess MVM efforts to maintain costs at or below that of private rental companies (including avoiding repair overcharges or excessive costs), while at the same time properly maintaining vehicles;

14. evaluate the department's oversight of the Richards & Richards Records Management Company's contract regarding outsourced records management;

15. follow up on the October 2008 performance audit finding that the Property Utilization Division (now called the Warehousing and Distribution Division) continues to have weaknesses in its inventory monitoring system and database that increase the risk of theft or inappropriate use of surplus property;

16. follow up on the October 2008 performance audit finding that the Office of Internal Audit is inadequately staffed and is not conducting contract audits as frequently as intended by policy to ensure that vendors are complying with their contract and are using state funds appropriately and in a lawful manner;

17. assess whether the Governor's Office of Diversity Business Enterprise (Go-DBE) has a fair and adequate certification process for minority-owned, woman-owned,

service-disabled veteran-owned, and small businesses, including whether state agencies make a fair proportion of procurements from minority-owned, woman-owned, service-disabled veteran-owned, and small businesses, as recommended by Go-DBE;

18. follow up on the October 2008 performance audit finding that although contractors must attest that their companies and subcontractors do not knowingly employ illegal immigrants, the compliance and assurance team is not confirming and documenting that the person signing the attestation has the authority to contractually bind the company; and

19. follow up on the October 2008 performance audit finding that the department is not sufficiently monitoring its own contractors and federal surplus property donees for compliance with Title VI.

SCOPE AND METHODOLOGY OF THE AUDIT

The activities of the Department of General Services were reviewed for the period January 2008 to August 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Methods used included

1. review of applicable legislation and policies and procedures;

2. examination of the entity’s records, reports, and information summaries;

3. interviews with department staff and staff of other state agencies that interact with the agency; and

4. interviews with staff of departments in other states.

ORGANIZATION AND RESPONSIBILITIES

The Department of General Services was created by the General Assembly in 1972 under Section 4-3-1101, *Tennessee Code Annotated*. The department is responsible for coordinating and administering “the state’s purchases, personal properties, printing and motor vehicle facilities, surplus property, postal services and general public works services, and will provide for state agencies all additional support services that are not assigned by law to specific departments.” Department of General Services sections that provide administrative and legal functions include the Office of Financial Management, the Human Resources Office, the Office of General Counsel, and Office of Internal Audit (formerly the Office of Assurance and

Technology Services). Sections of the department that oversee major operational areas are described below.

Governor's Office of Diversity Business Enterprise

The Governor's Office of Diversity Business Enterprise coordinates and directs the state's efforts to help minority-owned, woman-owned, service-disabled veteran-owned, and small businesses to participate in state procurement and contracting opportunities.

Motor Vehicle Management Division

The division is responsible for the acquisition, management, and disposal of state vehicles. It oversees the fleet of vehicles used by state employees on official business, studies the use of state-owned vehicles and equipment, and is responsible for establishing rules and regulations for vehicle usage.

Postal Services Division

The Postal Services Division provides centralized mail services for state agencies in Davidson County, sorting and delivering U.S. Mail and internal messenger mail on a fixed schedule. The division processes U.S. Mail according to U.S. Postal Service rules and regulations. The division also contracts with a private courier for statewide package delivery.

Printing and Media Services Division

The mission of the Printing and Media Services Division is to provide exceptional print media services and products on time and at the lowest possible cost to state agencies. Services provided by the division include offset and digital printing, CD duplication, graphic and web page design, micrographics (scanning documents to microfilm and digital files to reduce storage space), and photography. With the abolishment of the Records Management Division in September 2010, the publications and forms review functions of that division were transferred to the Printing and Media Services Division.

Property Services Management Division

The Division of Property Services Management is responsible for operating and maintaining approximately 165 state-owned buildings and 362 leased buildings, as of September 2010. The operation and maintenance of these buildings is primarily funded through the Facility Revolving Fund.

Purchasing Division

The Purchasing Division provides centralized procurement of goods and services for state agencies (e.g., through the use of statewide contracts). (See the description of the new State Procurement Commission below.)

Warehousing and Distribution Division

Formerly the Property Utilization Division, the Warehousing and Distribution Division has two main responsibilities: to provide centralized warehousing and distribution services to state agencies with limited storage and manpower and to redistribute state and federal property to other state agencies, local government, and eligible nonprofit programs. In addition, with the abolishment of the Records Management Division, that division's records management operations and records disposition authorization functions have been transferred to the Warehousing and Distribution Division.

State Procurement Commission

Public Chapter 1098, passed by the General Assembly in 2010, reorganized the way the State of Tennessee procures goods and services through the creation of four new interrelated entities: the State Procurement Commission, the State Procurement Office, the State Protest Committee, and the Advisory Council on State Procurement. Public Chapter 295, passed in 2011, delayed implementation of some of the new law's requirements. Since implementation was delayed, we can only report on the steps taken to implement the law.

The State Procurement Commission, created by Section 4-56-102, *Tennessee Code Annotated*, must be operational by April 1, 2012. Commission membership consists of the Commissioners of General Services and Finance and Administration and the Comptroller of the Treasury, and the Chief Procurement Officer of the newly created State Procurement Office serves as a nonvoting member. The commission replaces the Board of Standards in the area of public purchases. Among the commission's duties are reviewing, commenting, and approving "draft rules and regulations, policies, standards, and procedures" pertaining to the procurement of goods and services, as required by Section 4-56-102. Section 4-56-102 also requires the commission to

> make recommendations for changes thereto, governing procurement of goods and services, contracting, agency contract and grant management, training and professional development, and disposal of goods and services by the state.

However, the commission "shall not exercise authority over the award or administration of any particular contract or grant." The Attorney General serves as legal counsel to the commission.

Section 4-56-104, *Tennessee Code Annotated*, created the State Procurement Office, which is headed by the Chief Procurement Officer, who is appointed by the Governor. The Governor appointed the Chief Procurement Officer in June 2011, stating that the Procurement Office will be managed by the Department of General Services. The Chief Procurement Officer must have the skills to manage the office and be qualified "by training and relevant and recent experience in large scale public procurement of goods and services, establishment of contracts, contract oversight, providing training and contract administration" and must be able to "encourage and enhance economic opportunities for small businesses and minority-owned businesses."

The Chief Procurement Officer has several duties required by Section 4-56-105, *Tennessee Code Annotated*, including establishing

- a single public Internet procurement website by January 1, 2012, that includes how to do business with the state, registration for bidders, posting of all procurements in process and related status to award, and a database of established contracts by state agencies, departments, and institutions;

- a central procurement process with opportunities for strategic sourcing, and a central contract management process;

- a central grant management process that will assist agencies in identifying grant opportunities and provide for a central database of information regarding grant recipients and subrecipients for monitoring purposes;

- a central performance and quality assurance process that will assist agencies in identifying risk areas and recommending contract performance and management best practices;

- a central bidder relations management process to include a central bidder registration database and program for conducting business with the state, which provides bidders and vendors with training and assistance with technical matters, procurement notification, contract and grant awards, and conducting business with the state;

- a central process for the disposal of goods; and

- a training program for State Procurement Office and agency procurement staff to promote procurement excellence, either independently or in cooperation with other state governments, municipalities, or other units of local government, or other persons that fosters professional development and certification.

Section 4-56-104, *Tennessee Code Annotated*, authorizes the transfer to the State Procurement Office necessary Department of General Services personnel involved in the procurement of goods and necessary Department of Finance and Administration staff involved in the procurement of services required by the Chief Procurement Officer to perform his or her duties. In addition,

> All contracts and contract rights and responsibilities, and renewals for such contracts, in existence with the department of general services and the department of finance and administration with respect to the duties transferred by this act shall be preserved and transferred to the procurement office.

The State Protest Committee, created by Section 4-56-103, *Tennessee Code Annotated*, "is authorized to act on any appeal of the chief procurement officer's decision of a protest" concerning a procurement. The committee's membership consists of the Commissioners of General Services and Finance and Administration, and the Treasurer. Section 4-56-103 requires a vendor to submit a protest in writing to the committee "within seven (7) days from the date of the chief procurement officer’s final determination or within seven (7) days following the chief procurement officer’s failure to resolve the protest within sixty (60) days of receipt of the protest.”

Section 4-56-106, *Tennessee Code Annotated*, created the Advisory Council on State Procurement. The council has five voting members and seven non-voting members representing “the proposer and vendor community and other procurement professionals.” The council’s five voting members are

> one (1) representative of state agencies appointed by the Commissioner of General Services, one (1) representative from the Department of General Services to be appointed by the Commissioner of General Services, one (1) representative from the Department of Finance and Administration to be appointed by the Commissioner of Finance and Administration, one (1) representative from the office of the comptroller of the treasury to be appointed by the comptroller of the treasury, and the chief procurement officer who shall serve as chair.

Section 4-56-106 gives the Advisory Council on State Procurement several roles, including

- meeting at least twice each year for the discussion of problems and recommendations for improvement of the procurement process or any other matter relevant to procurement as determined by the Chief Procurement Officer;
- reviewing and issuing formal comments on procurement policies, standards, guidelines, and procedures established by the Chief Procurement Officer prior to being presented for approval by the State Procurement Commission;
- when requested by the Chief Procurement Officer, conducting studies, research, analyses, and making reports and recommendations with respect to subjects or matters within the authority and duties of the Chief Procurement Officer;
- making recommendations to the Governor, General Assembly, Fiscal Review Committee, Commissioner of General Services, Commissioner of Finance and Administration, and Comptroller of the Treasury relating to the enactment or promulgation of laws or rules that affect procurement;
- making recommendations to the Commissioners of General Services and Finance and Administration regarding the method and form of statistical data collections; and
- monitoring the performance of the Chief Procurement Office in the implementation of legislative directives.

REVENUES AND EXPENDITURES

Statement of Revenues and Expenditures
Revenues by Source
For the Fiscal Year Ending June 30, 2010

Source	Amount	Percent of Total
State	$6,069,900	8%
Federal	0	0%
Other*	74,226,500	92%
Total Revenue	**$80,296,400**	100%

*Billings to other state agencies.
Source: The Budget, Fiscal Year 2011-2012.

Statement of Revenues and Expenditures
Expenditure by Account
For the Fiscal Year Ending June 30, 2010

Account	Amount	Percent of Total
Administration	$4,925,200	6%
Office of Information Technology Services	1,376,600	2%
Motor Vehicle Management	27,902,200	35%
Property Management	11,180,000	14%
Postal Services	21,809,500	27%
Printing and Media Services	3,795,800	5%
Purchasing	4,160,900	5%
Warehousing and Distribution	5,146,200	6%
Total Expenditures	**$80,296,400**	100%

Source: The Budget, Fiscal Year 2011-2012.

FINDINGS AND RECOMMENDATIONS

1. The Property Services Management Division has not completed developing and implementing a system to track and prioritize postponed maintenance needs for state facilities it manages as part of its Facilities Revolving Fund responsibilities

Finding

Section 4-3-1105, *Tennessee Code Annotated*, requires that the Department of General Services supervise "the maintenance of public buildings, including the state capitol and capitol annexes, and of the capitol grounds, and the supplying of furniture and fixtures to these buildings." Section 4-3-1104 created the department's Property Services Division, whose formal mission is

> to efficiently and effectively operate, manage, and maintain all facilities assigned to the State's Facilities Revolving Fund in a manner that will ensure a comfortable, safe, and secure working environment for State occupants and their visitors and protect the State's investments in property assets.

The Facilities Revolving Fund was established in 1988 to provide efficient management of the state office and warehousing facilities. The fund is administered by the Commissioner of Finance and Administration, but daily operations of the fund are jointly managed by the Department of General Services and the Department of Finance and Administration. State agencies are charged a fair market rate for the space they occupy, and these revenues, along with any necessary current services revenue and reserve funds, constitute the operating funds of the Facilities Revolving Fund. The Property Management Services Division was responsible for operating and maintaining approximately 165 state-owned buildings and 362 leased buildings, as of September 2010.

Because of the potentially high related costs and safety issues, we were interested in determining the extent of the Property Services Management Division's efforts to estimate and prioritize delayed maintenance, especially regarding state-owned buildings. For example, in calendar year 2011, windows fell off the James K. Polk Office Building, threatening the safety of both pedestrians on the streets below and the building's occupants. An assessment of possible window damage after extreme events, including the 1998 tornado in downtown Nashville, could have prevented the problem. The Federal Facilities Council (part of the National Research Council), in its report *Deferred Maintenance Reporting for Federal Facilities*, stated that deferred maintenance, which is maintenance "not performed when it should have been or was scheduled to be," could "in the short term, diminish the quality of services and, in the long term, lead to shortened facility life and reduced asset value," resulting in higher repair or replacement costs. The Property Services Management Division Director provided the following definition of deferred maintenance:

Deferred maintenance is defined as the upkeep of buildings and equipment postponed from an entity's normal operating budget cycle due to a lack of funds. Accumulated deferred maintenance results primarily from two causes. Under funding of routine maintenance is one cause of neglect that allows minor repair work to evolve into more serious conditions. The problem is further compounded by choices made during austere financial times when routine maintenance is often deferred in order to meet more pressing fiscal requirements. Another cause is the failure to take care of major repair and/or restore facilities or building components that have reached the end of their useful life.

Division management also offered the following steps as part of an effective program to reduce the backlog of deferred maintenance:

- identify why projects, maintenance, and repairs have been deferred;
- recognize and understand the scale of the problem;
- quantify and communicate the financial impact of deferred maintenance;
- prioritize projects and develop a strategy to secure adequate funding; and
- conduct preventive maintenance and complete repairs promptly to avoid backlog redevelopment.

However, Property Services Division management stated that the extent to which maintenance needs of the facilities in the Facilities Revolving Fund have been delayed has not been effectively documented or tracked. Management said that lack of tracking has been a longstanding issue and that the cumulative effect of deferring maintenance poses a significant problem for the State of Tennessee. In July 2010, the division took steps to create a log to track active maintenance requests that are to be paid through the Facilities Revolving Fund. (See Table 1 for the March 2011 log.) Division management stated that prior to that date, no systematic effort was made to track these projects. Management said that information was lost in the transition from one director to another prior to the creation of the log. The current Property Services Management Division Director stated that his division plans to add a request in future budget negotiations to fund a "Complete Assessment of All State Buildings" to determine the extent of the deferred maintenance backlog. (See below for a discussion of the 2012 Appropriations Bill.)

Table 1
Property Services Management Division
Active Maintenance Project List
March 2011

Project #	Building	Project	Approved Amount	Invoice Amount	Status
1101	SW TN Reg Health	Install AHU controls	$10,000.00	$9,810.00	Complete
1102	Donnelley J. Hill	Repair Boiler #2	$0.00	$0.00	Cancel-Completed
1103	TN Hwy Patrol	Replace Heat Pump	$15,000.00	$14,952.17	Complete
1104	TPS Hardison Complex	Install new Drain Line	$11,106.00	$9,004.07	Complete
1105	LWD Bristol	Replace 2 Heat Pumps	$21,000.00	$20,687.30	Complete pay pending
1106	Library & Archives	Repair Storm Drain Line	$13,434.00		Approved 8/3/10
1107	Citizen's Plaza	Construct Wall for Vending	$4,917.00		Complete pay pending
1108	Library & Archives	Repair drains from roof to subterrain	$31,435.00		Approved 8/17/10
1109	TBI	Rebuild Condenser Water Pump	$22,451.00	$22,497.35	Scheduled to pay 1/19
1110	Capitol Grounds	Repair Hillside Sinkhole	$24,500.00		Weather Delay
1111	THP Annex-JC	Replace HVAC System	$8,000.00	$8,000.50	Complete
1112	South Central Reg Health	Replace Storefront Door & Windows	$40,840.00		Approved 8/23/10
1113	Donnelley J. Hill	Repair all Overhead Doors	$7,840.00	$7,754.00	Complete
1114	Donnelley J. Hill	Repair Revolving & Handicap Doors	$12,043.00	$12,043.00	Complete
1115	LWD Newport	Replace 2 Heat Pumps	$17,000.00	$16,035.00	Complete pay pending
1116	Donnelley J. Hill	Test on Boiler Tubes	$49,992.00		Complete pay pending
1117	John Sevier	Replace 2 Hot Water Heat Exchangers	$15,440.00		Complete pay pending
1118	THP 6348 Summer	Door Repairs	$5,850.00	$5,850.00	Complete
1119	Cordell Hull	Repair Hydraulic Dock Lift	$5,810.00		Complete
1120	Citizen's Plaza	Repair Walls in Rest Rooms	$5,533.00		Complete pay pending
1121	Ellington Resources Bldg	Condenser & Split System	$6,114.00		Complete pay pending
1122	Andrew Jackson	Install Cast Iron Pipes & Fittings	$10,174.00	$4,337.92	Complete
1123	Legislative Plaza	Replace Parking Barriers	$4,725.00	$4,725.00	Complete
1124	THP Hdqtrs-Fall Branch	Cooling Tower Replacement	$42,970.00		Complete pay pending
1125	TN Tower	Security Consolidation-Phase 1	$23,697.00		Approved 11/4/10
1126	THP Hdqtrs-Cookeville	Replace AC Unit	$19,976.00		Complete pay pending
1127	THP Hdqtrs-Cookeville	Replace Roof	$60,981.00		Approved 11/29/10
1128	Safety/DL Millington	Waterproofing Exterior Walls	$7,655.00		Approved 11/30/10
1129	Citizen's Plaza	Elevator Call Buttons	$6,800.00		Approved 12/1/10
1130	TPS Menzler-Nix Bldg	Replace 2 HVAC Units	$11,688.00		Approved 12/8/10
1131	Donnelley J. Hill	Waterproofing Exterior Walls	$9,915.00		Approved 12/22/10
1132	Piedmont Gas Bldg	Install Security System	$42,362.51		Approved 12/23/10
1133	TPS Hardison Complex	Window Replacement	$70,100.00		Approved 1/4/11
1134	Davy Crockett Tower	Replace Boiler	$51,821.00		Approved 1/5/11
1135	TPS McCord Hall	Replace Carpet	$74,980.00		Approved 1/11/11
1136	Andrew Jackson	Corner Leak-8th Floor	$12,000.00		Approved 1/12/11
1137	NETN Regional Health	Restoration of building exterior	$49,251.00		Approved 1/18/11
	Legislative Plaza	Replace Controls & Dampers for garage	$50,241.71		Pending 12/14/10
	TPS Hardison Complex	Replace Pneumatic Controls	$48,000.00		Pending 12/21/10
	NETN Regional Health	Upgrade Fire Alarm Console & System	$32,756.00		Pending 1/18/11
		Total Assigned Projects	$958,398.02	$135,696.31	
		Carryovers	$171,278.83	$138,779.38	
		Total for Fiscal Year	$1,129,676.85	$274,475.69	
		Remaining Funds*	$570,323.15		

* Available funds remaining for the fiscal year.
Source: Department of General Services.

Division management asserted that the Facilities Revolving Fund provides inadequate funding for major maintenance, despite the lack of data on the current maintenance shortfall. As part of its Facilities Revolving Fund responsibilities, the division is responsible for approving and monitoring expenditures in Allotment Codes 501.01 and 501.02. Allotment Code 501.01 is for Operational Maintenance and had a budget of $54,502,400 for fiscal year 2010. Contracts for janitorial and security services are funded through this allotment. Allotment Code 501.02 is for Project Maintenance and had a budget of $489,500 for fiscal year 2010 (however, *The Budget, Fiscal Year 2011-2012,* has an estimated budget of $1,700,000 for fiscal year 2011 and a base budget of $2,400,000 for fiscal year 2012 for Allotment Code 501.02). Items such as painting walls, repairing doors, and stopping leaks are funded through this allotment. However, without information on the extent of the deferred maintenance backlog, the Department of General Services may find it difficult to document the extent of increased funding needed for maintenance.

The General Assembly, as part of the fiscal year 2012 Appropriations Bill, approved funding for a comprehensive statewide capital improvements master plan including facilities assessments. The bill allocates $1,000,000 for the plan (a non-recurring appropriation of $500,000 to the Department of Finance and Administration and $500,000 from the Facilities Revolving Fund). According to the bill,

> the Commissioner of Finance and Administration, in consultation with a task force that he shall appoint, [should] develop a comprehensive, statewide capital improvements master plan that encompasses the needs of state facilities and programs throughout Tennessee, including facilities managed in the state office buildings and support facilities revolving fund, other state facilities and properties, and the facilities and properties of the University of Tennessee and the State University and Community College System.

Subsequent to the conclusion of fieldwork, the Department of General Services provided auditors with a report entitled *Facilities Status Report: Overview of Facilities Revolving Fund State Owned Facilities as Managed by Property Services Management.* Department management stated that this report was initiated in January 2011 in an effort to get a handle on the deferred maintenance expenses of the state. This report appears to describe major deferred capital maintenance issues and does provide information to help prioritize deferred maintenance, once the department develops and implements a system to prioritize such maintenance. However, the report does not provide documentation of efforts being made within the Division of Property Services Maintenance to track day-to-day maintenance requests received by the division and reasons why some requested work may be delayed or deferred.

Recommendation

The Department of General Services needs to develop and implement a formal system to assess, catalog, and prioritize the ongoing maintenance needs of the state-owned facilities (both completed and deferred) to provide a comfortable, safe, and secure working environment for state employees and their visitors, and protect the State of Tennessee’s investments in property assets. The department should develop this system in cooperation with the Commissioner of Finance and Administration's task force for development of a comprehensive, statewide capital improvements master plan.

Actions to develop the system should include steps noted by Property Services Management Division management, such as identifying why maintenance work has been delayed and advising state officials and the public on the scale of the problem. Such advice should include the financial impact of delayed maintenance; the need for adequate, recurring funding; the need for prioritization of maintenance projects so that the Property Services Management Division can meet the most urgent maintenance problems first; and adequate preventive maintenance to prevent problems from increasing in number and getting worse (and thus more costly to resolve).

Management's Comment

We concur in part. At the time fieldwork was completed for the performance audit, the Department of General Services was in the process of implementing several changes to identify and address the deferred maintenance items in each state facility. As a result, the General Assembly approved funding for a comprehensive statewide capital improvement master plan. The RFP, assembled by a team within the Department of General Services, was deployed October 19, 2011, to begin the selection process for the vendor. The results of the formal assessment are due to be reported as a deliverable by the successful bidder to the State Building Commission during the November 2012 meeting. In addition, the Property Services Management Division (Department of General Services) and the Real Property Administration Division (previously within the Department of Finance and Administration) have been combined into one division to work together in identifying, tracking, and prioritizing all building maintenance issues. A facility management software package, Archibus, will be utilized to facilitate the tracking of all maintenance work (routine, preventive, and deferred).

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2. The Department of General Services' process for verifying that contractors met attestation requirements regarding the employment of illegal immigrants does not ensure that attestations are timely

Finding

Both Executive Order 41, signed in September 2006, and Section 12-4-124, *Tennessee Code Annotated*, require entities contracting with the state to supply goods or services to attest in writing that they will not knowingly utilize the services of illegal immigrants or utilize any subcontractor who does. According to Section 12-4-124,

> no person may enter into a contract to supply goods or services to the state or other state entities without first attesting in writing that the person will not knowingly utilize the services of illegal immigrants in the performance of the contract, and will not knowingly utilize the services of any subcontractor who will utilize the services of illegal immigrants in the performance of the contract.

Section 12-4-124 authorizes the Commissioner of the Department of Finance and Administration (F&A) to develop rules and regulations to ensure that contracts comply with the provisions of this statute. Executive Order 41 requires "contractors to update such attestations at least semi-annually during the term of the contract." F&A's Office of Audit and Consulting published "A Guide for Agency Contract Managers and Service Coordinators" with instructions to assist state agencies in implementing provisions of Section 12-4-124; the guide describes annual testing by the office of random samples of contracts to evaluate compliance with the statute. The Department of General Services' contracts have terms and conditions that incorporate requirements for contractor attestations, as described in the guide.

The October 2008 performance audit of the Department of General Services found that the department was not confirming and documenting that the person signing the attestation for a contractor regarding the employment of illegal aliens had the authority to contractually bind the company. This issue has been resolved through redesign of the attestation form requiring the individual signing the form to verify that he or she does have such authority. However, we determined during our evaluation of two reviews the department conducted in 2010 to confirm such attestations that, although contractors submitted attestations as requested, the dates the forms were signed revealed that most contractors did not fully comply with the attestation section of their contract terms and conditions. In addition, the review process is hindered by problems with Edison system data and the need for more specific policies and procedures.

<u>Attestation</u>

Contractors are bound to the attestation requirement regarding the employment of illegal aliens in three ways: the invitation-to-bid process, standard terms and conditions of contracts, and the attestation form. According to the *Solicitations Standard Terms and Conditions* contained on the Purchasing Division's website,

> By authorized signature on this Invitation to Bid the contractor constitutes signing the Attestation Form for the initial six (6) months of the contract period. By authorized signature on this Invitation to Bid, if contractor has a subcontract(s) approved under this contract, contractor affirms that it has obtained a signed Attestation Form from such subcontractor(s). The contractor and its subcontractors, if any, shall be required to sign Attestation Forms on a semi-annual basis from the start date of the contract period through to its completion date.

To comply with the attestation requirements of Section 12-4-124, *Tennessee Code Annotated*, and F&A's "A Guide for Agency Contract Managers and Service Coordinators," the Department of General Services incorporates a section titled "Prohibition of Illegal Immigrants" in the standard terms and conditions of each contract. (See Table 2 for the complete contract language.) Parts A and B of this contract section instruct contractors to attest to compliance semi-annually during the contract term and to obtain such attestations from subcontractors. The contractor keeps the signed attestation forms as part of the permanent contract records and makes them available to the Department of General Services upon request.

Part C of the Standard Terms and Conditions of each contract requires each contractor to maintain records of all personnel used for each contract and make those lists available to the state upon request. According to "A Guide for Agency Contract Managers and Service Coordinators," these lists are used by the Office of Audit and Consulting when it conducts random annual checks of the Department of General Services' compliance with the attestation requirement for its contractors. Part D of the standard terms and conditions sets out the sanctions for noncompliance, which include the Commissioner of the Department of Finance and Administration banning from contracting or submitting bids for one year anyone who knowingly utilizes illegal immigrants.

Contractors with active contracts can obtain the attestation form (titled "Attestation Regarding Personnel Used in Contract Performance") from the department's website. (See Exhibit 1.) At each six-month interval during the contract, the contractor is required to print, sign, and date the attestation and file it with contract records. Among other things, the person signing the attestation on behalf of the contractor is to "certify, warrant and assure" that he or she is "empowered to contractually bind the Contractor" to the attestation because the person is a principal or officer of the company.

Attestation Compliance Reviews

The Procurement Compliance Unit, located in the Department of General Services' Office of Internal Audit (formerly the Office of Assurance and Technology Services), has developed policies and procedures for conducting semi-annual reviews (in April and October) of contractor compliance with the attestation requirements. Using the Purchasing Division's active contract module in the Edison system, a random sample of 5 percent of active contracts is chosen for the review. Each contractor in the sample is notified by letter that the most recent semi-annual attestation should be submitted to the Procurement Compliance Unit by a specified date.

Table 2
Contract Section
Standard Terms and Conditions

Prohibition of Illegal Immigrants
The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of the Contract, a breach of which shall be grounds for monetary and other penalties up to and including termination of this Contract.
a) The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment ___, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.
b) Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.
c) The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
d) The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
e) For purposes of this Contract, “illegal immigrant” shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.

Source: Department of General Services.

State of Tennessee
Department of General Services
Purchasing Division
665 Mainstream Drive
Nashville, TN 37243
Phone: 615-741-1035 Fax: 615-741-0684

Attestation Regarding Personnel Used in Contract Performance

Company Name: **Company Mailing Address:**	**Contract No:** **Buyer:**

Edison Vendor ID Number: ______________________________

Company Contact Name: ______________________________

Telephone Number of Contact: ______________________________

Company Email Address: ______________________________

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.

Affirmation: The Contractor acknowledges by signature that all information stated above is true and accurate and is no way misleading.
Authorized Signatory: I, ______________________________ (***print name***), as a Principal or Officer of the Company, do certify, warrant and assure that I am empowered to contractually bind the Contractor.

______________________________ ________________
Officer's Signature Date

____
Title of Signatory

GS-1078 (Rev. 10-10)

According to Procurement Compliance Unit management, the next step in the review process is comparing the date each attestation is signed to the contract start date to determine contractor compliance to the semi-annual term. However, the Edison computer system's purchasing module does not have accurate start dates for all contracts. This is a result of problems with imported contract data from computer systems prior to Edison. In addition, the policies and procedures' attestation process steps do not specifically state that the date the attestation is signed will be compared to the contract start date by unit reviewers.

The Procurement Compliance Unit completed two illegal immigrant attestation reviews in 2010. The results of both reviews were the same: although "all sampled contractors were compliant with TCA 12-4-124" and all "attestations supplied upon request were signed and dated," the Office of Internal Audit "could not confirm that the forms were actually prepared and signed on a semi-annual basis."

The Department of General Services and its Procurement Compliance Unit do not conduct any field monitoring related to the illegal immigrant attestations. As noted above, F&A's Office of Audit and Consulting conducts random checks of contractor compliance. From fiscal year ended June 30, 2007, to fiscal year ended June 30, 2011, F&A reviewed 100 Department of General Services contracts. (See Table 3.) As of March 2011, F&A found that none of those contractors were using illegal immigrants; however, 11 contracts had other issues (e.g., the contractor not being registered with Department of Labor and Workforce Development for payment of unemployment premiums, or the contractor not reporting employees with missing, duplicate, or invalid Social Security numbers). As part of these random checks, the Department of Labor and Workforce Development compares the list of contractor employees obtained from the contractor with state databases to determine any discrepancies. That department has the authority to enforce laws regarding non-employment of illegal immigrants, upon receiving complaints from state or local government agencies. Section 50-1-103, *Tennessee Code Annotated*, gives the department the authority to suspend for up to a year the business licenses of contractors knowingly hiring illegal aliens.

Table 3
Department of General Services Contracts
Reviewed for Illegal Immigration Attestation Compliance by
The Office of Audit and Consulting Services, Department of Finance and Administration
As of March 2011

Fiscal Year	Contract Sample	Found Using Illegal Immigrants	Other Labor Reporting Issues*	Labor Results Reported to the Department of General Services by F&A
2007	13	0	4	Yes
2008	13	0	3	Yes
2009	16	0	4	Yes
2010	28	Pending Completion of Labor Results	Pending Completion of Labor Results	
2011	30	Process Incomplete	Process Incomplete	
Total	100	0	11	

* Contractors not registered or paying unemployment insurance premiums; contractors not reporting employees to the Department of Labor and Workforce Development with missing, duplicate, or invalid Social Security numbers. "Labor" in this table refers to that department.
Source: Office of Audit and Consulting Services, Department of Finance and Administration.

Our Analysis of Department of General Services Attestation Reviews Found Evidence, in Spite of Edison System Issues, Suggesting Further Review of Contracts Is Needed

We reviewed the documentation for the April and October 2010 attestation reviews conducted by the Procurement Compliance Unit. As required by policy, the unit in both reviews evaluated 5 percent of active contracts. Because of the Edison contract start date problems as described above, the Procurement Compliance Unit accepted all signed attestations submitted by the contractors as being in compliance with attestation requirements. Management said that when the Edison purchasing module reaches an anniversary date of two years or more, the contract start dates should be correct. At that point, the reviewer will compare start dates to attestation dates. For the 2010 reviews, management said it would have been too time-consuming to try to determine if the contract start dates were correct; therefore, attestations were accepted as submitted.

Despite these data limitations, we decided to assess, based on the available documentation, whether attestations were submitted in a timely manner for the samples of contracts reviewed by the Procurement Unit in 2010. (See Table 4.) It appears there are serious problems regarding the timely submission of attestations by contractors.

Table 4
Attestations Signed at the Appropriate Time
Division of State Audit Review
Calendar Year 2010

Attestation Review Date	Sample Contracts With Attestations	Attestations Signed at the Appropriate Time*	Percent of Attestations Signed at the Appropriate Time
April 2010	74	15	20%
October 2010	78	14	18%
Both reviews	152	29	19%

* Attestations must be signed every six months after the contract start date. Attestations in this column were signed on time during the last six-month interval.
Source: Department of General Services.

The vast majority of the attestation forms submitted had been signed within a short time before the unit's review, rather than a six-month interval from the contract start date. We found that 151 of the 152 contracts evaluated during both reviews had been signed within two months of the review date rather than signed on dates throughout the year. (See Table 5.)

Table 5
Attestations Signed Within Two Months of Review Date
Division of State Audit Review
Calendar Year 2010

Attestation Review Date	Number in Sample of Contracts Tested	Sample Contracts With Attestations	Attestations Signed Within Two Months of Review Date	Percent of Attestations Signed Within Two Months of Review Date
April 2010	75	74*	73	99%
October 2010	79	78**	78	100%
Both reviews	154	152	151	99%

* A contract was scheduled to expire in April and thus was not reviewed.
** The contractor for one contract was no longer in business.
Source: Department of General Services.

Contractors should know the contract start date, and regardless of the date of the department's notification to submit attestations, should have been signing forms at six-month intervals to meet the requirements of both Executive Order 41 and Section 12-4-124, *Tennessee Code Annotated*. The high number of forms signed in close proximity to the month of the notification letter and review indicates that contractors are not following attestation guidelines in their contracts. The department should ensure that contractors are following guidelines by providing more guidance and training.

Recommendation

The department should provide additional information and training to contractors about the need to meet the requirements of Executive Order 41 and Section 12-4-124, *Tennessee Code Annotated*, regarding the signing of semi-annual attestations regarding not knowingly using the services of illegal immigrants or using any subcontractor who does. The Procurement Compliance Unit should perform evaluations similar to those we performed to determine whether contractors sign such attestations in a timely manner. Until the Procurement Compliance Unit is sure that contract information in Edison is correct, the unit should use information from original contracts. The Procurement Compliance Unit should revise its policies and procedures for attestation reviews to incorporate a step requiring the comparison of contract start dates to the dates on attestations.

Management's Comment

We concur. The new Central Procurement Office within the department is currently in the process of reviewing all policies and procedures. The Central Procurement Office is working in connection with the Office of Information Technology to address needed changes concurrently.

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3. The Purchasing Division failed to ensure that annual conflict-of-interest disclosure statements were signed by its purchasing staff in 2010

Finding

Section 12-3-101, *Tennessee Code Annotated*, gives the Department of General Services' Purchasing Division the responsibility for the centralized procurement of goods and services for state agencies in Tennessee. Section 8-50-506 requires that state career service employees (executive branch employees who are not senior management) who procure goods or services disclose conflicts of interests, or potential conflicts of interest, they or immediate family members may have, as defined by state law or departmental policy. Disclosure of a conflict of interest, or potential conflict of interest, is only required if the financial interest is greater than $5,000. Section 12-3-106 does not allow Department of General Services employees (or any other state employees, for that matter) to

> accept or receive, directly or indirectly, from any person, firm or corporation to whom any contract for the purchase of materials, supplies, or equipment for the

> state of Tennessee may be awarded, by rebate, gifts, or otherwise, any money or anything of value whatsoever, or any promise, obligation, or contract for future rewards or compensation.

The Department of General Services' *Conflict of Interest Policy* requires all department employees to make "prior to employment with the Department, and on or before May 1st each calendar year" conflict of interest disclosures. Executive service employees (i.e., senior management) "should disclose all conflicts, regardless of the monetary value of such conflict." The policy defines a conflict of interest as

> whenever a Department employee is placed in a position where, for some advantage gained or to be gained personally, the employee finds it difficult if not impossible to devote him/herself with complete energy, loyalty and singleness of purpose to the best interest of the general public.

We reviewed personnel files of Division of Purchasing staff directly involved in purchasing (e.g., purchasing agents and their supervisors) to determine if all such staff had signed conflict-of-interest disclosure forms for calendar years 2008, 2009, and 2010. While all such staff signed forms for years 2008 and 2009, very few had done so for 2010. Only 5 out of 28 staff had signed disclosure forms during 2010. All five who had signed the forms were newly hired employees. The department's Office of Human Resources staff acknowledged that 2010 disclosures were not signed because of this staff's "tremendous workload" during that calendar year. Without ensuring timely, annual conflict-of-interest disclosures by purchasing staff, Purchasing Division management is impeded in its obligation to remind its employees to be aware of actual, potential, and perceived conflicts of interest, as described in state law and the Department of General Services' *Conflict of Interest Policy*.

Recommendation

The Internal Audit Director should regularly monitor efforts of both the Office of Human Resources and the Purchasing Division management to ensure that all Division of Purchasing staff sign timely, annual conflict-of-interest disclosure statements, as required by Section 8-50-506, *Tennessee Code Annotated*, and the Department of General Services' *Conflict of Interest Policy*.

Management's Comment

We concur. Effective May 25, 2011, the Purchasing Division implemented an updated disclosure statement that addresses both confidentiality and conflict of interest policies.

OBSERVATIONS AND COMMENTS

The topics discussed below did not warrant a finding but are included in this report because of their potential effect on the operations of the Department of General Services.

DIVISION OF WAREHOUSING AND DISTRIBUTION

Controls Over Outsourced Records Management Operations Appear Adequate

In July 2010, the Department of General Services contracted with Richards & Richards Office Records Management, Inc., for the transport, storage, and management of state records. This contract was part of the department's records recovery process after the May 2010 flood that damaged records in the state's main storage facility located on Cowan Street in downtown Nashville. The department also reorganized its records management operations, transferring the functions of the Records Management Division to the Division of Warehousing and Distribution. The Records Management Division had a staff of 12, as of June 2010.

As the primary records management agency for the state, the Department of General Services is responsible for the maintenance, retention, preservation, and disposal of state records. Section 10-7-301, *Tennessee Code Annotated*, states that records management includes establishing a records retention and disposal schedule, a records protection policy, and a file management and retrieval system to "reduce costs and improve efficiency of recordkeeping." The *Records Management Policy and Procedures* manual and the *Statewide Records Disposition Authorization* policy are available to state agencies on the intranet. Section 10-7-304, *Tennessee Code Annotated*, requires that each agency appoint a records officer responsible for implementing the records management process for that agency (the Department of General Services provides an online appointment form). One of the records officer's duties is appearing before the Public Records Commission to present the agency's requests for disposition of records.

<u>Public Records Commission</u>

Section 10-7-302, *Tennessee Code Annotated*, created the Public Records Commission with the duty to "determine and order proper disposition of state records." Commission members are the Treasurer, the Comptroller of the Treasury, the Secretary of State, the Director of Legal Services for the General Assembly, and the Commissioner of the Department of General Services. The Secretary of State is the commission's chair. Sections 10-7-302 and 10-7-303, *Tennessee Code Annotated*, authorize the Public Records Commission to determine and approve the requests for disposition of state records.

Aftermath of the May 2010 Flood

After the May 2010 flood and the resulting damage to stored records, the Department of General Services consulted with the Public Records Commission, including the Secretary of State, prior to the decision to outsource its records management storage operations. A department team, including a designee of the Secretary of State, toured Richards & Richards' facility prior to final approval of the contract.

The Secretary of State's designee for reviewing the records affected by the flood was the Assistant Director of the office's Publication Division. General Services appointed its Records Management Consultant to review records with the Assistant Director. During this review, as damaged records were inventoried after the flood, it became apparent that the Records Management Division's handling of records was disorganized. For example, the division could not match all records to the correct agency and incorrectly designated Supreme Court records for destruction (some involving ongoing appeals) that should not have been destroyed (the mistake was caught in time). Division management and staff could not provide adequate explanations of discrepancies. Business processes needed to be revised, division staff were poorly trained, operations staff were not cross-trained to do others' jobs, and records had not been destroyed in five years. Because problems were identified with records management software, processes, and determination of records to be destroyed or recovered, the commissioner, the Public Records Commission, and the Secretary of State were in favor of outsourcing the records management function.

Authority for the Outsourcing

The Commissioner of the Department of Finance and Administration (F&A) is authorized by Section 12-4-109, *Tennessee Code Annotated*, to purchase services for any department "to meet emergencies arising from unforeseen cause, including, but not limited to . . . acts of God." This authority can be delegated to another department when that department provides information on the emergency and details of the purchase in writing to F&A. Following this procedure, the Department of General Services, in June 2010, provided a written memo and a non-competitive emergency contract request for F&A approval. The memo and request describe the flood damage to the state's records stored in the Cowan Street location and to the building where they were housed and state that the flood "has caused an emergency situation" requiring immediate transport of the records to a warehouse to prevent any further damage. The request was for a 12-month contract to permit time to evaluate records management outsourcing and to develop and award a Request for Proposal for bids for a contract for long-term storage. The memo also states that no other state warehouses were available for storage.

According to the department's Internal Audit Director, department management also relied on Section 10-7-301, *Tennessee Code Annotated*, to outsource record storage. Section 10-7-301 defines records management as the "application of management techniques to the creation, utilization, maintenance, retention, preservation, and disposal of records in order to reduce costs and improve efficiency of recordkeeping."

Contract Requirements and Resulting Reorganization of Records Management

The Department of General Services' July 2010 contract with Richards & Richards Office Records Management, Inc., includes the following requirements:

- locating a storage facility that is **not in an area** where there is a high potential for damage from fire, weather, or where there is excessive crime;
- transporting records at prearranged times and dates;
- maintaining records in a facility where there are temperature and moisture controlled rooms, and where records are off the floor unless in waterproof containers;
- equipping the storage facility with a secure and efficient locking system;
- having contractor employees bonded;
- requiring receipts and signatures for storage and movement of records;
- implementing a barcode tracking system; and
- making on-site shredding available.

Agencies are responsible for preparing records for storage by using archive boxes provided by the department and using the Richards & Richards inventory database to generate labels and schedule box pickup and retrieval. Only state employees can retrieve boxes, and only with prior approval of the Department of General Services. Department records delivery staff must show Richards & Richards staff two forms of identification—a state ID badge and a driver's license—before obtaining boxes. Agencies can only order entire boxes for retrieval, not specific files in a box. When an agency needs certain files in a particular box, its staff can review those files on the premises of Richards & Richards and make copies, but cannot remove original files. All records boxed for storage and boxes requested for retrieval are coordinated through the Department of General Services to ensure security for records.

To assist records officers, the department has information online about the transition including a *Records Management Transition FAQ* (Frequently Asked Questions). Each records officer has to complete an online Richards & Richards Security Form and take two hours of online training on the retrieval and storage of records provided by Richards & Richards at the company's warehouse facilities in Nashville.

Contract Monitoring

Department management and agency records officers said they are confident that state records are stored in a safe and secure environment. According to the department's Internal Audit Director, the Office of Internal Audit will monitor contract compliance through its annual risk management assessment by its Internal Audit Section. Section 9-18-104, *Tennessee Code Annotated*, requires this annual risk assessment, including a written report each December from management of each state agency documenting its review of internal controls for its agency to the Commissioner of F&A and the Comptroller of the Treasury. As part of this internal control assessment, contract compliance is gauged. Warehousing and Distribution Division management (which now has records management responsibility) will also conduct a review of internal controls for records management (including contract compliance), the results of which the Office of Internal Audit will take into consideration in its risk assessment.

We contacted records officers from five agencies with the most records stored with the Department of General Services to get their opinions on the outsourcing to Richards & Richards. The records officers who toured the facility and attended the training at Richards & Richards said the training was thorough, controls are in place to transfer records timely and securely and protect privacy, and that the warehouse is adequate to protect records from natural or other disasters.

As described above, the department consulted with the Department of Finance and Administration and the Public Records Commission to develop procedures to maintain control of records operations after the May 2010 flood. Because of the processes and procedures described above, records management operations appears to be adequate for the continuing, secure storage and retrieval of records for state agencies.

The Department Has Resolved the Prior Audit Finding on the Division of Warehousing and Distribution's Handling of Surplus Property

The Division of Warehousing and Distribution, formerly the Property Utilization Division, maintains an inventory of personal property declared surplus by a state agency or the federal government. This property is available for redistribution to other state agencies and eligible recipients (e.g., local governments and nonprofit organizations assisting the poor) as needed. Surplus property not needed by state agencies and eligible recipients is sold to the general public through an Internet auction process. (Section 4-3-1105, *Tennessee Code Annotated*, gives the Department of General Services the authority to sell "supplies, materials and equipment that are surplus, obsolete or unused.")

The 2006 and 2008 performance audits of the Department of General Services repeated three issues that limit the division's ability to ensure that surplus property is accurately tracked and appropriately safeguarded. We determined that the division has taken appropriate steps to resolve these problems.

2008 audit: *No policy or systemic practice for monitoring inventory shelf-life to ensure that the state's surplus property is not lost, stolen, or allowed to sit idle and deteriorate*

During the 2008 performance audit, we reviewed division policies and procedures and found none related to monitoring the number of days state surplus property had been in the warehouse and available to donees before being listed for public auction or scrapped. According to division management at the time, the warehouse manager periodically walked around the warehouse checking the index cards taped to each piece of surplus property to see how long the inventory had been in the warehouse.

Division management stated, as a response to the 2008 audit finding, that the warehouse manager pulls from the Division of Warehousing and Distribution's computerized inventory system, the Surplus Property Management Application system, an inventory spreadsheet and reviews it monthly to manually track the aging of all items held in the warehouse. Since the 2008 audit, the department has developed a procedure to monitor the age of the inventory. According to *Department of General Services, Division of Warehousing and Distribution Policies and Procedures*, June 2010 revision, as part of the aging process of surplus inventory, division staff must perform the following procedure:

> The donee customers have 30-45 days to purchase surplus inventory. If the inventory is categorized as unique in nature or limited in quantity, the inventory will be held at the warehouse for a longer period of time for the donee customer to purchase. For all State inventory not categorized as limited or unique, a report is generated by the designated warehouse personnel to identify all inventories that have been at the warehouse 45 to 60 days. Once identified, this inventory will be prepared for the internet auction sale.

2008 audit: *Not immediately documenting receipt of Transportation Security Administration confiscated property, thereby increasing the risk for property theft*

During the 2008 performance audit, the Property Utilization Division received items confiscated by the federal Transportation Security Administration (TSA) at Nashville International Airport for sale to the public, with the state keeping the proceeds. According to division policy, it was only during the division's off-peak times for surplus property pickup and delivery (usually winter months) that personnel would sort and group like property for sale. Only after the property had been grouped for sale was it recorded in the inventory system. This delay in recording the existence of this property, for possibly months at a time, presented an easy opportunity for internal theft to occur.

Since the 2008 audit, division policy regarding confiscated TSA property has been changed. According to the revised policy,

> The Stores Manager will sort, lot, and group like property for sale within a reasonable amount of time depending on workload and circumstance. TSA property is kept in a securely locked location until it is received in the inventory system and put out for sale by the Stores Manager. After the property has been grouped for sale, the groups will be received into the State property inventory system. This property is displayed for auction sale within view of the security camera installed over the warehouse counter or viewed under the supervision of management. This property is not available for issue to the Division's DONEEs. It is sold only via the Internet to the general public.

The Division of Warehousing and Distribution ceased to accept TSA confiscated property in December 2009 as a result of concerns by the then Commissioner of General Services that such property was not handled in a secure manner, according to the Director of

Warehousing and Distribution. When the division resumed a program of collecting such property in February 2011, Nashville International Airport had already made arrangements with surrounding states and thus was not interested in participating in the program, according to the director. However, all other state airports covered by TSA security participate in the program. The director stated that her division resumed the program as both a source of revenue and a service to Tennessee airports.

2008 audit: *Allowing too broad edit access to its inventory database, increasing the risk for fraud and theft*

The computerized surplus property inventory system at the time of the 2008 performance audit was a web-based system that required a user ID and password for access. However, all employees of the Property Utilization Division had full edit access to the system that allowed them to change or delete information or property records after items had been added to the inventory system. Without limited edit access, the division could not control or restrict the opportunities for internal fraud and theft.

Division management stated, as a response to the 2008 audit finding, that the division currently restricts access to the inventory system to only those supervisory level employees with responsibilities for receiving sales, customer set-up and maintenance, and their alternates. No employee has "delete" access. Currently, a Department of General Services Systems Administrator who oversees the Surplus Property Management Application (SPMA) system stated that no Division of Warehousing and Distribution employee could delete information in the system. Division supervisors could add and edit property information, add donees, add new groups, run reports, and export a list of property out of SPMA into an excel spreadsheet, but could not add or change passwords, or add or delete users. The Systems Administrator said that inventory records cannot be deleted and that an item will always have an invoice number on record, even if the item has been sold.

Current Review of Controls Over Surplus Inventory

In addition to following up on the three weaknesses mentioned above noted in the two previous performance audits of the Department of General Services, we reviewed current Division of Warehousing and Distribution management controls over state and federal surplus property inventories to prevent property loss. Our review of the Annual Physical Inventory Memos for calendar years 2007 through 2010 revealed improvement in the number of discrepancies noted, and the 2010 inventory found that there was a variance rate of less than one-half percent of the total property items surveyed from inventory records. (See Table 6.) These memos, sent by division management to the Director of Internal Audit, describe the results of the division's annual physical inventory survey of state and federal surplus property, including property put up for Internet auction sales.

Table 6
Division of Warehousing and Distribution
Results of Annual Physical Inventory Memos
Calendar Years 2007-2010

Year	Total Items	Lost Property	Discrepancies Noted	Discrepancies Resolved
2007	766	9	39	Yes
2008	772	3	29	Yes
2009	988	0	Several	Yes
2010	682	3	Less than 0.5%	Yes

Source: Department of General Services.

Our review of the federal General Services Administration's *Review of Operations for the Tennessee State Agency for Surplus Property*, issued in January 2010, and interviews with federal officials also did not reveal significant problems regarding how the Division of Warehousing and Distribution handled federal surplus property. Officials at both the General Services Administration and U.S. Defense Department's Law Enforcement Support Office (LESO) stated that their review of their agencies' records did not show any problems or concerns regarding missing federal property the division was handling. LESO supplies excess Defense Department personal property suitable for law enforcement activities to states and other federal agencies.

The Department Has Resolved the Prior Audit Finding on Its Monitoring of Contractors and Federal Surplus Property Donees for Title VI Compliance

As found in the 2006 performance audit, the October 2008 performance audit of the Department of General Services determined that the department did not sufficiently monitor its own contractors and federal surplus property donees for compliance with Title VI, which could result in the department being out of compliance with federal regulations and losing federal funds. All programs or activities receiving federal financial assistance are prohibited by Title VI of the Civil Rights Act of 1964 from discriminating against participants or clients on the basis of race, color, or national origin. Although the Department of General Services receives no direct federal funds, the department receives federal surplus property, which is then distributed to other eligible agencies. It appears that the Department of General Services has remedied the findings in the 2006 and 2008 performance audits regarding its monitoring of contractors and federal surplus property donees for Title VI compliance.

The 2008 audit found that the annual Title VI Implementation Plan (filed at that time with the Office of the Comptroller of the Treasury, as required by Section 4-21-901, *Tennessee Code Annotated*) and the procedures for handling complaints only addressed Title VI compliance in regard to the Property Utilization Division, now called the Division of Warehousing and Distribution. The plan did not address the issue of Title VI compliance oversight by other sections of the department. In addition, the 2008 audit found inadequate the comprehensive monitoring process of federal donees that division management stated it had implemented in response to the 2006 audit. That monitoring process included periodic on-site reviews of donees and had to include a sample of at least 5% of participating nonprofit donees. However, according to the Affirmative Action Officer, the onsite reviews consisted solely of making sure donees had posters displayed and brochures available to clients regarding their rights under Title VI.

As of February 2011, the Internal Audit Director stated that the Department of General Services did not have contractors or subcontractors that would require compliance monitoring per Title VI requirements. However, the director said that, in response to the 2008 performance audit, the department had developed procedures for monitoring its Title VI contracts and federal surplus property donees.

In its revised Title VI Implementation Plan for the fiscal year ended June 30, 2011, the Internal Audit Director, who is the Department of General Services' Title VI Coordinator, is responsible for reviewing the Title VI oversight of the 11 Title VI Division Representatives, one for each major section of the department. The Title VI Coordinator is also responsible for the Title VI training of these representatives.

The Internal Audit Director stated that that the Title VI Audit Checklist had been expanded to document internal controls that exist within donees' business practices to avoid and prohibit discrimination related to Title VI. She said that the Title VI Implementation Plan documents the criteria used to determine which contracts the department will monitor. Five percent of the 916 donees registered in April 2010 to receive state and federal surplus property were selected by the department for onsite reviews conducted May through July 2010. The results of the reviews of the 44 donees are in Table 7.

Table 7
Office of Internal Audit
Title VI Reviews of Surplus Property Donees
May Through July 2010

Title VI Component	**Compliance**	
	Yes	**No**
Title VI posters prominently displayed within facilities.	37	7
Are there existing written policies regarding the acceptance of all persons and provisions of services to such persons without regards to race, color, or national origin?	36	8
Written complaint procedures.	23	21
Title VI complaint records maintained at facility/with an organization.	44	0
Organizations developed and implemented policies and procedures for monitoring and enforcement of Title VI compliance.	15	29
Information disseminated to the public, including to minority groups, Title VI information and its laws requiring equal service to all without discrimination.	27	17
Information on directors, advisory or commissioner boards.	44	0
Limited English Proficiency Plans.	18	26

Source: Department of General Services.

According to the September 2010 memorandum from the Internal Audit Director to the Commissioner of General Services, of the 44 donees visited, 7 were found to be in compliance with Title VI. The Office of Internal Audit planned to conduct follow-up visits starting in January 2011 to the donees with deficiencies.

GOVERNOR'S OFFICE OF DIVERSITY BUSINESS ENTERPRISE

The Governor's Office of Diversity Business Enterprise's Processes to Certify Businesses and Establish Non-Mandatory Purchasing Goals for State Agencies Appear Adequate

The Governor's Office of Diversity Business Enterprise (Go-DBE) was created in December 2003 by Executive Order 14 and codified in the "Tennessee Minority Owned, Woman Owned and Small Business Procurement and Contracting Act" (Title 12, Chapter 3, Part 8, *Tennessee Code Annotated*) in 2004. The act designated Go-DBE as a central point of contact in state procurement activities to attract, direct, and support minority-owned, woman-owned, and small businesses. Specifically, Go-DBE's role is to help ensure that these businesses get a fair proportion of state procurements. Go-DBE may refer such businesses to the Department of Economic and Community Development's Business Enterprise Resource Office for technical assistance, including in the areas of financial management and information systems.

In 2010, Public Chapter 1140 amended the act to include the promotion of Tennessee service-disabled veteran-owned businesses as part of Go-DBE's responsibilities. Section 12-3-802, *Tennessee Code Annotated*, defines a "Tennessee service-disabled veteran" as

> any person who served honorably on active duty in the Armed Forces of the United States with at least a twenty percent (20%) disability that is service-connected meaning that such disability was incurred or aggravated in the line of duty in the active military, naval or air service.

Section 12-3-803, *Tennessee Code Annotated*, gives the Board of Standards the authority to develop criteria on what constitutes a minority-owned, woman-owned, or service-disabled veteran-owned business, and small business. (See Table 8 on how Section 12-3-802, *Tennessee Code Annotated*, defines such businesses.) Section 12-3-803 also gives Go-DBE the authority to certify businesses as minority-owned, women-owned, service-disabled veteran-owned, and small businesses and to publish a directory of businesses certified as Tennessee small businesses and diversity business enterprises. According to Go-DBE's policies and procedures,

> Only for-profit businesses desiring to be certified as minority owned, women owned or service-disabled veteran owned and small business enterprises shall make application to the Governor's Office of Diversity Business Enterprise for certification as Minority Business Enterprise (MBE), Woman Business Enterprise (WBE), Service-disabled Veteran Business Enterprise (SDVBE) and Small business Enterprise (SBE). These persons must be U.S. citizens or Permanent Resident Alien[s] and the businesses located in the state of Tennessee.

Table 8
Types of Diversity Businesses
As Defined by Section 12-3-802, *Tennessee Code Annotated*

Minority-Owned Business
A continuing, independent, for profit business that performs a commercially useful function, and is at least 51% owned and controlled by one or more minority individuals who are impeded from normal entry into the economic mainstream because of past practices of discrimination based on race or ethnic background.
Service-Disabled Veteran-Owned Business
A continuing, independent, for profit business located in Tennessee that performs a commercially useful function, and: • is at least 51% owned and controlled by one or more service-disabled veterans; • in the case of a business solely owned by one service-disabled veteran and such person's spouse, is at least 50% owned and controlled by the service-disabled veteran; or • in the case of any publicly owned business, at least 51% of the stock of which is owned and controlled by one or more service-disabled veterans and whose management and daily business operations are under the control of one or more service-disabled veterans.
Small Business
A business that is a continuing, independent, for profit business which performs a commercially useful function with residence in Tennessee and has total gross receipts of no more than $10,000,000 averaged over a three-year period and employs no more than thirty persons on a full-time basis.
Woman-Owned Business
A business that is a continuing, independent, for profit business that performs a commercially useful function, and is at least 51% owned and controlled by one or more women; or, in the case of any publicly owned business, at least 51% of the stock of which is owned and controlled by one or more women and whose management and daily business operations are under the control of one or more women.

Section 12-3-808, *Tennessee Code Annotated*, requires the Commissioner of General Services to report annually to the Governor and the General Assembly by December 31st "the awarding of purchases to minority owned, woman owned, Tennessee service-disabled veteran owned and small businesses and the total value of awards made" during the previous fiscal year. The last annual report, for fiscal year ended June 30, 2010, was issued in December 2010. According to the report, purchases by state agencies from diversity businesses have steeply increased since Go-DBE's creation in 2003—from $12,409,058 in fiscal year 2005 to $125,208,793 in fiscal year 2010. (See Table 9.) There were 1,442 Go-DBE-certified diversity businesses by the end of fiscal year ended June 30, 2011. (See Table 10.)

Table 9
State Agency Purchases From Diversity Businesses
Fiscal Years 2005 to 2010

Fiscal Year	Purchases	Percent Annual Increase
2005	$12,409,058	----
2006	$18,183,317	47%
2007	$30,419,101	67%
2008	$77,770,450	156%
2009	$122,450,987	57%
2010	$125,208,793	2%

Source: Department of General Services.

Table 10
Number of Certified Diversity Businesses by Category
Governor's Office of Diversity Business Enterprise
End of Fiscal Year 2011

Diversity Business Category	Number
Minority-Owned Business	529
Service-Disabled Veteran-Owned Business	8
Small Business	306
Woman-Owned Business	599
Total	1,442

Source: Department of General Services.

Non-Mandatory State Agency Purchasing Goals

Section 12-3-804, *Tennessee Code Annotated*, gives Go-DBE the responsibility for developing for each state agency an annual goal for purchases from diversity businesses based on "a fair proportion of procurements from minority owned, woman owned, Tennessee service-disabled veteran owned and small businesses." Go-DBE recommends and the Board of Standards approves the "amount of fair proportion" for each year. However, Section 12-3-804 clearly states that it is not mandatory for a state agency to meet its procurement goal:

> Nothing in this part shall be construed as establishing any mandatory goal or quota with respect to minority owned, woman owned, Tennessee service-disabled veteran owned or small businesses.

Go-DBE's Program Director stated that her office negotiated with each state agency to determine its fair proportionality, as it was best for an agency to "buy in" to a specific purchasing goal. She said that she tried to have agencies identify the types of diversity businesses that could successfully win bids. She stated that, to help determine purchasing goals, agencies use the annual "Upcoming Procurement Opportunities of Acquisition Forecast," which her agency develops, in order to forecast next year's purchases. Section 12-3-133, *Tennessee Code Annotated*, requires every state agency annually to

> compile and submit to the commissioner of general services, a written acquisition plan for the upcoming fiscal year forecasting the specific categories and quantities of goods and services anticipated for purchase by the department or agency. The commissioner shall develop procedures to ensure uniformity among the various departments and agencies both in the manner of calculating such forecasts and in the style and format used for submitting such written acquisition plans to the commissioner.

According to the program director, despite the lack of mandatory purchasing goals and the delegated purchasing authority that allows agencies to make purchases under $25,000 without going out to bid, Go-DBE's certification program for diversity businesses helps these businesses. (Section 12-3-204, *Tennessee Code Annotated*, allows a delegated purchasing authority for state agency purchases under $25,000.) By being certified, a diversity business lets state agencies know that it has been through a review process. In addition, the certification process gives the Department of General Services an opportunity to demonstrate to diversity businesses that the State of Tennessee is interested in doing business with them. The department also advocates for businesses on Go-DBE's certification list and provides state agencies referrals.

MOTOR VEHICLE MANAGEMENT DIVISION

The Department Has Resolved the Previous Finding Regarding the Motor Vehicle Management Division's Management of State Fleet Size

<u>Additions to Fleet</u>

The October 2008 performance audit of the department found that the Motor Vehicle Management Division (MVM) should improve its management of the state's fleet size by more thoroughly assessing and documenting that agency requests to purchase additions to the fleet were the most efficient and effective use of state and federal funds and resources. Agencies were not providing MVM documentation of any type of test or assessment performed to determine that purchasing a new vehicle, rather than leasing or reimbursing for personal vehicle use, would be the most cost-effective action. MVM simply accepted an agency's generalized argument that it needed additional vehicles without detailed supporting documentation and independent detailed analysis and review.

The Motor Vehicle Management Division's Policy 1 (Acquisition of Vehicles and Equipment) requires that MVM must approve all vehicle purchases. After MVM approves a purchase of an additional vehicle for the state fleet, the Commissioner of General Services, the Commissioner of Finance and Administration, and the Governor's office must approve the purchase. Policy 1 has been amended by the Department of General Services since the 2008 performance audit. The version of Policy 1 in effect during the 2008 audit (a version in effect since May 2004) only required that agencies requesting additions to the fleet submit "proper documentation to Motor Vehicle Management." The department revised Policy 1 in January 2011 to now require an agency to "submit a memo to the Commissioner of General Services requesting an addition to fleet with an explanation of why the addition is needed along with a completed *Vehicles/Equipment Acquisition Form*."

We obtained from MVM copies of three types of forms used by the division to evaluate requests for additions to the state fleet: *Fleet Addition Authorization Request for Vehicles & Equipment*, *Addition to Fleet Vehicle/Equipment Justification Form*, and *MVM Addition to Fleet Analysis*. Using these forms, we reviewed a random sample of 25 of the 40 additions to the state fleet in fiscal year 2010 to evaluate whether these vehicle additions had been adequately reviewed by MVM before being purchased. As part of this review, we determined whether approvals by MVM, the Commissioners of General Services and Finance and Administration, and the Governor's office were obtained before purchase.

We also assessed during our review whether the purchases met the requirements of Section 4-3-1109, *Tennessee Code Annotated*, that the Department of General Services ensure, when approving vehicle purchases, that "at least twenty-five percent (25%) of newly purchased passenger motor vehicles are hybrid-electric vehicles or compact fuel-efficient vehicles." Section 4-3-1109 exempts from this requirement "vans, including cargo vans, trucks, sport utility vehicles and police pursuit vehicles." All 25 additions in our sample were exempt from this requirement. We determined from our review that all 25 additions met MVM justification and approval requirements for purchase.

<u>Vehicle Replacements</u>

Unlike additions to the state fleet, vehicle replacements are initiated by MVM using criteria including available funding to purchase the replacement, and vehicle age, condition, and mileage. MVM's Policy 1 was revised in January 2011 to include requirements, indicated above, for vehicle replacement. We reviewed a random sample of 25 of 262 vehicles replaced by MVM in fiscal year 2010 to determine if justification for these replacements was adequate. As part of this review, we used MVM's *Report of Surplus Vehicle* form that contains replacement criteria, including MVM management approval for surplus. We determined from our review that all 25 vehicles in our sample that were replaced met MVM requirements for replacement.

We also assessed during our review whether the 25 replacement vehicles met the requirements of Section 4-3-1109, *Tennessee Code Annotated*, for energy-efficient state vehicles. All three replacement vehicles not exempt from Section 4-3-1109 met the statute's requirements.

The Motor Vehicle Management Division's Controls Over Fleet Costs Appear Adequate

We reviewed two aspects of the Motor Vehicle Management Division's management of state vehicle fleet operating costs in fiscal year 2010: comparison of MVM costs with rates charged by private car rental companies, and approvals for vehicle repairs.

State Fleet Costs Versus Private Car Company Rental Rates

The Motor Vehicle Management Division managed a state fleet numbering 281 vehicles of various types, as of May 2011. (The Board of Regents and University of Tennessee systems and the Department of Transportation managed their own separate vehicle fleets.) Mid-size sedans constituted, by far, the most common vehicle type. (See Table 11 below.)

Table 11
State Vehicle Fleet
Motor Vehicle Management Division
Department of General Services

Vehicle Type	Number	Percent
Mid-size sedan	121	43%
Full-size sedan	37	13%
7-Passenger van	34	12%
Mid-size sport utility vehicle	21	8%
Other vehicle types*	68	24%
Total	281	100%

* Thirteen vehicle types ranging from less than one percent of the fleet to 5 percent.
Source: Department of General Services.

The Department of General Services' performance measure standards for the fiscal year ended June 30, 2010, include requiring MVM to reduce "travel cost associated with conducting state business by supplying mid-size sedans at better than 50% savings from the current average cost of the top three private industry rental companies' rates." MVM conducts reviews twice a year comparing the rate it charges for one-day, 5-day, and 30-day rentals of mid-size sedans to Tennessee rates of the top car-rental companies in the U.S. market. (See Table 12 below.)

Table 12
Comparison of Mid-Size Sedan Rental Rates
Motor Vehicle Management Division Versus Private Car-Rental Companies

Rental Period	April 2010 MVM Review Rental Rate – Average Per Day	October 2010 MVM Review Rental Rate – Average Per Day
MVM Daily Rate*	$25.00	$25.00
Average Private Company Daily Rate	$38.89	$53.77
MVM Five-Day Rate*	$25.00	$25.00
Average Private Company Five-Day Rate	$51.24	$39.77
MVM 30-Day Rate*	$25.00	$25.00
Average Private Company 30-Day Rate	$24.00	$25.61

* MVM rates include fuel and insurance costs, while private car-rental company rates do not.
Source: Department of General Services.

Taking into consideration fuel and insurance costs (MVM includes those costs in the rates it charges to state agencies, but private companies do not include them in their rates), MVM charged significantly lower rates than the rates of the companies surveyed in calendar year 2010. MVM should consider conducting similar surveys for more vehicle types if a vehicle type's population as a percent of total fleet becomes more significant (e.g., 20 percent and higher).

Vehicle Repairs

The *Motor Vehicle Management Operations Manual* requires operators of MVM vehicles to obtain MVM field repair authorization numbers and work order numbers for repairs over $400, other than scheduled maintenance. For repairs above $5,000, the manual requires three competitive bids, "whenever practical." In fiscal year 2010, MVM approved 3,568 repairs over $400, at a total cost of $3,208,850. (See Table 13 below.)

Table 13
Vehicle Repairs Greater Than $400
Fiscal Year 2010

Cost of Specific Repair	Number	Total Cost of Repairs
Greater than $400 up to $5,000	3,544	$3,015,388
Greater than $5,000	24	$193,462
Total	3,568	$3,208,850

Source: Department of General Services.

We reviewed a random sample of 25 repairs greater than $400 up to $5,000, and all repairs greater than $5,000, in fiscal year 2010 for MVM compliance with the *Motor Vehicle Management Operations Manual*. The division met the manual's approval requirements for repairs.

Office of Internal Audit

The Department Has Resolved Previous Findings Regarding Internal Audits and Compliance Reviews

The Department of General Services' Office of Internal Audit is composed of three units: Information Technology Services, Internal Audit, and Procurement Compliance. Information Technology Services provides information resources and services for all divisions, including desktop support, information systems security, and application services and support for the department. Internal Audit's responsibilities include

- periodic auditing of each division in the department;
- reviewing contracts;
- investigating lost, stolen, or damaged equipment, vehicles, and credit cards;
- performing divisional year-end inventory counts;
- developing the department's annual Financial Integrity Act report, including making related risk assessments;
- responding to Division of State Audit findings; and
- conducting special requests of the commissioner or division directors.

Procurement Compliance determines whether procurement activities are in compliance with Tennessee's procurement laws and the state's procurement manual.

<u>Prior Audit Findings</u>

The 2006 and 2008 performance audits of the Department of General Services found that the Office of Internal Audit was inadequately staffed and not following its policy that required an audit of "all cost reimbursement type contracts with annual costs of/or greater than $500,000 at least once during each two-year period." The purpose of such audits is to ensure that vendors are complying with their contracts and are using state funds appropriately and in a lawful manner.

In addition, the 2008 performance audit found that the contract compliance function, located in the department's Purchasing Division, was poorly organized, making it difficult to follow the audit work performed and issues discovered in regard to agency purchasing practices. The Compliance and Assurance Team within the Purchasing Division, at the time of the 2008 audit, investigated and handled all complaints by and against vendors, monitored the filing of statutorily required attestations by contractors that they did not knowingly use the services of illegal immigrants, conducted agency overviews to determine compliance with purchasing guidelines, conducted procurement card overviews on agency purchases for compliance, and performed other reviews as needed.

In response the audit finding and to provide more independence, the department transferred the functions of the Compliance and Assurance Team to the Office of Internal Audit in July 2009. The Internal Audit Office also revised its policy to use risk-based criteria for contract reviews. The *Audit and Compliance Manual* now requires a review of "a sample of high-risk General Services' contracts" at least once every two years. (See Table 14 for specific information on the contract audit policy change.) According to the Director of Internal Audit, the language was changed in order to facilitate using risk-based assessment rather than dollar amounts to focus on contracts with a high risk for fraud. The criteria used to determine high risk include complaints, survey of users for problems, brainstorming sessions with audit staff, and information obtained from the department's annual risk assessment. As of November 2010, the Internal Audit Office had a staff of four auditors; one of these auditors conducted the reviews of the designated high-risk contracts. Four contract monitoring reviews had been completed in fiscal years 2009 and 2010—two in fiscal year 2009 and two in fiscal year 2010.

Table 14
Contract Audit Policy Change

Policy at Time of 2008 Audit	Current Policy
"to the extent resources are available for such purposes, the Office of Internal Audit will audit all cost reimbursement type contracts with annual costs of/or greater than $500,000 at least once during each two-year period."	"an annual contract audit plan that includes auditing a sample of high-risk General Services contracts at least once during each two-year period to ensure that the vendor is meeting contract specifications and requirements, testing of payment to vendors for compliance with applicable rules and regulations and review of procedures followed by contract managers for adherence to the contract management plan and internal policies and procedures. The risk assessment criteria for active contracts will include, but not limited to, the complexity of the contract, the size of the contract and prior history with the contractor."

The Procurement Compliance Unit has five staff who were transferred from the Purchasing Division to the Office of Internal Audit in July 2009. The Procurement Compliance staff's responsibilities are to

- determine whether procurement activities, including payment card activities, are in compliance with the Tennessee procurement laws and the state's procurement manual;

- identify risks or risk exposures, and make recommendations for mitigating those risks; and

- evaluate whether the Purchasing Division is in compliance with procurement laws and procurement procedures regarding awarding and monitoring contracts.

Procurement Compliance staff conduct testing of payments to contractors for compliance with applicable rules and regulations and a review of procedures followed by contract managers for adherence to the contract management plan and internal policies and procedures.

We reviewed audit reports and related documentation for the four contract compliance audits completed by the Internal Audit Office in fiscal year ended June 30, 2010, and the nine procurement compliance review reports and related documentation completed by the Procurement Compliance Unit between February 2009 and July 2010. In addition, we reviewed the Office of Internal Audit's *Audit and Compliance Manual*. Based on our reviews, it appears that the Internal Audit Office and the Procurement Compliance Unit, at the time of our reviews, were adequately staffed to provide the department with timely and adequately documented reviews of contracts, including assessment of risks and recommendations to mitigate these risks and associated findings, in compliance with the *Audit and Compliance Manual*.

PROPERTY SERVICES MANAGEMENT DIVISION

The Property Services Management Division's Oversight of Elevator Maintenance in State Buildings Appears Adequate

The Department of General Services contracts for maintenance of the elevators in state-owned buildings, universities, and colleges with KONE, Inc., an international company with expertise in elevator maintenance and repair. The five-year contract requires the contractor to provide preventive and complete maintenance so "that all equipment functions in accordance with levels of safety, speed, efficiency performance, passenger comfort, and silence, as established by the State, and prescribed by the American Society of Mechanical Engineers (ASME)."

A full-time elevator inspector in the department's Property Services Management Division monitors the maintenance performed by the contractor and serves as a liaison between the contractor, the Property Services Management Division, and facility administrators at state-owned buildings. Twice a year the Department of Labor and Workforce Development's Division of Boiler, Elevator and Amusement Device Inspection inspects all elevators in the state (including state-owned) for operational safety. The Department of General Services' elevator inspector focuses on maintenance compliance issues.

Elevator Maintenance Plan

An elevator maintenance plan is described in detail in the contract requiring the contractor "to monthly and systematically examine, clean, lubricate and adjust the elevator equipment and document all activities on the State approved maintenance form," which is a "Monthly Elevator Inspection Checklist." The contract mentions two types of Monthly Elevator Inspection Checklists, one for traction elevators and one for hydraulic elevators. Each elevator under contract has a monthly inspection checklist used by the contractor's technician and maintained in the office of the building's facility administrator. Included in the contract are stipulations regarding performance tests the contractor must perform, including measuring the amount of time it takes for elevator doors to open and close, and for elevators to move between floors. Also included in the contract are qualification requirements for technicians used by the contractor to perform the maintenance. These include experience, certifications, and education.

The contract contains a list of elevators to be maintained under the terms of the contract. (See Table 15.) That list includes elevators by location, building, and type of elevator with the name and phone number of the building's facility administrator, and is categorized by manned and unmanned sites. Manned sites refer to areas where dedicated contractor staff are housed in office space within close proximity of a group of buildings to accommodate service calls and maintenance. The contractor is expected to have a technician respond within 20 minutes of a call from a manned site during regular working hours of the state and within 60 minutes outside those hours. Unmanned sites refer to buildings where service calls are routed to the contractor's office and a technician is dispatched in response to service calls, rather than being housed at a nearby site. The contractor is expected to respond within two hours for unmanned-site service calls.

Table 15
List of Elevators by Type
State-Owned Buildings

	Manned Site Elevators	**Unmanned Site Elevators**	**Total**
Traction/Passenger	69	57	126
Hydraulic/Passenger	13	255	268
Hydraulic/Freight	4	12	16
Traction/Freight	9	1	10
Dock lift	8	2	10
Handicap	2	16	18
Stage lift	2	2	4
Escalator	9	0	9
Dumbwaiter	0	19	19
Total	116	364	480

Source: Contract between the State of Tennessee and KONE, Inc.

Monthly Maintenance Visits by Contractor and Elevator Inspection Checklist

The contract requires contractor employees to sign in and out—using each building's "Contractor Sign in" log—when performing the monthly maintenance visit. This log records the company and employee name, building name, date of visit, and times in and out of the building. (All contractors are required to do this, and Facility Administrators at each building keep these logs in their offices.) The logs are then used as backup to support the Facility Administrator's approval of payment of the monthly maintenance billing.

Facility Administrators maintain the monthly inspection checklist form in their offices. The contractor's technician obtains the form after signing in and uses it to check off each item listed as the maintenance work is performed. The technician returns the checklist to the Facility Administrator, who then files the checklist until the next month's maintenance visit. A monthly checklist for each elevator reflects maintenance completed by month for a calendar year.

Oversight by the Department of General Services

The Property Services Management Division's full-time elevator inspector, who monitors maintenance performed by the contractor, is certified by the American Society of Mechanical Engineers as a Qualified Elevator Inspector. He periodically inspects each elevator under contract, reviews the contractor's monthly maintenance billing invoices, and prepares reports on service calls that compare statistics on service calls, response times, and entrapments. At each periodic inspection of an elevator, the inspector prepares an "Elevator Survey Report" that documents his inspection of the elevator that determines whether all needed maintenance is complete. For example, he may note worn items that need to be replaced or items that needed cleaning. In addition, the elevator inspector attends meetings with division contract management and the elevator maintenance contractor to review and discuss any contract or documentation issues. The division's elevator inspector was working with the contractor to improve documentation on the monthly maintenance checklist, as of February 2011 (see below).

Safety Inspections by the Department of Labor's Division of Boiler, Elevator and Amusement Device Inspection

The Department of Labor and Workforce Development's Division of Boiler, Elevator and Amusement Device Inspection is responsible for inspecting all elevators in Tennessee, including those in state-owned buildings. The division's inspectors focus on safety issues while the Property Services Management Division elevator inspection staff focus on ensuring maintenance has been completed, as required per the contract. The division's Chief Elevator Inspector stated, however, that if the Property Services Management Division staff did find any safety issues, they would report those issues to his division.

All elevators must be inspected prior to the Division of Boiler, Elevator and Amusement Device Inspection issuing a permit to operate to the elevator owner. Each elevator must be inspected again every six months thereafter. Division inspectors are certified by the American Society of Mechanical Engineers and use standards promulgated by the society to conduct safety inspections. If inspectors identify problems during an inspection, they notify the elevator owner, who then notifies the maintenance and service company. If inspectors determine that imminent danger exists, they issue a citation and the elevator is shut down until the problem is corrected.

The division's Chief Elevator Inspector said that he was not aware of any major problems with safety issues related to elevators or escalators in state buildings. He added that very few accidents occur involving elevators and escalators owned or operated in a state facility—one or less annually. He estimated that there may only be one or two injury accidents a year in the state—that is for all permitted elevators across the state (approximately13,000), not just those in state facilities. Regarding the escalators in the Legislative Plaza, the Chief Inspector stated that they were refurbished in 2006 and have not had any major problems since that time.

Results of Maintenance Contract

According to Property Services Management Division management, the maintenance contract with KONE has helped reduce maintenance costs, entrapment calls, and response times. The contract involves the maintenance of 420 elevators (including 142 elevators managed by the division) and nine escalators (all managed by the division). The contractor has adequately trained technicians and provides continuity of service and maintenance, according to management. Management provided us with statistics kept by the Chief Elevator Inspector documenting elevator performance improvements during the period of the maintenance contract. See Table 16.

Table 16
State Elevators Maintained by KONE
Number of Service Calls and Entrapments
Averages per Month by Calendar Year
As of January 2011

	Property Services Management Division-Managed Elevators				**All State Elevators***	
	2008	2009	2010	2011**	2010	2011**
Service Calls	38	32	29	23	81	69
Billable Calls***	10	6	6	2	18	7
Average Response Times - Regular Calls	1:31	1:26	1:30	1:17	1:56	1:28
Entrapments	56	66	45	4	88	8
Average Response Times - Entrapments	N/A	N/A	0:31	0:26	0:43	0:26

* In addition to elevators managed by the Property Services Management Division, this column includes elevators managed by other state agencies (i.e., Board of Regents, Department of Correction, and Military Department) but maintained by contractor.
** Only for one month.
*** Billable calls are the result of intentional damage, unrelated elevator issues that cause elevators to fail (such as power outages or floods), or negligence on the part of the state.
N/A – information not available.
Source: Department of General Services.

Office of Assurance and Technology Contract Compliance Review

The Department of General Services' Office of Assurance and Technology Services (now the Internal Audit Office) published a report in September 2009 of the results of its monitoring review of the elevator maintenance contracts the department had with KONE at the time. Based on a review of the monthly inspection checklists for 21 facilities, the Office of Assurance and Technology Services concluded that the Property Services Management Division was not verifying maintenance performed, as required by contract. Actions required by the contractor that were listed in the checklist as not having been completed included correcting the following problems: lack of adequate painting on equipment, no fire extinguishers, and standing water in elevator hoistway pits. In addition, signatures for individual checklists were missing. Division management responded that it would resolve the issues with the division's elevator inspector's help. The contractor responded that it would also resolve the problems. The Internal Audit Director stated that the Property Services Management Division's elevator inspector had taken corrective actions (e.g., regular inspections and new procedures to require quarterly reports to the division's director to document elevator maintenance) by January 2010 to address the maintenance problems found in the September 2009 report.

Review of Monthly Elevator Inspection Checklists and other Documentation

We reviewed monthly elevator maintenance documentation for calendar years 2009 and 2010 maintained by the Property Services Management Division's main office and the facility administrators. That documentation included

- Monthly Elevator Inspection Checklists;
- contractor service tickets;
- contractor billing;
- building sign-in/sign-out sheets;
- Property Services Management Division invoice preparatory checklists;
- Property Services Management Division Invoice Processing and Routing Sheets; and
- Elevator Survey Reports.

The Monthly Elevator Inspection Checklist documents completion of monthly maintenance steps for a year. It delineates categories of elevator equipment with a column for each month to be used by the technician to check off as maintenance is completed. The Property Services Management Division's management and the division's elevator inspector stated that they prefer that the contractor's technician and the facility administrator sign the checklist each month after completion of maintenance. However, only two lines, at the top of the first page of the form, are designated for signature by the technician and the facility administrator, allowing for only one signature a year from each of these individuals. The 2010 Monthly Elevator Inspection Checklists we reviewed did not have signatures of the technician or the facility administrator, or related dates. However, the technician and the facility administrator had entered initials for several checklists.

In addition, during our review of the checklists, we found inconsistent notations, such as checkmarks for every month in columns that looked like they required only one check for the quarter and some equipment categories that were checked while individual equipment listed below the category was not checked. We discussed these discrepancies with Property Services Management Division management and the elevator inspector. We reiterated that these checklist problems were found by the department's Internal Audit Office in its September 2009 review (see above). Both said they were aware of the need to improve documentation. The elevator inspector stated that he was meeting with the contractor's local branch manager to discuss improving documentation.

Both division management and the elevator inspector said the problems were documentation, not a lack of maintenance performed. They added that the elevator inspector, to ensure adequate maintenance is performed, reviews all checklists, billing invoices, and tickets for services (which can be for billable or non-billable services) and performs a review of the elevators. According to division management and the elevator inspector, the contractor's technicians are well-trained, but more could be done to familiarize them with the checklist and what the division would like them to document. The elevator inspector said he will work with the technicians and Facility Administrators to improve the documentation and the checklist for their use and for his use.

We also reviewed 2009 billing documentation for elevator monthly maintenance. Documentation included the contractor's service tickets, sign-in/sign-out sheets from facility administrator offices, the Property Services Management Division invoice preparatory checklists, and Invoice Processing and Routing Sheets. All billing from the contractor contained necessary approvals of the Facility Administrator, elevator inspector, and division management.

Based on our review of documentation, and interviews with Property Services Management Division staff and the Department of Labor and Workforce Development's Division of Boiler, Elevator and Amusement Device Inspection staff, the Property Services Management Division appears to have reasonable systems and internal controls in place to ensure that elevators are properly maintained. However, the Property Services Management Division should improve the documentation used to record the contractor's monthly maintenance of elevators.

PURCHASING DIVISION

There Are No Training or Certification Requirements for Purchasing Agents

We were interested in determining the Department of General Services' Purchasing Division training and certification requirements for the division's purchasing agents, considering their responsibilities under Section 12-3-101, *Tennessee Code Annotated*, which gives the Purchasing Division the responsibility for the centralized procurement of goods and services for state agencies in Tennessee. The Purchasing Division Director stated, and our review of the department's *Purchasing Policy Manual* and state purchasing statutes confirmed, that there are no such requirements.

The director said that the main reason there is no regular, required training for buying staff is the prohibitive cost of training materials and tests. Edison training is the primary source of training for such staff. However, the Department of General Services does offer several classes on a rotating basis to agency buyers and other procurement personnel. The director stated that there are certifications available for purchasing agents but that it is too expensive for employees to seek certifications on their own or for the department to require them. The Department of General Services' *Conflict of Interest Policy* states that "employees are encouraged to seek and to retain professional licenses and certification" in its *Holding of Professional Licenses* section. Certain southeastern states have their own certification programs for purchasing staff either with examinations (e.g., Georgia and West Virginia), with and without examinations (e.g., Florida), or without examinations (e.g., South Carolina). (See Table 17 for examples of available national certifications, by examination, for government purchasing staff.) Purchasing staff in most of these states don't pay for certification (either their employer pays for certification, or the certification is free) and can get a pay increase for getting certified. Department of Human Resources staff stated that there are no professional certifications approved specifically for purchasing agents in the Department of General Services that would provide a salary increase.

Table 17
Examples of Certifications for Government Purchasing Staff
Certification Examination Costs
July 2011

Certification	Organization Granting Certification	Description of Certification	Cost*	
			Member	Non-member
Certified Professional Public Buyer (CPPB)	Universal Public Procurement Certification Council	Certifies that individuals have demonstrated prescribed levels of professional competency as a buyer in public and governmental purchasing.	$350	$450
Certified Public Procurement Officer (CPPO)	Universal Public Procurement Certification Council	Certifies that individuals have demonstrated prescribed levels of professional competency as a buyer in public and governmental purchasing for those individuals holding supervisory and/ or managerial positions within a public agency.	$450	$650
Certified Professional in Supply Management (CPSM)	Institute for Supply Management	Certifies that individuals have "multi-faceted skills" in areas such as finance, supplier relationship management, organizational global strategy, and risk compliance.	$540	$795

* For CPPB and CPPO, cost is based on membership in either the National Institute of Governmental Purchasing or the National Association of State Procurement Officers. For CPSM, cost is based on membership in the Institute for Supply Management.
Source: Institute for Supply Management and Universal Public Procurement Certification Council.

Section 4-56-105, *Tennessee Code Annotated*, gives the Chief Procurement Officer of the newly created State Procurement Commission the duty to

> Develop and conduct training for the state procurement office and agency procurement staff to promote procurement excellence, either independently or in cooperation with other state governments, municipalities or other units of local government, or other persons that fosters professional development and certification.

The Purchasing Division, in cooperation with the Chief Procurement Officer, should, taking into account available resources, develop, implement, and require a formal, in-house required training program for purchasing agents and their supervisors. The training program should promote best practices in procurement, through proper application of policies, rules and regulations, and statutes, to maximize the quality and quantity of goods and services purchased by the state for each dollar spent. The Purchasing Division should consider aligning this training with national procurement certification programs so that purchasing staff get the training to be certified. Because of the important role of purchasing agent supervisors in overseeing the work of purchasing agents, the Department of General Services should consider paying for the certification of supervisors.

The Purchasing Division's Handling of Emergency Purchases Appears Adequate

Section 12-3-206, *Tennessee Code Annotated*, authorizes the Commissioner of General Services to purchase for state agencies, or to delegate the purchase to these state agencies,

> in the open market specific supplies, materials, and equipment for immediate delivery to meet emergencies, arising from any unforeseen cause, including, but not limited to, delays by contractors, delays in transportation, unanticipated volume of work, and acts of God.

According to Section 12-3-206, "All emergency purchases shall, if practical, be made on the basis of competitive bids." The Department of General Services' *Purchasing Policy Manual* states that, in case of an emergency arising from unforeseen causes, a state agency may request and receive from the Purchasing Division an Emergency Purchase Authorization to purchase the supplies, materials, equipment, or services required for immediate delivery to that agency. The purchase must have prior authorization from the Purchasing Division, with the exception of "extraordinary emergency purchases." The *Purchasing Policy Manual* describes "extraordinary emergencies" as "emergencies affecting the health or safety of any person" which occur during periods when Purchasing Division personnel are not available. Any state agency is authorized to contract for any commodity or service without prior Emergency Purchase Authorization. A state agency making such a purchase must report it to the Purchasing Division "as soon as practical."

According to the manual, state agency requests for Emergency Purchase Authorizations may be approved by one of two criteria. The first is a true emergency. The second is not a true emergency, but may be approved as the only method of payment for commodities and services ordered by the agency due to improper planning, improper purchasing method, contract expiration, or other reasons. The manual states that the procedure for such authorizations, which involves Edison (the State of Tennessee's integrated software package that is used to perform administrative business functions), is as follows:

1. the agency shall enter a requisition in Edison.

2. the agency will document in Edison its justification as to why this purchase must be processed as an emergency purchase and cannot be purchased using normal purchasing procedures;

3. the agency shall contact by telephone the Purchasing Division's Purchasing Agent Supervisor for Emergency Purchase Authorizations (the Purchasing Division may, in lieu of delegating the emergency purchase authority to the agency, elect to procure the goods or services itself);
4. the agency is to secure three competitive bids, if practical, and record the bids in Edison or document as to why three bids were not obtained (if sole source, agency must provide the justification required for sole source);
5. the agency must provide written confirmation of the successful bid if the amount of the purchase is over $5,000; and
6. the agency shall obtain diversity information from the vendor recommended for award, as Section 12-3-804, *Tennessee Code Annotated*, requires agencies to actively solicit bids from minority-owned, women-owned, and service-disabled veteran-owned and small businesses (this classification information must be entered in Edison).

<u>Review of Emergency Purchases</u>

We reviewed random samples of 30 emergency purchases made from 2008 through 2010, out of a total of 134 such purchases, to determine Purchasing Division compliance with the *Purchasing Policy Manual* and state law pertaining to emergency purchases. Specifically, we reviewed a random sample of ten purchases for each year.

We had some difficulty in acquiring information because the Purchasing Division transitioned from the Tennessee Online Purchasing System (TOPS) to Edison in 2009 (some information in TOPS was not available). As a result, information for three purchases (one purchase in 2008 and two purchases in 2009) was not available. However, we were able to determine that the Purchasing Division met emergency purchasing requirements for the remaining 27 purchases. The number of emergency purchases approved by the Purchasing Division substantially declined from 2008 to 2010. (See Table 18.)

Table 18
Emergency Purchases
2008 Through 2010

2008	2009	2010	Total 2008-2010
83	40	11	134

Source: Department of General Services.

Only half the emergency purchases reviewed pertained to actual emergency events (e.g., fuel cleanup and flood damage). The other purchases involved contract issues, and some emergency purchases initially determined as necessary by agencies were canceled. (See Table 19.) The Purchasing Division Director stated that a major cause of emergency purchases was agencies making purchases after contracts had expired. The division approves such purchases if it determines the purchases are in the best interest of the State of Tennessee. The Purchasing

Division and state agency purchasing officials should resolve any issues resulting in emergency purchases because of expired contracts, including exploring the need for better training for agency purchasing staff.

Table 19
Reasons for Emergency Purchases
2008 Through 2010

Reason	Number	Percent
Emergency event	15	50%
Contract expiration/lapse	10	33%
File not found*	3	10%
Canceled	2	7%

* Reason could not be verified.
Source: Department of General Services and state agencies involved with the emergency purchases.

Controls Over Vendor Complaint Handling Appear Adequate

State agencies, including the Department of General Services, use a single complaint system, located within Edison, to report instances where a vendor fails to perform in accordance with a purchase order. According to the Department of General Services' *Purchasing Policy Manual*, there are several types of complaints concerning vendor performance that, if verified, could result in a vendor being removed from the department's qualified vendor list and "may also result in a vendor's liability for damages to the State." (See Table 20.)

Table 20

Types of Complaints That May Lead to Removal From Qualified Vendor List	
Overshipments	Unauthorized substitutions
Undershipments	Billing errors
Late shipments	Service deficiencies
Failure to ship	Failure to respond to complaints
Damaged products	Unethical practices
Defective products	Misrepresentation of merchandise
Shipments not conforming to specifications	Conviction or plea of guilty or no-contest to crimes involving fraud or restraint of trade with respect to public contracts

Source: Department of General Services.

Complaint-Handling Process

According to the *Purchasing Policy Manual*, an agency should make "a reasonable effort" to resolve a problem with a vendor before filing a complaint with the department's Purchasing Division. Edison contains a standardized, formal complaint system where agencies submit their grievances concerning problem vendors. The process begins with an agency entering a complaint into Edison—where it is then channeled to the Purchasing Division for processing and resolution. The Purchasing Division sends a letter to the vendor in question, who then has a 14-day window in which to respond. The *Purchasing Policy Manual* allows the Purchasing Division in "extreme cases" to require from the vendor a response quicker than 14 days.

The division works with both the agency making the complaint and the vendor to try to resolve the problem. A vendor's failure to reply to a complaint may result in the vendor's removal from the division's list of qualified vendors. Any issues regarding vendor complaints that may lead to the cancellation or termination of contracts or purchase orders awarded to a Diversity Business will be shared with the Director of the Governor's Office of Diversity Business Enterprise in an attempt to resolve these issues.

The Purchasing Division Director stated that the Department of General Services approaches vendor complaints on a case-by-case basis due to the unique circumstances of each individual situation. Thus, the Purchasing Division does not have standardized criteria for assessing the complaints or determining the appropriate action needed. He stated that a vendor may be reinstated as a qualified vendor after demonstrating it has taken corrective steps to resolve the problems that lead to the complaint, along with payment of compensation for any financial losses incurred by the state resulting from these problems.

Review of Complaint Handling

We interviewed Purchasing Division management, and we reviewed policies and procedures related to vendor complaints. We also obtained and reviewed vendor complaint and debarred-vendor records for 2008 through 2010. (See Table 21.) Division management controls over the complaint-handling process appear adequate.

Table 21
Vendor Complaints and Debarred Vendors
2008 Through 2010

	2008	**2009**	**2010**
Complaints	136	74	90
Debarred Vendors	3	7	2

Source: Department of General Services.

The Purchasing Division's Specifications Development and Approval Process Appears Adequate

Section 12-3-501, *Tennessee Code Annotated*, requires state agencies to submit to the Department of General Services "recommended specifications for all materials, equipment and supplies required and to be required" by such agencies. Non-professional services, such as security, janitorial, garbage, plumbing, and electrician services, are included among the purchases for which the department develops and approves specifications. (These services, since they can be evaluated using uniform and impersonal criteria, are by their nature amenable to the bidding process overseen by the Purchasing Division.)

The Department of General Services' *Purchasing Policy Manual* requires the Purchasing Division "to review all recommended specifications, to develop and adopt standard specifications for any commodity which shall, insofar as possible, fit the requirements of the majority of all State agencies which shall use the same commodity." The manual requires the division to "make use of standard specifications when practical." Specifications must be functional or performance-based whenever possible, and easily understood. In addition, specifications must be open and competitive (to satisfy the competitive bid requirements of Section 12-3-502, *Tennessee Code Annotated)* with two or more brands and models identified which will meet or exceed the minimum requirements. The purchasing manual requires the requesting agency to document in Edison where it is considered to be impractical to list more than one brand and model meeting the minimum functional or performance specifications stated. After approval and adoption, all standard specifications are to remain in Edison or on file in the Purchasing Division and be made accessible to the public.

Section 12-3-205, *Tennessee Code Annotated*, allows the Department of General Services to "identify goods or services which may not be procured by competitive means because of the existence of a single source of supply." After considering the following factors, the Purchasing Division may allow a single-source purchase without going through the competitive bid process:

1. whether the vendor possesses exclusive and/or predominant capabilities or the item contains a patented feature providing a superior utility not obtainable from similar products;

2. whether the product or service is unique and easily established as one of a kind;

3. whether the program requirements can be modified so that competitive products or services may be used;

4. whether the product is available from only one source and not merchandised through wholesalers, jobbers or retailers;

5. whether items must be interchangeable or compatible with in-place items.

Our review of the Purchasing Division's specifications review and approval process included interviews with Department of General Services management, reviews of the *Purchasing Policy Manual*, and a random sample of 15 of the 675 specifications approved by the Purchasing Division in the fiscal year ended June 30, 2010. The Purchasing Division Director stated that specification development occurs in two different processes. If it involves a requisition for a one-time purchase, then the state agency provides the specifications—and the Department of General Services requires at least two brands and models to be considered. When specifications are being developed for statewide contracts, input is obtained from all agencies that will be affected by the contract. For contract amounts greater than $100,000, a pre-bid conference is held where end-users involved in the contracted service or product discuss specifications and manufacturers. He stated that agencies may request a proprietary, sole-source contract—and if so, the Purchasing Division verifies the need for a sole-source contract.

We evaluated the random sample of 15 specifications using criteria for specifications development in the *Purchasing Policy Manual* such as whether more than one brand was considered, the number of bids, and whether documentation on file was complete. Three of the specifications involved sole-source contracts. We determined that the Purchasing Division appeared to have met the *Purchasing Policy Manual* requirements for approval of the specifications.

Monitoring of Local Government and Nonprofit Organization Purchases From Statewide Contracts Is Lacking

Section 12-3-101, *Tennessee Code Annotated*, vests the Department of General Services' Purchasing Division with the authority for purchases of all "materials, supplies and equipment, and all telephone, telegraph, electric light, gas, power, postal services, and the leasing of any equipment" by the state. (Section 12-3-103 exempts the General Assembly and the Board of Regents and University of Tennessee systems from having to purchase through the department.) Section 12-3-806 allows the Department of General Services to delegate limited purchase authority to state agencies by rule or purchase order.

Section 12-3-1001, *Tennessee Code Annotated*, allows local governments to "purchase, without public advertisement or competitive bidding, under the provisions of contracts or price agreements entered into by the department." In addition, Section 33-2-1001 allows any corporation exempted from taxation by 26 U.S.C., Section 501(c)(3), and that provides services to the Departments of Intellectual and Developmental Disabilities and Mental Health, to "purchase or contract to purchase goods or services at the same terms and conditions as that contracted for by the state under state purchasing contracts."

The Purchasing Division Director stated that in an effort to increase the state's buying power, the Department of General Services participates in a multi-state purchasing consortium, the Western States Cooperative Alliance, a program of the National Association of State Procurement Officials that maintains cooperative contracts with industrial supplier W.W. Grainger which local governments can participate in. Alliance membership allows the state to take advantage of co-op pricing, and ongoing efforts to increase participation on the Grainger contract hold the potential to produce better pricing for all entities involved. Increase in local government and nonprofit organization use of statewide contracts could potentially increase the buying power of the alliance.

Edison's Role in Procurement

All state agencies are to use Edison, which acts as the state's procurement system, for processing all purchasing documents except where explicitly noted in the department's *Purchasing Policy Manual*. The Item Master in Edison under Eprocurement is used to identify items available to state agency users—including all items on statewide contract, certified products of the Tennessee Rehabilitative Initiative in Correction (TRICOR), certified products of the Central Nonprofit Agency (i.e., products of Community Rehabilitation Agencies of Tennessee), and items available from other state agencies.

In addition, the Purchasing Division website (www.Tennessee.gov/generalserv/purchasing) may be used to identify statewide contracts for authorized local government entities and agency procurement officers. It contains all current established statewide contracts, related codes, procedures, terms, and other purchasing information. It includes price lists of state-manufactured products, certified products of TRICOR, certified products of the Central Nonprofit Agency, and lists of special items that are available from Federal and State Surplus Property.

Tracking of Local Government and Nonprofit Organization Use of Statewide Purchasing Contracts

We reviewed the *Purchasing Policy Manual*, related statutes, and rules and regulations, and we interviewed management from both the Department of General Services and the Department of Finance and Administration (which administers Edison) to determine the extent of involvement that local governments and nonprofit organizations have with statewide purchasing contracts. Purchasing Division management acknowledged the absence of any legal requirements for local governments and nonprofit organizations to participate in state contracts yet stated that heightened participation could increase the state's buying power—effectively saving the state money. However, division management expressed dissatisfaction with the current level of involvement by local governments and nonprofit organizations in using statewide contracts, although they had no data on the extent of this involvement. Although management stated it wanted to track local government and nonprofit organization, it was unable to do so. Local government and nonprofit purchase tracking is now only available through the vendor and depends on the vendor's accounting system, which can be different than the one used by the Purchasing Division, according to the division's director.

Limitations within Edison present serious obstacles for the Purchasing Division to promote increased participation by local governments and nonprofit organizations in statewide contracts, to increase the state's buying power. We tried to determine the extent of such purchases for the last two fiscal or calendar years, but we were not able to obtain that information from either the Department of General Services or the Department of Finance and Administration. Management from both the Department of General Services and the Department of Finance and Administration stated that such data were not collected by Edison or by any other system.

Another Edison hindrance cited by Purchasing Division management included the inability of local governments and nonprofits (unlike state agencies) to use Edison's search engine to search for specific items to purchase. Without the ability to track the purchases of local governments and qualified nonprofit organizations off state contracts, the Purchasing Division cannot take effective measures to increase such purchases and thus the state's buying power. In addition, the division cannot measure the effect of solutions to problems that may hinder such purchases, like those pertaining to Edison.

In conjunction with the Department of Finance and Administration's Enterprise Resource Planning Division (which directly administers Edison), Purchasing Division management should undertake measures to more effectively involve local governments and nonprofit organizations in statewide purchasing contracts. This includes creating a mechanism in Edison that accurately monitors and captures local government and nonprofit organization purchases. Using this information, the division should develop and implement goals related to increasing participation in statewide contracts to achieve subsequent gains from increased buying power. Other initiatives that could raise awareness, promote increased participation in statewide contracts, or remove obstacles for local government and nonprofit organization purchasing should be considered on a cost-benefit basis.

RESULTS OF OTHER AUDIT WORK

The following topic, reviewed as part of our audit objectives, is included in this report to provide additional information on the programs and activities of the Department of General Services.

Use of Edison in Department Operations

We were interested in the extent of the integration of Edison, the State of Tennessee's integrated software package that is used to perform administrative business functions, in the Department of General Services' data management operations. Specifically, we wanted to determine whether all of the department's data management has migrated to Edison and, if not, what other data management systems are used in lieu of Edison or in conjunction with Edison (e.g., an old "legacy" system or a new system). We also wanted to know why these alternative systems are being used. We obtained information from officials of the following Department of General Services divisions and offices:

- the Director of Internal Audit (who was also Director of the Office of Assurance and Technology Services)

- the Governor's Office of Diversity Business Enterprise (Go-DBE);
- the Human Resources Division;
- the Motor Vehicle Management Division;
- the Office of Financial Management;
- the Postal Services Division;
- the Printing and Media Services Division;
- the Property Services Management Division;
- the Purchasing Division;
- the Services Contracting Division; and
- the Warehousing and Distribution Division (formerly the Property Utilization Division).

Data Management Systems Other Than Edison

Officials from five Department of General Services sections stated that they used a data management system other than Edison: Go-DBE, the Postal Services Division, the Printing and Media Services Division, the Property Services Management Division, and the Division of Warehousing and Distribution. However, the use of these systems appears to be more the result of specialized needs of these sections rather than inherent weaknesses of Edison or reluctance to use Edison.

The Go-DBE Director stated that in November 2010 her office "moved to the new electronic method known as TN Go-DBE System for the registration, certification and compliance tracking mechanism used for capturing data managed under the statewide diversity program." She also stated that her office "had been previously advised of some limitations the Edison ERP" had which prevented Edison from capturing such data.

According to its director, the Postal Services Division "uses a stand-alone Mail Management System that is self contained in the Postal Services division." The director stated that the division uses the system "to manage the day to day mailing operations of the division providing real-time information, such as pieces processed, and postage used" and for monthly billing to customer agencies. Office of Financial Management staff who have been granted access to the Mail Management System by the Director of Postal Services load billing data monthly into Edison. The Mail Management System is a local area network (LAN) that is not directly connected to the state network.

The Printing and Media Services Division Director said that her division used Enterprise, a "printing industry specific" software program that includes "modules for Estimating, Order Entry, Inventory, Billing, Data Collection, Job Costing, and Scheduling, all of which are integrated." She asserted that using Edison would take an "extra step" since Enterprise could not interface with Edison. She added that as "our customers do not place orders through Edison, we don't have any duplication there." The Property Services Management Division Director stated that her division had developed a Microsoft Access database to process maintenance orders, since Edison's Facility Max module, which is now called AIM, "did not capture the data we need and made time entry much more cumbersome and time-consuming for our employees."

The Director of Internal Audit stated that the major alternative data management system to Edison in the Department of General Services is the Surplus Property Management Application (SPMA) system, which deals with data regarding the Division of Warehousing and Distribution's management of surplus property. SPMA is a custom application that is still being used because the department is responsible for both federal and state surplus property, and the federal property data are required to be handled separately from the state property, according to the Internal Audit Director. The Department of General Services' interaction with the Department of Finance and Administration's Enterprise Resource Planning (ERP) Division (which is responsible for Edison operations) failed to resolve issues with data processing requirements despite several application attempts, according to the Director of Warehousing and Distribution and the Office of Financial Management's assistant director. However, the Director of Warehousing and Distribution stated that use of a fully automated system like Edison would be preferable since it would reduce manual handling of data (and related data entry errors) and thus reduce the possibility of inventory being lost or stolen.

<u>Resolution of Edison Issues</u>

Although certain of the Department of General Services' officials mentioned that the Department of Finance and Administration's Enterprise Resource Planning (ERP) staff were very busy and thus difficult to get in contact with, no official complained of instances of ERP staff disregarding requests for assistance once contact had been made. However, several officials did mention ongoing problems with Edison in January 2011. This information was provided by the previous Internal Audit Director. The current Internal Audit Director stated that these problems had been resolved, as of September 2011. Department of General Services officials should continue working with ERP staff to resolve any outstanding or new Edison issues that impede the integration of the department's operations with Edison.

RECOMMENDATIONS

ADMINISTRATIVE

The Department of General Services should address the following areas to improve the efficiency and effectiveness of its operations.

1. The Department of General Services needs to develop and implement a formal system to assess, catalog, and prioritize the ongoing maintenance needs of the state-owned facilities (both completed and deferred) to provide a comfortable, safe, and secure working environment for state employees and their visitors, and protect the State of Tennessee's investments in property assets. The department should develop this system in cooperation with the Commissioner of Finance and Administration's task force for development of a comprehensive, statewide capital improvements master plan. Actions to develop the system should include steps noted by Property Services Management Division management, such as identifying why maintenance work has been delayed and advising state officials and the public on the scale of the problem. Such advice should include the financial impact of delayed maintenance; the need for adequate, recurring funding; the need for prioritization of maintenance projects so that the Property Services Management Division can meet the most urgent maintenance problems first; and adequate preventive maintenance to prevent problems from increasing in number and getting worse (and thus more costly to resolve).

2. The department should provide additional information and training to contractors about the need to meet the requirements of Executive Order 41 and Section 12-4-124, *Tennessee Code Annotated*, regarding the signing of semi-annual attestations regarding not knowingly using the services of illegal immigrants or using any subcontractor who does. The Procurement Compliance Unit should perform evaluations similar to those we performed to determine whether contractors sign such attestations in a timely manner. Until the Procurement Compliance Unit is sure that contract information in Edison is correct, the unit should use information from original contracts. The Procurement Compliance Unit should revise its policies and procedures for attestation reviews to incorporate a step requiring the comparison of contract start dates to the dates on attestations.

3. The Internal Audit Director should regularly monitor efforts of both the Office of Human Resources and Purchasing Division management to ensure that all Division of Purchasing staff sign timely, annual conflict-of-interest disclosure statements, as required by Section 8-50-506, *Tennessee Code Annotated,* and the Department of General Services' *Conflict of Interest Policy*.

Appendix 1
Title VI and Gender and Ethnicity Information

Title VI Information

All programs and activities receiving federal financial assistance are prohibited by Title VI of the Civil Rights Act of 1964 from discriminating against participants or clients on the basis of race, color, or national origin. In response to a request from members of the Government Operations Committee, we compiled information below related to the Department of General Services' efforts to comply with Title VI requirements.

Annual Title VI Compliance Plan

Department management submits a Title VI Implementation and Compliance Plan to the Tennessee Human Rights Commission, as required by 4-21-901, *Tennessee Code Annotated*. The most recent plan, *Department of General Services Implementation Plan for Title VI of the 1964 Civil Rights Act*, *2010-2011*, was submitted on September 30, 2010. Title VI information has not been submitted to any other departments/agencies, federal or state, according to Department of General Services Internal Audit staff.

Title VI Staff

The Department of General Services appointed a new Title VI Coordinator in September 2011. The position had been vacant since May 6, 2011. Each of the department's divisions has a Title VI Division Representative.

Title VI Tracking and Monitoring

Every quarter, all Department of General Services divisions are required to submit a quarterly compliance review report to the Title VI Coordinator. Results of the quarterly reports are submitted as a part of the annual report to the Tennessee Human Rights Commission. The reports for July 2010 through March 2011 show that no division received any Title VI complaints during this time.

Title VI Training and Awareness

Training for understanding Title VI requirements for agency staff includes meetings with each Title VI Division Representative. These meetings were held on August 5, 2009, and August 19, 2010. Beginning in December 2010, a Title VI video was required training for all department staff.

Although the Department of General Services receives no direct federal funds, the department receives federal surplus property, which is then distributed to other eligible agencies. To ensure that recipients of federal surplus property are aware of Title VI requirements, the Division of Warehousing and Distribution sends to approved donees acceptance letters along with a Title VI poster and instructions on displaying the poster. From July 2009 through August 2010, the Office of Internal Audit began handling the review of donees for Title VI. These reviews included observation for posters and brochures, review of written policies, review of complaints, review of procedures for monitoring and compliance, determining if information was getting to the general public, and the review of policy for Limited English Proficiency (LEP) compliance. After the review, the donees were told of deficiencies, which are followed up by a letter to the donee. As of April 2011, the Division of Warehousing and Distribution has been handling this process.

Title VI Complaints

The Department of General Services has implemented procedures to address the resolution of Title VI complaints. A formal complaint must be filed in writing, within 180 days of the occurrence of the alleged discrimination. The complaint should be filed on form DGS-1, Title VI Complaint Form, available on the department's intranet webpage. The complaint may also be filed in a letter stating the elements of the complaint. A complaint alleging discrimination against a division or entity of the General Services program delivery system may be filed internally with the DGS Title VI Coordinator. In addition, a complaint can be filed externally with the Tennessee Human Rights Commission or the Office of Civil Rights, U.S. General Services Administration.

Department management staff must forward all written complaints they receive to the Title VI Coordinator within two business days of the receipt of any complaint. The Title VI Coordinator will coordinate the review and investigation of complaints. The Title VI Coordinator then prepares a written determination on the alleged discrimination and makes any recommendations on appropriate remedial action to the Commissioner within 30 calendar days of receipt of the written complaint. The Department of General Services had not received any Title VI complaints during fiscal years ended June 30, 2010 and 2011.

Title VI Programs

As already stated, the Department of General Services receives federal property in its Division of Warehousing and Distribution. Currently the two federal programs that the department participates in are the Federal Surplus Property Program and the Law Enforcement Support Organization (LESO). The department does not have contractors or subrecipients that must meet Title VI requirements.

Gender and Ethnicity Information

Department of General Services
Staff Gender and Ethnicity by Job Position
July 2011

Title	Gender		Ethnicity					
	Male	Female	Asian	Black	Hispanic	Indian	White	Other
Account Clerk	0	3	0	0	0	0	3	0
Accountant 2	1	3	1	1	0	0	2	0
Accountant 3	2	1	0	0	0	0	3	0
Accounting Manager	1	1	0	0	0	0	2	0
Accounting Technician 1	0	2	0	0	0	0	2	0
Accounting Technician 2	3	3	0	0	0	0	5	1
Administrative Assistant 1	0	11	0	4	0	0	6	1
Administrative Assistant 2	0	1	0	0	0	0	1	0
Administrative Secretary	0	1	0	0	0	0	1	0
Administrative Services Assistant 2	4	6	0	2	1	0	7	0
Administrative Services Assistant 3	4	13	0	5	0	0	12	0
Administrative Services Assistant 4	3	4	0	1	0	0	6	0
Administrative Services Assistant 5	4	0	0	0	0	0	4	0
Affirmative Action Officer 1	0	1	0	1	0	0	0	0
Assistant Commissioner 2	2	1	0	0	0	0	3	0
Attorney 3	0	1	0	0	0	0	1	0
Audit Director 2	0	1	0	0	0	0	1	0
Auditor 2	1	1	0	1	0	0	1	0
Auditor 3	0	1	0	1	0	0	0	0
Auditor 4	1	0	0	0	0	0	0	1
Automotive Master Mechanic Supervisor	1	0	0	0	0	0	1	0
Bindery Supervisor 2	0	1	0	0	0	0	1	0
Bindery Worker 2	4	3	0	2	0	0	5	0
Building Maintenance Worker 2	40	0	1	4	1	0	34	0
Building Maintenance Worker 3	14	0	0	4	0	0	9	1
Central Stores Assistant Director	0	1	0	0	0	0	1	0

Title	Gender		Ethnicity					
	Male	Female	Asian	Black	Hispanic	Indian	White	Other
Central Stores Director	0	1	0	0	0	0	1	0
Chef/Manager	1	0	0	0	0	0	1	0
Clerk 2	1	6	0	2	0	0	4	1
Clerk 3	5	4	0	4	0	0	5	0
Commissioner 1	1	0	0	0	0	0	1	0
Custodial Worker 1	0	2	0	2	0	0	0	0
Custodial Worker 2	0	1	0	1	0	0	0	0
Custodial Worker Supervisor 1	0	1	0	0	0	0	1	0
Delta Room Operator	4	0	0	2	0	0	2	0
Delta Room Supervisor	1	0	0	0	0	0	1	0
Deputy Commissioner 1	1	1	0	0	0	0	2	0
DGS Energy Manager	1	0	0	0	0	0	1	0
DGS Marketing Manager	0	1	0	0	0	0	1	0
Diversity Business Program Director	0	1	0	1	0	0	0	0
Equipment Mechanic 1	1	0	0	0	0	0	1	0
Equipment Service Worker	3	0	0	1	0	0	2	0
Executive Administrative Assistant 1	1	2	0	1	0	0	2	0
Executive Administrative Assistant 2	1	4	0	0	0	0	5	0
Executive Assistant to First Lady	0	1	0	0	0	0	1	0
Facilities Manager 2	1	0	0	0	0	0	1	0
Facilities Supervisor	13	0	0	3	0	0	10	0
Facility Administration Director	1	1	0	0	0	0	2	0
Facility Administration Manager	0	1	0	0	0	0	1	0
Facility Administrator 1	3	1	0	3	0	0	1	0
Facility Administrator 2	12	0	0	3	0	0	9	0
Facility Administrator 3	4	2	0	0	0	0	6	0
Fiscal Director 1	1	0	0	0	0	0	1	0
Fiscal Director 3	1	0	0	0	0	0	1	0
Fleet Maintenance Assistant 1	4	2	0	2	0	0	4	0
Fleet Maintenance Assistant 2	5	0	0	0	0	0	5	0
Fleet Supervisor 1	1	1	0	0	0	0	2	0
Fleet Supervisor 2	2	0	0	0	0	0	2	0

Title	Gender		Ethnicity					
	Male	Female	Asian	Black	Hispanic	Indian	White	Other
Food Service Assistant	0	1	0	1	0	0	0	0
General Counsel 2	1	0	0	0	0	0	1	0
Graphic Artist	1	0	0	0	0	0	1	0
Graphics Designer 1	1	0	0	0	0	0	1	0
Graphics Designer 2	1	0	0	0	0	0	1	0
Grounds Worker 2	5	1	0	0	0	0	6	0
Grounds Worker 3	2	1	0	0	0	0	3	0
Heating & Refrigeration Mechanic 1	6	0	0	1	0	0	4	1
Heating & Refrigeration Mechanic 2	5	0	0	1	0	0	4	0
Heating & Refrigeration Mechanic 3	3	0	0	1	0	0	2	0
Horticultural Manager	1	0	0	0	0	0	1	0
Horticulturist	1	0	0	0	0	0	1	0
Human Resources Analyst 2	0	2	0	1	0	0	1	0
Human Resources Director 3	0	2	0	0	0	0	2	0
Human Resources Manager 1	0	1	0	0	0	0	1	0
Human Resources Technician 2	0	1	0	1	0	0	0	0
Information Resource Support Specialist 2	0	1	0	0	0	0	1	0
Information Resource Support Specialist 3	2	1	0	0	0	0	3	0
Information Resource Support Specialist 4	0	1	0	1	0	0	0	0
Information Systems Analyst 4	2	2	0	1	0	0	3	0
Information Systems Manager 1	0	1	0	1	0	0	0	0
Information Systems Manager 2	1	1	0	0	0	0	2	0
Legal Assistant	0	1	0	0	0	0	1	0
Long Distance Hauler	2	0	0	0	0	0	2	0
Mail Clerk	23	11	0	25	0	0	8	1
Mail Service Director	1	0	0	0	0	0	1	0
Mail Services Manager	0	2	0	1	0	0	1	0
Mail Services Supervisor	2	0	0	2	0	0	0	0
Mail Technician 1	3	2	0	3	0	0	2	0
Mail Technician 2	2	2	0	4	0	0	0	0

Title	Gender		Ethnicity					
	Male	Female	Asian	Black	Hispanic	Indian	White	Other
Maintenance Electrician 1	6	0	0	1	1	0	4	0
Maintenance Electrician 2	5	0	1	0	0	0	4	0
Maintenance Plumber 2	1	0	0	0	0	0	1	0
Management Consultant 2	1	1	0	0	0	0	2	0
Manager-Executive Residence	0	1	0	0	0	0	1	0
Motor Vehicle Management Assistant Director	1	0	0	1	0	0	0	0
Motor Vehicle Management Director	1	0	0	0	0	0	1	0
Office Automation Specialist	0	1	0	0	0	0	1	0
Offset Press Operator 1	2	1	0	1	0	0	2	0
Offset Press Operator 1-NE	0	1	0	1	0	0	0	0
Offset Press Operator 2	5	0	0	1	0	0	4	0
Printing Estimator	2	1	0	0	0	0	3	0
Printing Order Clerk	0	1	0	1	0	0	0	0
Printing Pre-Press Supervisor 2	1	0	0	0	0	0	1	0
Printing Scheduler	1	0	0	0	0	0	1	0
Printing Services Asst. Director	0	1	0	0	0	0	1	0
Printing Services Director	0	1	0	0	0	0	1	0
Printing Services Supervisor 1	1	0	0	0	0	1	0	0
Printing Services Supervisor 2	1	0	0	0	0	0	1	0
Procurement Officer 1	2	0	0	0	0	0	2	0
Procurement Officer 2	0	1	0	0	0	0	1	0
Property Utilization Assistant Director	0	1	0	1	0	0	0	0
Property Representative 3	2	1	0	0	0	0	3	0
Property Utilization Manager 1	1	0	0	0	0	0	1	0
Property Utilization Manager 2	2	0	0	0	0	0	2	0
Purchasing Administrator	0	3	0	1	0	0	2	0
Purchasing Agent 1	1	0	0	0	0	0	1	0
Purchasing Agent 2	6	4	0	3	0	0	7	0
Purchasing Agent 3	11	3	0	2	0	0	12	0
Purchasing Agent Supervisor	2	3	0	0	0	0	5	0
Purchasing Assistant Director	2	0	0	0	0	0	2	0

Title	Gender		Ethnicity					
	Male	Female	Asian	Black	Hispanic	Indian	White	Other
Purchasing Computer Technology Consultant	0	1	0	0	0	0	1	0
Purchasing Director	1	0	0	0	0	0	1	0
Records Analyst 3	0	2	0	1	0	0	1	0
Records Manager	0	2	0	2	0	0	0	0
Secretary	0	1	0	1	0	0	0	0
Special Assistant to the First Lady	0	1	0	0	0	0	1	0
State Chief Photographer	1	0	0	0	0	0	1	0
State Photographer 1	0	1	0	0	0	0	1	0
State Photographer 2	0	1	0	1	0	0	0	0
Storekeeper 1	6	0	1	3	0	0	2	0
Storekeeper 2	3	1	0	1	0	0	3	0
Stores Clerk	1	1	0	2	0	0	0	0
Stores Manager	2	0	0	0	0	0	2	0
Vehicle Operator	4	0	0	2	0	0	2	0
Warehouse Worker	2	0	0	1	0	0	1	0
Website Developer 2	1	0	0	0	0	0	1	0
Word Processing Operator 1	0	3	0	1	0	0	2	0
	297	**166**	**4**	**123**	**3**	**1**	**325**	**7**

Appendix 2
Performance Measures Information

As stated in the Tennessee Governmental Accountability Act of 2002, "accountability in program performance is vital to effective and efficient delivery of governmental services, and to maintain public confidence and trust in government." In accordance with this act, all executive branch agencies are required to submit annually to the Department of Finance and Administration a strategic plan and program performance measures. The department publishes the resulting information in two volumes of *Agency Strategic Plans*: *Volume 1 - Five-Year Strategic Plans* and *Volume 2 - Program Performance Measures*. Agencies were required to begin submitting performance-based budget requests according to a schedule developed by the department, beginning with three agencies in fiscal year 2005, with all executive-branch agencies included no later than fiscal year 2012. The Department of General Services began submitting performance-based budget requests in fiscal year 2004.

Detailed below are the Department of General Service's performance standards and performance measures, as reported in the September 2010 *Volume 2 - Program Performance Measures*, with a description of how the department determines each measure. We gathered information from the department on its processes for (1) identifying/developing the standards and measures; (2) collecting the data used in the measures; and (3) ensuring that the standards and measures reported are appropriate and that the data are accurate. Its methods appear appropriate.

Performance Standards and Measures

Performance Standards-Administration

Performance Standard 1
Provide quality service to intra-agency customers by maintaining 80% or better rating of "above average service" on annual customer survey.

Performance Measure 1
Percentage of "above average service" rating.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
83.44%	81.00%	82.00%

The Office of Financial Management performs an annual online survey which requests all agency divisions to rate the office's performance in critical areas. The department's Budget Analyst Coordinator collects data from the surveys which are completed and returned by email. The calculation is made by taking the total of all replies in the performance section and dividing it by the total replies that were received in the performance section of the survey.

Performance Standard 2
Increase each year in the number of certified minority-owned, woman-owned, and small business that are qualified to provide goods and services to state departments and agencies over fiscal year 2008 certified total.

Performance Measure 2
Percent of increase in the number of certified minority-owned, women-owned, and small businesses that are qualified to provide goods and services to state departments and state agencies, as compared to the fiscal year 2008 certified total.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
8.90%	49.00%	17.00%

To monitor the increase in the number of minority-owned, woman-owned, and small businesses desiring to do business with the state, the number of firms certified on a monthly basis is reported to the program manager. The number of certified businesses meeting the above description, divided by the number in the base year (2008), is the percent increase.

Performance Standards-Office of Information Technology Services (OITS)

Performance Standard 1
OITS shall resolve Priority 3 Helpdesk tickets within five business days of receipt a minimum of 72% of the time.

Performance Measure 1
Percent of time OITS resolved Priority 3 Helpdesk tickets within five business days of receipt.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
70%	80%	80%

To provide timely services, the division management tracks Helpdesk tickets from the time they are received until resolved using a Remedy Data Base query. The number of tickets resolved within 5 business days is divided by the total number of Priority 3 Helpdesk tickets received to obtain the resolved percentage.

Performance Standards-Motor-Vehicle Management

Performance Standard 1
Maintain a dispatch fleet of mid-sized vehicles adequate to meet the demands of state business at a savings of 50 percent or better than the average cost of the three lowest, locally represented, national rental companies, as reflected in rates published in June of each year.

Performance Measure 1
Daily average MVM lease rate charge for state use as a percentage of the daily industry lease rate charge.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
73.55%*	46.00%	45.00%

*The actual figure was updated from 59.69% in 2010 *Volume 2 - Program Performance Measures*, September 2010, to 73.55% in the 2011-2012 *Budget* (dated 3-14-11).

To monitor the cost savings of maintaining a mid-size dispatch fleet, the daily rate to rent a mid-size sedan from a national car rental company is collected by the Fleet Supervisor 2 through the rental companies' web sites. This rate is compared to the cost per daily usage ([Fuel Cost + Maintenance Cost] / Total Days Usage) for a state motor pool mid-size sedan collected from FleetFocus M5.

Performance Standards-Property Management

Performance Standard 1
Property Services Management (PSM) will operate at a cost of less than 70% of Building Owners and Managers Association (BOMA) latest published industry standard cost per square foot rate.

Performance Measure 1
Percent of PSM total cost verses the BOMA standard rate per square foot.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
65.23%	61.00%	60.75%

Performance Standard 2
Total cost of maintenance per square foot for buildings will be less than 65% of the latest published comparable BOMA industry standards per square foot rate.

To measure the operating cost of PSM's building based on square footage as compared to an industry standard (BOMA), cost data is derived from actual expenses and salary costs that PSM incurs and tracked by the department's Office of Financial Management, while actual building square footages are tracked in the Facilities Revolving Fund (FRF) Report provided by the Department of Finance and Administration.

Performance Measure 2
Percent of PSM maintenance cost verses the BOMA maintenance rate per square foot.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
60.75%	60.75%	60.75%

Total maintenance costs are divided by the state-owned property square footage and then divided again by the BOMA published rate. All operating costs are divided by the total square footage of FRF state-owned and leases properties, which is then divided by the BOMA published rate.

Performance Standards-Postal Services

Performance Standard 1
Retain a cost per piece of mail that is less than 80% of standard USPS first-class rates.

Performance Measure 1
Percent of cost versus USPS average annual cost per piece of first class mail.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
80.80%	79.08%	79.07%

Performance Standard 2
Increase the pre-sort percentage of outgoing U.S. Postal Service letter mail to maximize pre-sort with bar-code discount rate for postage savings.

Performance Measure 2
Percent of total mail pre-sorted with bar-code/dollar savings by being able to pre-sort with bar code.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
98% / $3,682,595	96% / $3,687,972	98% / $3,756,247

To measure the outcomes of the efficiencies of the Postal Department and its ability to save the state substantially in the raw cost of per piece mail, Postal Services first uses the Postal Services Mail Management System to collect data. First-class mail is currently 44 cents per piece, while pre-sorting the mail discounts that to 34 cents per piece, a savings per piece of 10 cents.

Performance Standards-Printing and Media Services

Performance Standard 1
Retain a 95% on-time delivery rating of printing requests that are assigned a completion due date.

Performance Measure 1
Percent of on-time deliveries assigned a completion due date.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
95.80%	95.00%	95.00%

Performance Standard 2
Maintain an efficient process with minimal turnaround time (8.5 days or better) from inception to completion.

Performance Measure 2
Turnaround time, in days, from the time order is received until it is delivered.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
8.4	8.5	8.5

In order to track on-time delivery and turnaround time, once a month, the director or assistant director pulls a report from the Enterprise database, which is the print management software used for estimating, order entry, billing, shipping, and data collection. Jobs that are delivered on or before the scheduled date are divided by total jobs to calculate the percentage of on-time jobs. Turnaround time is calculated by taking the number of days from the time a job is received to the day the job is delivered, and this includes weekends. This calculation is an average of all job turnaround times within the given period.

Performance Standards-Purchasing

Performance Standard 1
Process at least of 75% of term contracts for all expenditures for goods and non-professional services over $25,000 for the State of Tennessee within 60 days of request.

Performance Measure 1
Percent of term contracts processed within 60 days of request for all expenditures for goods and non-professional services over $25,000 for the State of Tennessee.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
40.60%	80.00%	81.00%

Performance Standard 2
Process a minimum of 50% of one-time procurement requisitions, over agency local purchase threshold of $25,000, within 30 days.

Performance Measure 2
Percent of one-time procurement requisitions over $25,000 processed within 30 days of requested receipt.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
77.60%	50.00%	65.00%

To establish a baseline that when met is evidence of the timely processing of purchasing documents, the Purchasing Division's Content Team develops and runs a data collection query in Edison. The contract or purchase order start date minus the sourcing event first saved date equals the total days to process. For Measure 1, the total number of documents meeting the standard is divided by all documents. For Measure 2, the total number of documents meeting the standard is divided by the total of all one-time documents.

Performance Standards-Warehousing and Distribution

Performance Standard 1
Minimize order line fulfillment cycle time by decreasing the processing time required by order fulfillment staff to process and ship customer orders upon deployment to the warehouse.

Performance Measure 1
Cycle time required (in days) to fully process and ship an order, once received in the warehouse.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
3.0	4.25	3.5

Performance Standard 2
Achieve and maintain a 90% completion rate for all requests for state surplus property document folders within 90 days of assignment.

Performance Measure 2
Percent of completion rate for surplus property document folders.

Actual (FY 2009-2010)	Estimate (FY 2010-2011)	Target (FY 2011-2012)
99%	90%	92%

To measure the ability of Warehousing and Distribution to provide centralized warehousing and distribution services to state agencies with limited storage and manpower and to redistribute said property, Edison data is exported for order processing cycle time and the rate of completion for surplus requests is calculated from a tracking database maintained by division employees. Order processing time is calculated by subtracting the date the order was sent to the warehouse from the final ship date. The completion rate is calculated by first subtracting the date requests were received from the completion date. The number of requests found to have taken no more than 90 days to process is then divided by the total number of requests to calculate the percentage.